

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Financial Statements

For the Year Ended 31 December 2017

The Mudgee Soldiers Club Limited

ABN: 99 001 044 677

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For the Year Ended 31 December 2017

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The Mudgee Soldiers Club Limited

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Directors' Report For the Year Ended 31 December 2017

Your directors present their report on The Mudgee Soldiers Club Limited for the financial year ended 31 December 2017.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Names	Position	Dates
Wayne Marskell	President (Appointed May 2017)	
Wayne Wilkinson	Senior Vice President	
Michael Shepperd	Junior Vice President	
William Crossingham	President (Resigned May 2017)	
Jenny Wallis	Director	
William Kerr	Director	Resigned 28/05/2017
David Nelson	Director	Resigned 28/05/2017 Appointed 20/06/2017
Scott Fittler	Director	Appointed 28/05/2017
Simon Byrnes	Director	Appointed 28/11/2017

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Wayne Marskell	
Qualifications	Council Stores and Purchasing Officer
Experience	Board Member 2009 - 2017 Vice President 2011 - May 2017 President May 2017 - Current Ex-officio member of sub committees (Audit / Asset, Club Grants & Marketing)
Wayne Wilkinson	
Qualifications	Retired
Experience	Board Member 2014 - 2017 Vice President May 2017 - Current Chairman Audit / Asset Renewal Committee
Michael Shepperd	
Qualifications	Retired
Experience	Board Member 1995 - 2011 Vice President 1997 - 1999 President 1999 - 2011 Board Member 2013 - 2017 Junior Vice President May 2017 - Current Club Grants Committee Member Marketing Committee Member

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Directors' Report For the Year Ended 31 December 2017

Information on directors

William Crossingham

Qualifications

Experience

Businessman

Board Member 2011 - 2017

President May 2014 - February 2017

President May 2016 - May 2017

Audit / Asset Renewal Committee Member

Jenny Wallis

Qualifications

Experience

Motel Owner

Board Member 2008 - 2017

Junior Vice President 2014 - May 2017

Chairman Club Grants Committee

William Kerr

Qualifications

Experience

Retired

Board member 2013 - 2017

Club Grants Committee Member

David Nelson

Qualifications

Experience

Retired

Board member 2003 - 2017

President 2011 - May 2014

Club Grants Committee Member

Chairman Marketing Committee

Scott Fittler

Qualifications

Experience

Community Relations Manager, Yancoal

Board member May 2017 - Current

Chairman Club Grants Committee

Simon Byrnes

Qualifications

Experience

Professional Accountant

Board November 2017 - Current

Audit / Asset Renewal Committee Member

Principal activities

The principal activity of The Mudgee Soldiers Club Limited during the financial year was the operation of a registered club in accordance with its objectives to benefit its members.

No significant changes in the nature of the Club's activity occurred during the financial year.

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Directors' Report For the Year Ended 31 December 2017

Short term objectives

The Club's short term objectives are to:

- Maintain and / or modernise the Club's premises;
- Provide the best possible hospitality service to members and the local community; and
- Ensure ongoing profitability of the Club to secure its financial future.

Long term objectives

The Club's long term objectives are to:

- Always endeavour to satisfy or exceed member's expectations for all services and facilities provided;
- To maintain a dynamic and relevant presence in the community through the provision of hospitality, lifestyle and entertainment services to the community, and
- Invest funds generated by the Club's operations to develop the Club's assets so that the Club is able to continue to provide services to members and the local community that are concurrent with the needs of the members and local community.

Strategy for achieving the objectives

To achieve these objectives, the Club has adopted the following strategies:

- Ensure the Club's policies are appropriate;
- Ensure professional management;
- Ensure proficient and cost effective operation of the Club; and
- Ensure continued trading profitability and invest surplus funds securely with good returns.

Members' guarantee

The Mudgee Soldiers Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 2 subject to the provisions of the club's constitution.

At 31 December 2017 the collective liability of members was \$ 12,986 (2016: \$ 12,642).

