

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Financial Statements

For the Year Ended 31 January 2018

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

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For the Year Ended 31 January 2018

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Macksville District Ex-Servicemen's Club Ltd

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Directors' Report 31 January 2018

Your directors present their report on Macksville District Ex-Servicemen's Club Ltd for the financial year ended 31 January 2018.

Directors

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

Names	Qualifications/ Experience	Appointed/Resigned
Robert J. Laird	Retired / Chairman, Previous Vice Chairman & Previous Director	Full Period
Kenneth W. Walker	Retired/ Vice Chairman & Previous Director	Full Period
Trevor Ledger	Business Owner/ Director & Previous Director	Full Period
Ian Flarrey	Business Owner/ Director & Previous Director	Full Period
Neville Dykes	Business Owner/ Director & Previous Director	Full Period
Petah Russell	Manager/Director & Previous Director	Full Period
Jason Borthwick	Food Sales Representative/ Director & Previous Director	Full Period

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

Principal activities

The principal activities of Macksville District Ex-Servicemen's Club Ltd during the financial year were the conduct of a Registered Licensed Club.

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

The objectives of the club are to operate in a responsible and financially sensible manner with the aim to continue to provide all our members and our local community with a venue to meet their needs. The Macksville Ex-Services Club continues to support the Macksville RSL Sub Branch in their work with serving and ex-service men and women and their families.

Short term objectives

The Company's short term objectives are to:

- Provide a place of enjoyment for all members by continuing the standard of entertainment now provided.
- Continue to offer members the promotions currently introduced and to welcome new members to our Club.
- Support local individuals and groups – educational, sporting & community.

Long term objectives

The Company's long term objectives are to:

- Continue to provide an up to date club with facilities to meet members' needs.
- Maintain financial stability of the club.
- Repay the debt incurred in modernising the Club premises.

Macksville District Ex-Servicemen's Club Ltd

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Directors' Report

31 January 2018

Strategy for achieving the objectives

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

- Provide the best possible facilities to members.
- Provide entertainment and activities to attract patronage to the Club.
- Offer quality meals and beverages.
- Annual development of a financial budget and monthly monitoring of financial performance to ensure the Club operates within its financial capabilities.

How principal activities assisted in achieving the objectives

The principal activities assisted the Company in achieving its objectives by providing reasonably priced food and beverages, entertainment, responsible approved gambling including TAB, Keno and Poker Machines, and meeting venues as required.

Performance measures

The following measures are used within the Company to monitor performance:

- Monitoring performance, by comparing actual results to past performance.
- Reviewing key performance indicators such as gross profit margins, wages to turnover ratios, net returns from trading and average return per poker machine.

Members guarantee

Macksville District Ex-Servicemen's Club Ltd 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 members and any person or association who ceased to be a member in the year prior to the winding up is limited to \$1, subject to the provisions of the company's constitution.

At 31 January 2018 the collective liability of members was \$2,890 (2017: \$ 2,930).

Property Classification

Members are advised that in accordance with section 41J(2) of the Registered Clubs Act, the Board has determined the property classification as follows:-

“Core” Property – 16 Cooper Street Macksville

Lots 2-3	Section C in DP6045	Club House and Grounds
Lot 4	Section C in DP6045	Club House and Grounds
Lots 4-5	in DP23202	Car Park

“Non-Core” Property

Lots 2-3	in DP2302	29 Princess Street
Lots 5-9	Section C in DP6045	18-22 Cooper Street
Lot 11	Section C in DP6045	18-22 Cooper Street
Lot 12	in DP55012	18-22 Cooper Street

Notes to Members on Property Classification

1. Section 41J(2) of the Registered Clubs Act requires the annual report to specify the core property and non-core property of the Club as at the end of the financial year to which the report relates.
2. Core property is any real property owned or occupied by the Club that comprises:
 - (a) the defined premises of the Club; or
 - (b) any facility provided by the Club for use of its members and their guests; or
 - (c) any other property declared by a resolution passed by a majority of the members present at a general meeting of Ordinary members of the Club to be core property of the Club.
3. Non-core property is any other property (other than that referred to above as core property) and any property which is declared by the members at a general meeting of ordinary members of the Club not to be core property.

