

Sutherland United Services Club Limited

ACN 001 028 771

trading as

Club On East

Annual Report

For the year ended 30 June, 2018

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**FINANCIAL REPORT OF SUTHERLAND UNITED SERVICES CLUB LIMITED
FOR THE YEAR ENDED 30 JUNE, 2018**

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Sutherland United Services Club Limited
ACN 001 028 771

Directors' Report

Your directors present their report on the company for the year ended 30 June, 2018.

Directors

The names of directors of the company during the financial year and at the date of this report are:

| Name | Occupation | Number of years as director of company | Director meetings | |
|--------------------------------------|------------|--|-----------------------|----------------------|
| | | | Eligible to attend | Meetings attended |
| Henry (Harry) Morgan – President | Retired | 6 | 13 | 13 |
| Bryan Coopes - (resigned 09/02/2018) | Retired | 4 | 7 | 3 |
| George Moore - Treasurer | Retired | 11 | 13 | 13 |
| Stanley (Jim) McIntyre | Retired | 25 | 13 | 12 |
| Philip L Townsend | Retired | 6 | 13 | 10 |
| Neville Batcheldor | Retired | 6 | 13 | 13 |

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

The company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up, the Constitution of the company states that each member is required to contribute a maximum of \$2 toward meeting any outstanding obligations of the entity. As at 30 June, 2018, the total amount that members of the company were liable to contribute if the company was wound up is \$16,214 (2017: \$15,960).

Principal activities

The principal activities of the company during the financial year were the operation of a licensed club providing social and sporting activities for members and their guests. There were no significant changes in the nature of the company activities during the year.

Short and long term objectives

The principal long-term and short-term objectives of the company are to operate a licensed social club for the use of the members and their guests.

Strategy for achieving the objectives

The Board of Directors and management regularly address cash flow forecasts and apply budgetary controls to monitor the financial condition of the company.

Core and Non-Core Properties

The directors determine that the following property is core property of the company, under the Registered Clubs Act 1976 (NSW):

1-7 East Parade, Sutherland

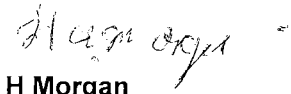
Auditor Independence Declaration

The Auditor Independence Declaration for the year ended 30 June, 2018 has been received and can be found on page 3 of this financial report.

Sutherland United Services Club Limited
ACN 001 028 771

Directors' Report

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



H Morgan
- President

Dated this 24th day of October, 2018.

BUSINESS PARTNER ACCOUNTANTS

ABN 31 254 110 993

Chartered Accountants and Business Advisors

PO Box 634
Miranda NSW 1490

Principal: Mark J. Lennon B.Comm., FCA

Tel: (02) 9524 2966

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Suite 6, First Floor
525 Kingsway
(Cnr. Clubb Cr.)
Miranda NSW 2228

AUDITOR INDEPENDENCE DECLARATION

To the Directors of Sutherland United Services Club Limited:-

In relation to our audit of the annual report of Sutherland United Services Club Limited for the year ended 30 June, 2018, we declare that, to the best of our knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of 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.

Business Partner Accountants
Business Partner Accountants
Chartered Accountants

Mark J Lennon
Mark J Lennon

Dated this 24th day of October, 2018.

Sutherland United Services Club Limited

Statement of Comprehensive Income For the year ended 30 June, 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|------------|------------|
| Sales revenue | 2(a) | 4,606,700 | 4,448,565 |
| Other revenue | 2(b) | 100,756 | 51,387 |
| Net operating revenue | | 4,707,456 | 4,499,952 |
| Expenses | | | |
| Cost of goods sold | 3(a) | 490,057 | 494,003 |
| Depreciation and amortisation | 3(b) | 554,871 | 514,180 |
| Administration and general expenses | 3(c) | 3,730,879 | 3,710,581 |
| Finance costs | 3(d) | - | 0 |
| Total expenses | | 4,775,807 | 4,718,764 |
| Profit/(loss) before income tax | | (68,351) | (218,812) |
| Income tax expense | 4 | - | - |
| Profit/(loss) after income tax | 14 | (68,351) | (218,812) |
| Profit/(loss) attributable to members of the entity | | (68,351) | (218,812) |
| Profit/(loss) for the year | | (68,351) | (218,812) |
| Other comprehensive income | | - | - |
| Total other comprehensive income for the year | | - | - |
| Total comprehensive income attributable to the entity | | (68,351) | (218,812) |