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Directors' Report For the Year Ended 31 December 2017

Meetings of directors

During the financial year, 29 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Special Meetings		Club Grants Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Wayne Marskell	12	12	8	5	1	-	4	4
Wayne Wilkinson	12	12	8	8	-	-	4	4
Michael Shepperd	12	12	8	8	5	4	-	-
William Crossingham	12	11	8	8	4	3	4	4
Jenny Wallis	8	6	6	6	5	4	-	-
William Kerr	4	4	2	2	4	4	-	-
David Nelson	11	10	7	7	-	-	2	2
Scott Fittler	8	7	5	4	1	1	2	1
Simon Byrnes	1	1	-	-	-	-	-	-

Core and non core property

In accordance with Section 41J of the Registered Clubs Act the Club's Property Assets are classified as follows:

Core Property : The Clubs core property assets are defined as the Clubs premises and associated

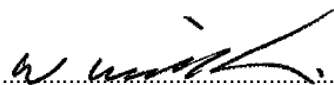
- 93-99 Mortimer Street Mudgee NSW

Non Core property: The Clubs non core property assets are defined as all other property assets held by the Club, including 91 Mortimer St Mudgee NSW.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2017 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director:

Wayne Wilkinson

Director:

Michael Shepperd

Dated 6.3.18

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of The Mudgee Soldiers Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF
Chartered Accountants

Dated: 7 March 2018

Newcastle West, NSW

CLAYTON HICKEY
Partner

The Mudgee Soldiers Club Limited

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

		2017	2016
	Note	\$	\$
Revenue	2	7,977,764	7,366,411
Gain on sale of fixed assets		37,131	829,330
Movement in inventories	3(a)	24,032	(12,522)
Cost of sales	3(a)	(1,299,630)	(1,203,941)
Employee benefits expense		(2,514,377)	(2,589,411)
Depreciation and amortisation expense	3(a)	(641,019)	(616,417)
Insurance expense		(122,138)	(125,659)
Professional and consulting expense		(137,460)	(138,954)
Repairs and maintenance expense		(190,313)	(185,920)
Utilities expense		(268,541)	(257,510)
Advertising expense		(69,323)	(64,195)
Functions and entertainment expense		(100,158)	(145,088)
Poker machine taxes		(869,531)	(789,734)
Members promotions expense		(387,152)	(315,045)
Other expenses		(772,402)	(642,463)
Finance costs	3(a)	(74,950)	(154,703)
Profit before income tax		591,933	954,179
Income tax expense	4	-	-
Profit for the year		591,933	954,179
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		591,933	954,179

The accompanying notes form part of these financial statements.

The Mudgee Soldiers Club Limited

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Statement of Financial Position

As At 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,052,126	717,175
Trade and other receivables		83,503	47,582
Inventories		63,576	87,608
Other assets		63,434	36,687
TOTAL CURRENT ASSETS		1,262,639	889,052
NON-CURRENT ASSETS			
Property, plant and equipment	7	8,647,658	8,633,157
Investment property	8	507,959	513,184
Intangible assets	9	868,373	868,373
TOTAL NON-CURRENT ASSETS		10,023,990	10,014,714
TOTAL ASSETS		11,286,629	10,903,766
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	576,619	507,390
Borrowings	11	315,228	369,101
Employee benefits	12	277,404	269,484
TOTAL CURRENT LIABILITIES		1,169,251	1,145,975
NON-CURRENT LIABILITIES			
Borrowings	11	896,509	1,136,251
Employee benefits	12	63,853	56,457
TOTAL NON-CURRENT LIABILITIES		960,362	1,192,708
TOTAL LIABILITIES		2,129,613	2,338,683
NET ASSETS		9,157,016	8,565,083
EQUITY			
Reserves	13	206,970	206,970
Retained earnings		8,950,046	8,358,113
TOTAL EQUITY		9,157,016	8,565,083

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 31 December 2017

	Retained Earnings	Capital Profits Reserve	Total
	\$	\$	\$
Balance at 1 January 2017	8,358,113	206,970	8,565,083
Profit for the year	591,933	-	591,933
Balance at 31 December 2017	8,950,046	206,970	9,157,016
Balance at 1 January 2016	7,403,934	206,970	7,610,904
Profit for the year	954,179	-	954,179
Balance at 31 December 2016	8,358,113	206,970	8,565,083

The accompanying notes form part of these financial statements.