Macksville District Ex-Servicemen's Club Ltd

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Directors' Report 31 January 2018

Property Classification

4. The significance of the distinction between core property and non-core property is that the Club cannot dispose of any core property unless:
- (a) the property has been valued by a registered valuer within the meaning of the Valuers Act 2003; and
 - (b) the disposal has been approved at a general meeting of the ordinary members of the Club at which the majority of the votes cast support the approval;
 - (c) any sale is by way of public auction or open tender conducted by an independent real estate agent or auctioneer.
5. These disposal provisions and what constitutes a disposal for the purposes of section 41J are to some extent modified by regulations made under the Registered Clubs Act and by Section 41J itself. For example, the requirements in paragraph 4 above, amongst other things, do not apply to:
- Core property that is being leased or licensed for a period not exceeding 10 years on terms that have been the subject of a valuation by a registered valuer; or
 - Core property that is leased or licensed to a telecommunications provider for the purposes of a telecommunication tower.
6. Non-core property is not subject to the limitations referred to in paragraph 4 and 5 above and can be disposed of without the Club having to follow the procedure referred to in paragraph 4 above.

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Robert J. Laird	12	11
Kenneth W. Walker	12	11
Ian Flarrey	12	12
Trevor Ledger	12	11
Neville Dykes	12	11
Petah Russell	12	7
Jason Borthwick	12	10

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 January 2018 has been received and can be found on page 4 of the financial report.

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

Director:
Kenneth W. Walker

Director:
Neville Dykes

Dated 17 May 2018

Macksville District Ex- Servicemen's Club Limited
16 Cooper Street,
Macksville, NSW 2448

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Macksville District Ex-Servicemen's Club Ltd

I declare that, to the best of my knowledge and belief, during the year ended 31 January 2018, 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.

HLV AUDIT PTY LTD

A handwritten signature in black ink, appearing to read 'A. Hooykaas'.

Aart Hooykaas
Director

17 May 2018

Macksville, NSW

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Macksville District Ex-Servicemen's Club Ltd

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 January 2018

	2018	2017
Note	\$	\$
Poker Machine Revenue	1,893,107	1,767,487
Bar Sales	566,636	585,031
Bistro Sales	868,563	848,218
Meals on Wheels	109,495	127,127
Commission	87,722	88,458
Entertainment & Promotions	135,530	122,918
Membership Subscriptions	13,240	13,287
Rental Income from Investment Property	46,229	45,888
Bank Interest	398	855
Insurance Recoveries	-	19,387
Gain on disposal of assets	37,356	-
Other income	35,409	31,518
Total Income	3,793,685	3,650,174
Cost of goods sold	(774,466)	(772,519)
Employee benefits expense	(1,407,529)	(1,328,070)
Depreciation and amortisation expense	(285,940)	(261,304)
Repairs & Maintenance	(98,990)	(94,260)
Entertainment & Promotions	(295,345)	(265,457)
Loss on disposal of assets	(20,263)	(5,372)
Finance costs	(41,818)	(49,993)
Poker Machine Duty	(273,799)	(249,148)
Loss from theft	-	(16,519)
Other operating expenses	(577,030)	(564,097)
Total Expenses	(3,775,180)	(3,606,739)
Profit before income tax	18,505	43,435
Income tax (expense)/ benefit	-	-
Profit from continuing operations	18,505	43,435
Other comprehensive income	-	-
Total comprehensive income for the year	18,505	43,435

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

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Statement of Financial Position