The accompanying notes form part of these financial statements

Sutherland United Services Club Limited

Statement of Financial Position For the year ended 30 June, 2018

| | Note | 2018 \$ | 2017 \$ |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 1,493,006 | 1,341,982 |
| Trade and other receivables | 6 | (3,116) | (396) |
| Inventories | 7 | 56,211 | 63,924 |
| Financial assets | 8 | 1,423 | 1,423 |
| Other assets | 9 | 99,063 | 96,956 |
| Total current assets | | 1,646,588 | 1,503,889 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 9,851,658 | 9,961,525 |
| Total non-current assets | | 9,851,658 | 9,961,525 |
| Total assets | | 11,498,246 | 11,465,414 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 437,649 | 356,300 |
| Current portion of long-term borrowings | 12 | - | 2,693 |
| Provisions | 13 | 453,641 | 431,116 |
| Total current liabilities | | 891,290 | 790,108 |
| Non-current liabilities | | | |
| Long-term borrowings | 12 | - | - |
| Total non-current liabilities | | - | - |
| Total liabilities | | 891,290 | 790,108 |
| Net assets | | 10,606,955 | 10,675,306 |
| EQUITY | | | |
| Retained earnings | 14 | 6,693,755 | 6,762,106 |
| Asset revaluation surplus | 16 | 3,913,200 | 3,913,200 |
| Total equity | | 10,606,955 | 10,675,306 |

The accompanying notes form part of these financial statements

Sutherland United Services Club Limited

Statement of Changes in Equity For the year ended 30 June, 2018

| | Retained Earnings | Asset Revaluation Reserve | Total |
|--|-------------------------|---------------------------------|--------------------------|
| | \$ | \$ | \$ |
| Balance as at 30 June, 2016 | 6,980,918 | 3,913,200 | 10,894,118 |
| Profit/(loss) for the year ended 30 June, 2017 | (218,812) | - | (218,812) |
| Other comprehensive income | | | |
| - gain on revaluation of land | | - | - |
| Balance as at 30 June, 2017 | <u>6,762,106</u> | <u>3,913,200</u> | <u>10,675,306</u> |
| Profit/(loss) for the year ended 30 June, 2018 | (68,351) | - | (68,351) |
| Balance as at 30 June, 2018 | <u><u>6,693,755</u></u> | <u><u>3,913,200</u></u> | <u><u>10,606,955</u></u> |

The accompanying notes form part of these financial statements

Sutherland United Services Club Limited

Statement of Cash Flows For the year ended 30 June, 2018

| | Note | 2018 \$ | 2017 \$ |
|---|-------|-------------|-------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers | | 4,651,110 | 4,908,407 |
| Payments to suppliers and employees | | (4,573,466) | (4,569,184) |
| Interest received | | 6,307 | 8,247 |
| Interest paid | | - | - |
| Net cash inflow (outflow) from operating activities | 15(a) | 83,951 | 347,470 |
| Cash flows from investing activities | | | |
| Payment for property, plant and equipment | | (453,404) | (173,120) |
| Proceeds from sale of plant and equipment | | 523,170 | 27,460 |
| Net cash inflow (outflow) from investing activities | | 69,766 | (145,660) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | - | - |
| Net increase in (repayment of) lease liabilities | | - | (5,487) |
| Repayment of term creditors | | (2,693) | (3,770) |
| Net cash inflow (outflow) from financing activities | | (2,693) | (9,257) |
| Net increase (decrease) in cash and cash equivalents | | 151,024 | 192,553 |
| Cash and cash equivalents at start of the financial year | | 1,341,982 | 1,149,429 |
| Cash and cash equivalents at end of year | 15(b) | 1,493,006 | 1,341,982 |

The accompanying notes form part of these financial statements

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

The financial statements are for Sutherland United Services Club Limited as an individual entity, incorporated and operating in Australia. Sutherland United Services Club Limited is a company limited by guarantee.