The Mudgee Soldiers Club Limited

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Statement of Cash Flows For the Year Ended 31 December 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	8,617,139	7,942,111
Payments to suppliers and employees	(7,226,705)	(7,033,231)
Interest received	5,999	4,684
Interest paid	(154,703)	(154,703)
Net cash provided by operating activities	<u>1,241,730</u>	<u>758,861</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of plant and equipment	(578,884)	(468,010)
Proceeds from sale of plant and equipment	37,579	69,558
Proceeds from sale of held for sale assets	-	1,546,184
Acquisition of fixed assets	-	(442,734)
Net cash (used in)/provided by investing activities	<u>(541,305)</u>	<u>704,998</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	550,000
Repayment of borrowings	(365,474)	(1,858,609)
Net cash provided used in financing activities	<u>(365,474)</u>	<u>(1,308,609)</u>
Net increase in cash and cash equivalents held	334,951	155,250
Cash and cash equivalents at beginning of year	717,175	561,925
Cash and cash equivalents at end of financial year	6 <u>1,052,126</u>	<u>717,175</u>

The accompanying notes form part of these financial statements.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

The financial statements are for The Mudgee Soldiers Club Limited as a not-for-profit individual entity.

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost are assigned on the basis of first-in-first-out. Cost of inventory are different after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment.

Property

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis or reducing balance basis over the asset's useful life to the Club commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Land is not depreciated.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(d) Property, plant and equipment

The depreciation rates used for each class of depreciable asset are shown below:

Class of Fixed Asset	Depreciation rate
Buildings	2.5%
Plant and Equipment	15%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	20%
Computer Equipment	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

(e) Intangibles

Poker Machine Entitlements

Poker machine entitlements have been determined to be intangible assets with an indefinite life and are carried at purchase price including related costs of acquisition less any impairment.

(f) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis over 40 years. Land is not depreciated.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts.

Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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Notes to the Financial Statements For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(h) Employee benefits

Provision is made for the Club's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Club does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(i) Borrowings

Secured and unsecured loans have been obtained. Carrying amounts therefore represent amount expected to be repaid at settlement. Unsecured loans are considered to be repayable at call and therefore presented as current liabilities.

(j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Club during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting year. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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Notes to the Financial Statements For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(k) Income Tax

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting year. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current assets and liabilities are offset where a legally enforceable right of setoff exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Non-member income of the club is only assessable for tax, as member income is excluded under the principle of mutuality.

(l) Revenue and other income

The Club recognises revenue when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria have been met for each of the Club's activities as discussed below.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sale of goods

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Provision of services

Revenue from the rendering of services is recognised upon provision of the service to the customers.

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(l) Revenue and other income

Interest revenue

Interest is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(m) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Club.

Key estimates

Impairment

The Club assesses impairment at the end of each reporting year by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Impairment testing for 2017 has resulted in no impairment write-downs being recognised in relation to its intangible assets or property, plant and equipment.

Estimation of useful lives

The Club determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and definite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Provision for long service leave

As discussed in Note 1(g), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Revenue and Other Income

	2017	2016
	\$	\$
Bar and bottle shop sales	1,337,277	1,277,322
Dining room and coffee lounge sales	1,152,829	968,613
Interest received	5,999	4,684
Entertainment income	255,126	291,241
Poker machine revenue	4,911,788	4,592,750
Rental revenue	16,614	3,817
Commissions received	200,281	183,544
Fees and subscriptions	28,965	23,765
Green fees	10,243	10,881
Other revenue	58,642	9,794
	<u>7,977,764</u>	<u>7,366,411</u>

3 Result for the Year

(a) Expenses

Depreciation expense		
- Depreciation - buildings	250,715	253,548
- Depreciation - plant and machinery	385,079	362,869
- Depreciation - leasehold property	5,225	-
	<u>641,019</u>	<u>616,417</u>
Cost of goods sold		
- Bar and bottleshop	544,928	541,496
- Dining room and coffee lounge	427,349	316,984
- Poker machines	87,053	108,128
- Other	240,300	237,333
	<u>1,299,630</u>	<u>1,203,941</u>

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Notes to the Financial Statements For the Year Ended 31 December 2017

4 Income Tax Expense

(a) Reconciliation of income tax to accounting profit:

	2017	2016
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	177,580	286,254
Net income and expenditure items relating to member activity	(183,328)	(297,088)
Tax losses not recognised	5,748	10,834
	<u>-</u>	<u>-</u>

5 Tax

(a) Unrecognised deferred tax assets and liabilities

Deferred tax assets

Tax losses at 30%	470,940	465,192
Capital losses at 30%	81,007	81,007
Temporary differences at 30%	34,497	11,495
	<u>586,444</u>	<u>557,694</u>

Deferred tax assets & liabilities in relation to the carried forward tax losses and timing differences not recognised as amounts are not expected to be realised. This is due to the Club adopting the Accumulated Credits Payout Formula Method to calculate its taxable income from Net Poker Machine Contribution after allowance for overheads.