31 January 2018

	Note	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	2	302,767	207,164
Trade and other receivables	3	24,428	32,983
Inventories	4	46,204	44,541
Other assets	8	23,143	21,129
TOTAL CURRENT ASSETS		<u>396,542</u>	<u>305,817</u>
NON-CURRENT ASSETS			
Financial assets		160	160
Property, plant and equipment	5	2,216,722	2,229,885
Investment property	6	432,926	439,050
Intangible assets	7	151,065	151,065
TOTAL NON-CURRENT ASSETS		<u>2,800,873</u>	<u>2,820,160</u>
TOTAL ASSETS		<u><u>3,197,415</u></u>	<u><u>3,125,977</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	457,158	382,991
Borrowings	10	268,527	245,034
Short-term provisions	12	11,687	-
Employee benefits	14	90,928	74,140
Deferred income	13	26,336	28,137
TOTAL CURRENT LIABILITIES		<u>854,636</u>	<u>730,302</u>
NON-CURRENT LIABILITIES			
Borrowings	10	439,929	504,864
Employee benefits	14	26,158	32,624
TOTAL NON-CURRENT LIABILITIES		<u>466,087</u>	<u>537,488</u>
TOTAL LIABILITIES		<u>1,320,723</u>	<u>1,267,790</u>
NET ASSETS		<u><u>1,876,692</u></u>	<u><u>1,858,187</u></u>
EQUITY			
Reserves		51,632	51,632
Retained earnings		1,825,060	1,806,555
TOTAL EQUITY		<u><u>1,876,692</u></u>	<u><u>1,858,187</u></u>

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

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Statement of Changes in Equity For the Year Ended 31 January 2018

2018

	Retained Earnings	Reserves	Total
Note	\$	\$	\$
Balance at 1 February 2017	1,806,555	51,632	1,858,187
Profit / (Loss) for the year	18,505	-	18,505
Balance at 31 January 2018	<u>1,825,060</u>	<u>51,632</u>	<u>1,876,692</u>

2017

	Retained Earnings	Reserves	Total
Note	\$	\$	\$
Balance at 1 February 2016	1,763,120	51,632	1,814,752
Profit / (Loss) for the year	43,435	-	43,435
Balance at 31 January 2017	<u>1,806,555</u>	<u>51,632</u>	<u>1,858,187</u>

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

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Statement of Cash Flows

For the Year Ended 31 January 2018

	2018	2017
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	4,088,536	3,947,807
Payments to suppliers and employees	(3,764,765)	(3,660,434)
Interest received	398	855
Interest paid	(41,818)	(49,993)
Receipt from government subsidies and grants	27,100	19,680
Rent received	46,229	45,888
Net cash provided by/(used in) operating activities	<u>355,680</u>	<u>303,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(12,987)	(58,074)
Net cash used by investing activities	<u>(12,987)</u>	<u>(58,074)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of finance lease commitments	(122,388)	(185,977)
Payment of borrowings	(124,702)	(115,699)
Net cash used by financing activities	<u>(247,090)</u>	<u>(301,676)</u>
Net increase/(decrease) in cash and cash equivalents held	95,603	(55,947)
Cash and cash equivalents at beginning of year	207,164	263,111
Cash and cash equivalents at end of financial year	2 <u>302,767</u>	<u>207,164</u>

The accompanying notes form part of these financial statements.

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements For the Year Ended 31 January 2018

The financial report covers Macksville District Ex-Servicemen's Club Ltd as an individual entity. Macksville District Ex-Servicemen's Club Ltd is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Macksville District Ex-Servicemen's Club Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 17 May 2018.

Comparatives are consistent with prior years, unless otherwise stated.

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*.

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

Comparatives are consistent with prior years, unless otherwise stated.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

(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 losses.

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

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

Depreciation

The depreciable amount of Property Plant and Equipment is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Buildings are depreciated on a straight line basis and land is not depreciated.

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Notes to the Financial Statements For the Year Ended 31 January 2018

1 Summary of Significant Accounting Policies

(d) Property, plant and equipment

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% - 4%
Plant and Equipment	7.5% - 40%
Leased plant and equipment	7.5% - 40%
Poker Machines	30%

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) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The buildings that form investment properties are depreciated on a straight line basis over 33 years.

(f) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially

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Notes to the Financial Statements For the Year Ended 31 January 2018

1 Summary of Significant Accounting Policies

(f) Financial instruments

recognised and the maturity amount calculated using the *effective interest method*; and

- (a) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(g) Impairment of non-financial assets

At the end of each reporting year, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements For the Year Ended 31 January 2018

1 Summary of Significant Accounting Policies

(h) 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.