Note 1 — Statement of significant accounting policies

(a) Basis of Preparation

Sutherland United Services Club Limited has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australia Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July, 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board ("AASB") 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, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 24 October, 2018 by the directors of the company.

(b) Accounting policies

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, duties and amount of Goods and Services Tax (GST). Revenue is recognised for the major business activities as follows:

Sales revenue

Sales revenue is recognised when the goods or services are provided.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Commission revenue

Commission revenue is recognised when control of a right to receive consideration for the provision of services has been attained.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

Poker machine takings

Poker machine revenue is recognised when net takings from the poker machines are recorded.

(ii) Income tax

The charge for current income tax expense is based on the portion of profit attributable to non-members, income from third parties and investment income. The balance of net income is not taxable under the mutuality principle as determined in accordance with the Income Tax Assessment Act 1997.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recording of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to Equity, in which case the deferred tax is adjusted directly against Equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(iii) Property, plant & equipment

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

Property

The clubhouse building, and the freehold land on which it stands, were separately independently valued as at 30 June, 2013 by Brett, Nelson & Associates. In these financial statements, the freehold land is recorded at valuation as at 30 June, 2013, whilst the clubhouse building is recorded at valuation as at 30 June, 2013 plus costs of improvements since that date, less amortisation of the clubhouse building from date of valuation to 30 June, 2018.

Plant and equipment

Plant and equipment - comprising the plant and equipment, fixtures and fittings, poker machines and motor vehicles - are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset employment and subsequent disposal.

Plant and equipment that has been contributed at no cost, or for nominal cost, is valued and recognised at the fair value of the asset at the date it is acquired.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

Depreciation

The depreciable amounts of all fixed assets, including building improvements and capitalised leased assets, but excluding land, are depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use.

Building improvements have been, and will continue to be, depreciated in accordance with Australian Accounting Standard "AASB 116: Property, Plant and Equipment".

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

| <u>Class of fixed assets</u> | <u>Depreciation Rate</u> |
|------------------------------|--------------------------|
| Building and improvements | 2.72% to 20% |
| Plant and equipment | 2.5% to 33.3% |
| Furniture and fittings | 1% to 27% |
| Motor vehicles | 8.33% to 25% |
| Poker machines | 20% to 27% |

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

Each asset class carrying amount is written down immediately to its recoverable amount if the class 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 or losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset will be transferred to retained earnings.

(iv) Employee benefits

Provision is made for company liability for employee entitlement benefits arising from services rendered by the employees to the end of the reporting date. Employee entitlements that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year 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 not satisfy vesting requirements.

Contributions are made by the entity to employee superannuation funds and are charged as expenses when incurred.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

(v) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset but not legal ownership are transferred to the company, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments under 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 lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(vi) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position

(vii) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written-off. A provision for doubtful debts is established when there is objective evidence that the company may not be able to collect all amounts due according to the original terms of receivables.

(viii) 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 Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expenses. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the Statement of Cash Flows net of GST that is recoverable from, or payable, to the ATO.

(ix) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

(x) 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.

(xi) Provisions

Provisions are recognised when the entity 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.

(xiii) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell 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 fair value or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. 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:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

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 period, in which case they are classified as non-current assets.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity intention to hold these investments to maturity. They are subsequently measured at amortised cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, in which case they are classified as current assets.

If, during the period, the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Such assets are subsequently measured at fair value.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed within twelve months after the end of the reporting period, in which case they are classified as current assets.

Financial liabilities

Non-derivative financial liabilities, excluding financial guarantees, are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's-length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

(xii) Impairment of assets

At the end of each reporting period, the entity 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 fair value less costs to sell and value in use, is compared to the asset carrying value. Any excess of the asset carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where the future economic benefits of the asset are not primarily dependent upon the asset ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of assets, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a re-valued 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.

(xiv) 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.