6 Cash and Cash Equivalents

Cash on hand	239,900	267,080
Cash at bank	812,226	450,095
	<u>1,052,126</u>	<u>717,175</u>

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Notes to the Financial Statements For the Year Ended 31 December 2017

7 Property, plant and equipment

	2017 \$	2016 \$
Land, at cost	<u>529,034</u>	529,034
Buildings and improvements, at cost	10,063,459	10,049,597
Less accumulated depreciation	(3,557,608)	(3,306,894)
	<u>6,505,851</u>	6,742,703
Plant and equipment, at cost	3,703,049	3,420,064
Less accumulated depreciation	(2,958,183)	(2,836,433)
	<u>744,866</u>	583,631
Furniture, fixtures and fittings, at cost	974,418	920,272
Less accumulated depreciation	(723,824)	(692,025)
	<u>250,594</u>	228,247
Motor vehicles, at cost	24,070	24,070
Less accumulated depreciation	(23,912)	(23,873)
	<u>158</u>	197
Poker machines, at cost	3,091,342	2,937,546
Less accumulated depreciation	(2,474,187)	(2,388,201)
	<u>617,155</u>	549,345
	<u><u>8,647,658</u></u>	<u><u>8,633,157</u></u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land \$	Buildings & improvements \$	Plant and Equipment \$	Furniture, Fixtures and Fittings \$	Motor Vehicles \$	Poker machines \$	Total \$
Opening balance	529,034	6,742,703	583,631	228,247	197	549,345	8,633,157
Additions	-	13,863	282,985	54,534	-	299,301	650,683
Disposals	-	-	-	(388)	-	-	(388)
Depreciation expense	-	(250,715)	(121,750)	(31,799)	(39)	(231,491)	(635,794)
	<u>529,034</u>	<u>6,505,851</u>	<u>744,866</u>	<u>250,594</u>	<u>158</u>	<u>617,155</u>	<u>8,647,658</u>

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Notes to the Financial Statements For the Year Ended 31 December 2017

8 Investment Properties

	2017	2016
	\$	\$
Balance at beginning of year	513,184	-
Acquisitions	-	468,010
Transfer from other assets (deposit paid)	-	50,000
Depreciation	(5,225)	(4,826)
Balance at end of the period	507,959	513,184

9 Intangible Assets

Poker machine licences, at cost	868,373	868,373
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Under the Gaming Machines Act 2002, a tradable asset titled a gaming machine entitlement was created. Gaming machine entitlements are able to be sold to other clubs within the state of New South Wales provided certain statutory requirements are met.

This Act came into effect on 2 April 2002. The Club records any gaming machine entitlement it purchases as an intangible asset, at cost. The Club has 110 gaming machine entitlements including 37 purchased entitlements.

	Poker machine licences, at cost	Total
	\$	\$
Balance at the beginning of the year	868,373	868,373
Additions	-	-
Disposals	-	-
Closing balance	868,373	868,373

10 Trade and Other Payables

CURRENT		
Trade payables	194,574	197,078
GST payable	73,645	63,921
Sundry payables and accrued expenses	308,400	246,391
	576,619	507,390

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

11 Borrowings

		2017	2016
		\$	\$
Lease liability - secured	(a)	115,123	93,240
Bank loan - secured	(b)	200,105	275,861
		<u>315,228</u>	<u>369,101</u>
NON-CURRENT			
Lease liability - secured	(a)	25,474	81,560
Bank loan - secured	(b)	871,035	1,054,691
		<u>896,509</u>	<u>1,136,251</u>

(a) Hire Purchase Liabilities

Leased liabilities are secured by the underlying leased assets.

(b) Bank loans

Bank loans comprise of the following facilities:

- Better business facility which expires in November 2022. The liability at balance date is \$1,060,000 and the Club is required to make interest only repayments until December 2017 and principal and interest repayments thereafter.