(i) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(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 Company 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

Income tax is not levied on the operations of the Club as they pertain to members (exempt from income tax under Div. 50 of the *Income Tax Assessment Act 1997*), but only in regards to activities concerning visitors, as well as the Club's investment income. Therefore, normal company rates of tax are not based on the operating results for the year, but on the portion applicable to visitors, and investment income. This is known as the principle of mutuality.

As at balance date, the club has carried forward income tax losses of \$96,455. Although the club may trade profitably in future years, after applying the principle of mutuality for taxation purposes, the probability of absorbing the entire balance of carried forward income tax losses is considered to be very low. Therefore, no deferred tax asset has been recognised in the Financial Report as there is no certainty that the taxation losses will provide an economic benefit in the future.

(l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(m) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements For the Year Ended 31 January 2018

1 Summary of Significant Accounting Policies

(m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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.

Interest revenue

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

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

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

(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax 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.

(o) 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 Company.

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements

For the Year Ended 31 January 2018

1 Summary of Significant Accounting Policies

(o) Critical accounting estimates and judgments

Key estimates - property, plant and equipment residual values and useful lives

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

No impairment has been recognised in respect of property, plant and equipment at reporting date.

(p) Adoption of new and revised accounting standards

The AASB has issued and amended Accounting Standards and Interpretations that have mandatory application dates effective 1 January 2017. The adoption of these Standards and Interpretations has not had any impact on the reported position or performance of the company.

The AASB has also issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The company has decided not to early adopt these Standards.

2 Cash and Cash Equivalents

	2018	2017
	\$	\$
Cash at bank in hand	<u>302,767</u>	207,164
	<u><u>302,767</u></u>	<u><u>207,164</u></u>

3 Trade and Other Receivables

	2018	2017
Note	\$	\$
CURRENT		
Trade receivables	19,428	27,983
Deposits	<u>5,000</u>	5,000
Total current trade and other receivables	<u><u>24,428</u></u>	<u><u>32,983</u></u>

4 Inventories

CURRENT		
Bar & Bistro Stock at Cost	46,204	44,541

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements For the Year Ended 31 January 2018

5 Property, Plant and Equipment

	2018	2017
	\$	\$
LAND AND BUILDINGS		
Freehold Land At cost	183,011	183,011
Total land	<u>183,011</u>	<u>183,011</u>
Buildings At cost	2,301,299	2,301,299
Accumulated depreciation	(1,105,355)	(1,023,521)
Total buildings	<u>1,195,944</u>	<u>1,277,778</u>
PLANT AND EQUIPMENT		
Plant and equipment At cost	2,075,516	2,014,441
Accumulated depreciation	(1,326,399)	(1,350,684)
Total plant and equipment	<u>749,117</u>	<u>663,757</u>
Furniture, fixture and fittings At cost	570,385	598,317
Accumulated depreciation	(481,735)	(492,978)
Total furniture, fixture and fittings	<u>88,650</u>	<u>105,339</u>
Total property, plant and equipment	<u><u>2,216,722</u></u>	<u><u>2,229,885</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	Plant and Equipment	Furniture, Fixtures and Fittings	Total
	\$	\$	\$	\$	\$
Year ended 31 January 2018					
Balance at the beginning of the year	183,011	1,277,778	663,757	105,339	2,229,885
Additions	-	-	284,677	4,882	289,559
Disposals at Written Down Value	-	-	(21,640)	(700)	(22,340)
Depreciation	-	(81,834)	(147,571)	(20,871)	(250,276)
Impairment loss	-	-	(30,106)	-	(30,106)
Balance at the end of the year	<u>183,011</u>	<u>1,195,944</u>	<u>749,117</u>	<u>88,650</u>	<u>2,216,722</u>

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements For the Year Ended 31 January 2018

6 Investment Property

Investment property consists of land and buildings adjacent to the club's premises. These properties are not used for the club's operations but are rental properties held for possible future use. These properties are non-core properties as prescribed by the Registered Clubs Act.