Key estimates - Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company which may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of an asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(xv) Comparative figures

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

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Note 2 — Revenue from ordinary activities | | |
| <u>(a) Revenue from continuing operations</u> | | |
| Sales revenue | | |
| Bar sales | 1,007,122 | 1,066,051 |
| Coffee shop sales | 172,685 | 170,327 |
| | 1,179,807 | 1,236,378 |
| Revenue from gambling facilities | | |
| Net poker machine takings | 2,585,802 | 2,799,086 |
| Keno commission | 45,601 | 49,534 |
| TAB commission | 16,014 | 17,239 |
| Bingo and raffle income | 103,105 | 102,762 |
| | 2,750,522 | 2,968,622 |
| Revenue from rendering of services | | |
| Commission received | 20,879 | 21,456 |
| Functions room income | 195,189 | 202,025 |
| Hire of club facilities | - | - |
| Member subscriptions | 22,713 | 16,994 |
| | 238,781 | 240,475 |
| Other revenue | | |
| Insurance recoveries | - | 3,054 |
| Sundry income | 437,590 | 37 |
| | 437,590 | 3,091 |
| Total gross revenue from ordinary activities | 4,606,700 | 4,448,565 |
| <u>(b) Other income</u> | | |
| GST subsidy received | 17,180 | 17,180 |
| Interest received | 6,307 | 8,247 |
| Profit from sale of non-current assets | | |
| - poker machines | 77,269 | 25,960 |
| - other | - | - |
| | 100,756 | 51,387 |
| Note 3 — Expenses | | |
| <u>(a) Cost of goods sold</u> | | |
| Bar trading | 424,083 | 429,078 |
| Coffee shop trading | 65,974 | 64,925 |
| | 490,057 | 494,003 |
| <u>(b) Depreciation and amortisation</u> | | |
| Furniture and fittings | 26,639 | 17,601 |
| Motor vehicles | 10,205 | 10,205 |
| Plant and equipment | 114,799 | 111,917 |
| Building improvements | 176,499 | 176,102 |
| Poker machines | 226,729 | 198,355 |
| Total depreciation and amortisation | 554,871 | 514,180 |

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 \$ | 2017 \$ |
|--|------------|------------|
| Note 3 — Expenses (continued) | | |
| (c) <u>Administration and general expenses</u> | | |
| Advertising | 9,203 | 11,097 |
| AGM notices | 10,097 | 9,114 |
| Audit and accountancy fees | 19,800 | 19,800 |
| Bank fees and charges | 4,414 | 3,632 |
| Bingo and raffle expenses | 168,183 | 147,357 |
| Cleaning expenses | 167,902 | 161,753 |
| Computer software and support costs | 33,251 | 32,021 |
| Data monitoring fees | 85,217 | 82,442 |
| Director expenses | 3,855 | 4,753 |
| Donations | 32,833 | 33,060 |
| Donations in-kind | 96,620 | 102,281 |
| Electricity | 127,936 | 107,353 |
| Employee leave entitlement provisions | 22,527 | 33,923 |
| Fringe benefits tax | 12,672 | 11,057 |
| Fuel and oil | 8,656 | 12,363 |
| Hire of equipment | 537 | - |
| Insurance | 80,200 | 75,749 |
| Legal costs | 4,281 | - |
| Loss on sale of fixed assets | - | 1,266 |
| Meeting expenses | 1,377 | 500 |
| Member benefits | 85,135 | 89,229 |
| Motor vehicle expenses | 16,173 | 17,825 |
| Payroll tax | 47,100 | 45,114 |
| Poker machine duty | 410,006 | 458,409 |
| Postage | 212 | 320 |
| Printing and stationery | 23,154 | 16,499 |
| Promotion | 207,509 | 247,384 |
| Protective clothing and uniform | (32) | 1,729 |
| Valuation fees | - | - |
| Rates and land taxes | 19,268 | 16,950 |
| Repairs and maintenance | 188,040 | 171,160 |
| Requisites | 26,031 | 21,675 |
| Security | 80,771 | 79,735 |
| Sponsorship | - | - |
| Staff amenities | 26,979 | 26,551 |
| Staff training | 6,049 | 5,582 |
| Subscriptions | 102,951 | 93,122 |
| Sundry expenses | 12,026 | 4,503 |
| Superannuation | 140,231 | 138,834 |
| Telephone | 12,147 | 15,610 |
| Travelling expenses | 78 | 307 |
| Water | 13,852 | 14,839 |
| Wages | 1,423,638 | 1,395,683 |
| | 3,730,879 | 3,710,581 |