The Commonwealth Bank of Australia holds the following securities over the Bank Bill facility:

- Registered first mortgage over the commercial property at 91 Mortimer Street;
- Registered first mortgage over the commercial property at 99 Mortimer Street; and
- Registered equity mortgage (Ranked 1) over The Mudgee Soldiers Club Limited.

12 Provisions

	Short term employee benefits	Long term employee benefits	Total
	\$	\$	\$
Current			
Balance at 1 January 2017	191,483	134,458	325,941
Additional provisions	119,966	16,037	136,003
Provisions used	(112,812)	(7,875)	(120,687)
Balance at 31 December 2017	<u>198,637</u>	<u>142,620</u>	<u>341,257</u>

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

12 Provisions

Analysis of total provisions

	2017	2016
	\$	\$
Current	277,404	269,484
Non-current	63,853	56,457
	<u>341,257</u>	<u>325,941</u>

Provision for Employee Benefits

A provision has been recognised for employee benefits relating to annual leave and sick leave (where sick leave is vesting). The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

A provision has been recognised for employee benefits relating to long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1(g) to this report.

13 Reserves

(a) Capital profits reserve

The asset revaluation reserve is used to record profits from the sale of pre capital gains tax (CGT) assets.

14 Leasing Commitments

(a) Finance lease commitments

Payable - minimum lease payments:

- not later than 1 year	127,942	106,059
- between 1 year and 5 years	33,088	89,174
Minimum lease payments	161,030	195,233
Less: finance charges	(20,433)	(20,433)
Present value of minimum lease payments	<u>140,597</u>	<u>174,800</u>

Finance leases relate to the purchase of poker machines. The finance leases have a term of between one and three years.

15 Financial Risk Management

The main risks The Mudgee Soldiers Club Limited is exposed to through its financial instruments are credit risk, liquidity risk and interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and overdrafts.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

15 Financial Risk Management

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	1,052,126	717,175
Total financial assets	1,052,126	717,175
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	576,619	507,390
Borrowings	1,211,737	1,505,352
Total financial liabilities	1,788,356	2,012,742

16 Members' Guarantee

The Club is incorporated under the *Corporations Act 2001* and is a Club limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of \$ 2 each towards meeting any outstandings and obligations of the Club. At 31 December 2017 the number of members was 6,493 (2016: 6,321).

The Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

17 Interest of Key Management Personnel

The total remuneration paid to key management personnel of the Club is \$ 158,962 (2016: \$ 156,630).

18 Contingencies

As at balance date the club is holding \$35,868 in retention payments with respect to the Club refurbishment (2016: \$35,988).

In the opinion of the Directors, the Club did not have any other contingencies at 31 December 2017.

19 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no related party transactions during the financial year.

20 Cash Flow Information

Non-cash financing and investing activities

	2017	2016
	\$	\$
Acquisition of assets by means of finance leases	<u>71,859</u>	<u>225,524</u>

21 Events after the end of the Reporting Period

The financial report was authorised for issue on 6 March 2018 by the Board of Directors.

In January 2018, the Club reviewed its finance facilities with the Commonwealth Bank of Australia. As a result, the Club reduced the loan period of the Market Rate Loan. This facility which was due to expire in November 2022, will expire in December 2020. As a result, the principal repayments for the next 12 months will increase by \$99,895, to be \$300,000. There has been no increase in the overall loan facility.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Club, the results of those operations or the state of affairs of the Club in future financial years.

The Mudgee Soldiers Club Limited

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Directors' Declaration

In accordance with a resolution of the Directors of The Mudgee Soldiers Club Limited, I state that:

In the opinion of the Directors:

1. The financial statements and notes, of the Club, are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the Club.
2. In the directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Director
Wayne Wilkinson

Director
Michael Shepperd

Dated 6.3.18

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MUDGEES SOLDIERS CLUB LIMITED

Report on the Financial Report Opinion

We have audited the financial report of The Mudgees Soldiers Club Limited (the Club), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of The Mudgees Soldiers Club Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Club's financial position as at 31 December 2017 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Club in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of The Mudgees Soldiers Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Club's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

The directors of the Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Club or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

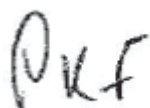
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clubs internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



PKF
Chartered Accountants

Date 7 March 2018

Newcastle



CLAYTON HICKEY
Partner