	2018	2017
	\$	\$
At Cost	575,823	575,823
Accumulated Depreciation	<u>(142,897)</u>	<u>(136,773)</u>
Total Investment Property	<u>432,926</u>	<u>439,050</u>

The investment properties were independently valued in June 2016. The valuation was based on the fair market value based on similar properties. The critical assumptions adopted in determining the valuation included the location of the land and buildings, sales data for similar properties and capitalisation of an assessed net annual rental return. The investment property located at 18-22 Cooper Street is currently leased for a 5 year term from May 2016 until April 2021 with an option to renew for an additional 5 years which the lessee has taken. The property at 29 Princess Street is currently leased for a 2 year term which commenced on 1 January 2018.

The fair value of the investment property is:

18 Cooper St, Macksville	\$650,000
29 Princess St, Macksville	<u>\$140,000</u>
Total Fair Value	<u>\$790,000</u>

7 Intangible Assets

The amount showing for these assets represents the cost of poker machine entitlements purchased under current government regulation. These entitlements have allowed the club to increase the number of poker machines on premises.

It is considered that the life of the entitlements is indefinite so the cost cannot be amortised. Under the applicable accounting standards intangible assets have to be tested for impairment. Impairment occurs on an asset where the carrying amount exceeds the recoverable amount. When this occurs, the value of the asset must be reduced to the lower amount with the resulting loss being shown in the statement of comprehensive income. Where the recoverable amount exceeds the carrying amount a recovery of previously recognised impairment loss is allowed.

	2018	2017
	\$	\$
Poker Machine Entitlements at Cost	194,998	194,998
Accumulated impairment	<u>(43,933)</u>	<u>(43,933)</u>
Net carrying amount	<u>151,065</u>	<u>151,065</u>

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements

For the Year Ended 31 January 2018

8 Other Assets

	2018	2017
	\$	\$
CURRENT		
Prepayments	23,143	21,129

9 Trade and Other Payables

	2018	2017
	\$	\$
CURRENT		
Trade payables	201,168	156,549
Annual leave entitlements	161,484	147,903
Accrued expenses	50,730	44,205
ATO Liabilities	43,776	34,334
	<u>457,158</u>	<u>382,991</u>

(a) Financial liabilities at amortised cost classified as trade and other payables

Trade and other payables		<u>457,158</u>	382,991
Less:			
annual leave entitlements		<u>(161,484)</u>	(147,903)
Financial liabilities as trade and other payables	15	<u>295,674</u>	<u>235,088</u>

10 Borrowings

		2018	2017
		\$	\$
CURRENT			
Lease liability secured	11	94,332	72,154
Bank loans		174,195	172,880
Total current borrowings		<u>268,527</u>	<u>245,034</u>

		2018	2017
		\$	\$
NON-CURRENT			
Lease liability secured	11	138,239	46,797
Bank loans		301,690	458,067
Total non-current borrowings		<u>439,929</u>	<u>504,864</u>

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements For the Year Ended 31 January 2018

10 Borrowings

Summary of Borrowing Arrangements:

i) The lease liability balance relates to finance lease agreements for the purchase of poker machine equipment and the related licenses.

ii) In 2006 the Club established a commercial variable loan facility with the ANZ bank for \$1,350,000 to finance the club's renovations. The loan is for a maximum term of 15 years, due to expire in 2021, and is secured by a first registered mortgage over the property, and by a fixed and floating charge over the all the assets of the club, both present and future. The interest rate at report date is 7.01% and the minimum fortnightly payment at report date is \$5,462. However, the Club has elected to pay \$6,000 per fortnight in order to reduce the debt ahead of the loan schedule. At 31 January 2018, the loan balance was \$367,186 and a redraw of \$102,179 was available. Since the end of the financial year this loan has been refinanced as detailed in Note 20.

iii) In April 2016, a loan was established with ANZ Finance for \$163,836 to fund the replacement of the club's air-conditioning system. The loan has a term of 5 years with monthly principal and interest repayments of \$3,140 commencing in April 2016.

11 Leasing Commitments

(a) Finance Leases

	2018	2017
	\$	\$
Minimum lease payments:		
- not later than one year	94,332	72,153
- between one year and five years	138,239	46,797
Minimum lease payments	<u>232,571</u>	118,950

Finance leases relate to the lease of poker machine equipment and the related licenses for terms of 2 to 3 years with monthly repayments. The lease liability is secured by the underlying assets. The carrying amount of the underlying assets at 31 January 2018 was \$260,772.