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 \$ | 2017 \$ |
|--|------------------|------------------|
| Note 4 — Income tax expense | | |
| <p>The Income Tax Assessment Act 1997 provides that, under the concept of mutuality, Sutherland United Services Club Limited is liable for income tax, based upon net assessable income derived from non-members and from investments in outside entities. In view of these special circumstances, it is not appropriate to compare income tax payable with the net profit disclosed in the Statement of Comprehensive Income.</p> <p>The amount set aside for income tax in the Statement of Comprehensive Income has been calculated as follows:</p> | | |
| Portion of income attributed to non-members | 587,428 | 838,364 |
| Less: Portion of expenses attributed to non-members | <u>(513,944)</u> | <u>(737,939)</u> |
| | 73,484 | 100,425 |
| | | |
| Add: Other assessable income | 166,069 | 122,437 |
| Less: Other deductible expenses | <u>(680,862)</u> | <u>(662,793)</u> |
| <u>Net taxable income/(tax loss) for the year</u> | <u>(441,309)</u> | <u>(439,931)</u> |
| | | |
| Current income tax applicable to net taxable income/(tax loss) at 30% | <u>-</u> | <u>-</u> |
| Income tax attributable to operating profit | <u>-</u> | <u>-</u> |
| | | |
| Note 5 — Cash and cash equivalents | | |
| Cash on hand | 160,000 | 120,000 |
| Cash at bank | <u>1,333,006</u> | <u>1,221,982</u> |
| | <u>1,493,006</u> | <u>1,341,982</u> |
| | | |
| Note 6 — Trade and other receivables | | |
| Trade debtors | (3,116) | (396) |
| Less: Provision for doubtful debts | <u>-</u> | <u>-</u> |
| | <u>(3,116)</u> | <u>(396)</u> |
| | | |
| Note 7 — Inventories | | |
| Finished goods, at cost | <u>56,211</u> | <u>63,924</u> |
| | <u>56,211</u> | <u>63,924</u> |
| | | |
| Note 8 — Financial assets | | |
| Unlisted investments, at cost | <u>1,423</u> | <u>1,423</u> |
| | | |
| <p>The company owns shares in a liquor supplier so as to enable the company to purchase liquor from this supplier. The shares cannot be traded on an open market. Due to the short-term nature of the investment, the fair value of the financial asset approximates its carrying amount.</p> | | |
| | | |
| Note 9 — Other assets | | |
| Prepaid expenses | <u>99,063</u> | <u>96,954</u> |
| | <u>99,063</u> | <u>96,954</u> |

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

Note 10 — Property, plant and equipment

Asset revaluations

The clubhouse building, and the freehold land on which it stands, were separately independently valued as at 30 June, 2013 by Brett, Nelson & Associates. The freehold land was valued at fair market value, whilst the building was valued at fair value comprising replacement cost value after taking account of depreciation. The critical assumptions adopted in determining the valuations included the location of the land and buildings providing increasing demand for redevelopment sites, if the parcels were of a vacant nature then amalgamated, they would be of excellent future potential and that, if the land was placed on the open market at the stated figure, should sell within a recoverable period, and a suitable depreciation rate in relation to the building. The valuations resulted in a revaluation increment to the freehold land of \$3,913,200 being recognised in the revaluation surplus as at 30 June, 2013 and a revaluation decrement of \$1,875,169 being recognised in the Statement of Profit or Loss for the year ended 30 June, 2013.