(b) Operating Leases

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	5,202	14,550
- between one year and five years	434	5,636
	<u>5,636</u>	<u>20,186</u>

The operating lease relates to the lease of a Ricoh photocopier, which is over a 5 year term commencing April 2014.

Macksville District Ex-Servicemen's Club Ltd

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Notes to the Financial Statements

For the Year Ended 31 January 2018

12 Provisions

	2018	2017
	\$	\$
CURRENT		
Bonus Points provision	11,687	-

13 Income in Advance

	2018	2017
	\$	\$
Subscriptions in Advance	20,158	22,110
Gaming Tax Rebate in Advance	5,728	5,727
Functions Deposits in Advance	450	300
	<u>26,336</u>	<u>28,137</u>

14 Employee Benefits

	2018	2017
	\$	\$
Long service leave - current	90,928	74,140
Long service leave - non-current	26,158	32,624
Total long service leave	<u>117,086</u>	<u>106,764</u>

(a) Reconciliation of amounts in the statement of financial position

	2018	2017
	\$	\$
Beginning of the year	106,764	104,760
Current service cost	10,322	7,955
Less Long Service Leave paid	-	(5,951)
End of year	<u>117,086</u>	<u>106,764</u>

15 Financial Risk Management

The main risks Macksville District Ex-Servicemen's Club Ltd is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank loans and leases.

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:

		2018	2017
		\$	\$
Financial Assets			
Cash and cash equivalents	2	302,767	207,164
Trade and other receivables	3	24,428	32,983
Other financial assets		160	160
Total financial assets		<u>327,355</u>	<u>240,307</u>

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Notes to the Financial Statements For the Year Ended 31 January 2018

15 Financial Risk Management

		2018	2017
		\$	\$
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	9(a)	295,674	235,088
- Borrowings	10	708,456	749,898
Total financial liabilities		1,004,130	984,986

Credit risk

The Company does not have any material credit risk exposure to any single receivable or group of receivables.

16 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 1 each towards meeting any outstanding debts and obligations of the Company. At 31 January 2018 the number of members was 2,890 (2017: 2,930).

17 Interests of Key Management Personnel

The total remuneration paid to key management personnel of the Company is \$ 105,584 (2017: \$ 105,798).

18 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Company did not have any contingencies at 31 January 2018 (31 January 2017: None).

19 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. During the financial year, there were no related party transactions.

20 Events after the end of the Reporting Period

The financial report was authorised for issue on 17 May 2018 by the Board of Directors.

In March 2018, the entity secured a business loan facility totalling \$800,000 to refinance the existing ANZ loan (Note 10) and for the purpose of future upgrades and maintenance of the Club. The term of the loan is for six years with fortnightly repayments of principal and interest and a final payment of any residual balance at the end of the loan term. At the date of this report, the interest rate was 4.99% (variable) with a minimum fortnightly repayment of \$5,943.97. The terms of the loan allow progressive drawing and at the date of this report the loan balance was \$359,820, with a redraw available of \$440,180.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Macksville District Ex-Servicemen's Club Ltd

ABN36000902170

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 20 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 31 January 2018 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director
Kenneth W. Walker

Director
Neville Dykes

Dated 17 May 2018

Independent Audit Report to the members of Macksville District Ex-Servicemen's Club Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the general purpose financial report of Macksville District Ex-Servicemen's Club Ltd -2018 (the Company), which comprises the statement of financial position as at 31 January 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes to the financial statements and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 31 January 2018 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 Company 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 Company, 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.

Other Information

The directors are responsible for the other information. At the date of this auditor's report, no other information has been prepared by the Directors.

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 on the other information obtained prior to the date of this auditor's report, 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.

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under Professional Standards Legislation.

Responsibilities of Directors for the Financial Report

The directors of the Company 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 Company'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 Company 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 Company's 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 Company'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 Company 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.

HLV Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'A. Hooykaas', written in a cursive style.

Aart Hooykaas

Nambucca Heads, NSW

17 May 2018