| | Land and clubhouse \$ | Plant, furniture and fittings \$ | Motor vehicles \$ | Poker machines \$ | Total \$ |
|-------------------------------------|-----------------------------|---|-------------------------|-------------------------|-------------|
| <u>Valuation</u> | | | | | |
| As at 30 June, 2013 - Freehold land | 3,913,200 | | | | 3,913,200 |
| As at 30 June, 2013 - Clubhouse | 5,167,500 | | | | 5,167,500 |
| <u>Cost:</u> | | | | | |
| Balance at 30 June, 2017 | 281,306 | 4,034,806 | 81,639 | 2,543,503 | 6,941,254 |
| Additions | 4,930 | 101,374 | | 347,100 | 453,404 |
| Disposals | | (4,681) | | (160,734) | (165,415) |
| Balance at 30 June, 2018 | 9,366,936 | 4,131,499 | 81,639 | 2,729,869 | 16,309,943 |
| <u>Accumulated depreciation:</u> | | | | | |
| Balance at 30 June, 2017 | 599,114 | 3,373,040 | 19,605 | 2,068,670 | 6,060,429 |
| Charge for the year | 176,499 | 141,438 | 10,205 | 226,729 | 554,871 |
| Written-off on disposal | | (4,681) | | (152,334) | (157,015) |
| Balance at 30 June, 2018 | 775,613 | 3,509,797 | 29,810 | 2,143,065 | 6,458,285 |
| <u>Written down value:</u> | | | | | |
| As at 30 June, 2018 | 8,591,323 | 621,702 | 51,829 | 586,804 | 9,851,658 |
| As at 30 June, 2017 | 8,762,892 | 661,766 | 62,034 | 474,833 | 9,961,525 |

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Note 11 — Trade and other payables | | |
| Trade accounts payable | 344,775 | 242,691 |
| Other payables | 92,874 | 113,608 |
| | 437,649 | 356,300 |

Note 12 — Long-term borrowings

Secured:

Current portion of long-term borrowings

| | | |
|--------------------------------|---|---|
| Bank loan payable | - | - |
| Less: Deferred interest charge | - | - |
| | - | - |

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Note 12 — Long-term borrowings (continued) | | |
| Hire Purchase Payable | - | 2,693 |
| Less: Unexpired Hiring Charges | - | - |
| | - | 2,693 |
| Lease liabilities | - | - |
| Total current liabilities | - | 2,693 |
| <u>Non-current portion of long term borrowings</u> | | |
| Hire Purchase Payable | - | - |
| Less: Unexpired Hiring Charges | - | - |
| | - | - |
| Total non-current liabilities | - | - |
| Composition of above borrowings:- | | |
| Total Hire purchase payable | - | 2,693 |
| Total lease liabilities | - | - |
| | - | 2,693 |
| Note 13 — Provisions | | |
| Employee entitlements | 453,642 | 431,116 |
| | 453,642 | 431,116 |
| <p>A provision has been recognised for employee entitlements relating to annual and long service leave. The liability is measured as expected future payments to be made in respect of services provided by employees as at the reporting date. The probability and timing of annual leave and long service leave expected to be taken are estimated on the basis of historical data.</p> | | |
| Movement:- | | |
| Balance at beginning of the financial year | 431,116 | 397,193 |
| Additional provisions made during the year | 146,559 | 115,577 |
| Amount used during the year | (124,033) | (81,654) |
| Balance at the end of the financial year | 453,642 | 431,116 |
| Note 14 — Retained earnings | | |
| Retained earnings | 6,693,755 | 6,762,106 |
| Movement: | | |
| Balance at beginning of the year | 6,762,106 | 6,980,918 |
| Net profit/(loss) for the year | (68,351) | (218,812) |
| Balance at year end | 6,693,755 | 6,762,106 |

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 \$ | 2017 \$ |
|---|------------|------------|
| Note 15 — Notes to Statement of Cash Flows | | |
| <u>(a) Reconciliation of the operating profit after tax to the net cash flows from operations</u> | | |
| Operating profit after income tax | (68,351) | (218,812) |
| Non-cash flow items in operating profit: | | |
| Depreciation and amortisation | 554,871 | 514,180 |
| Loss from sale of non-current assets | - | 1,266 |
| Profit from sale of non-current assets | (77,269) | (25,960) |
| Provision for employee entitlements | 22,527 | 33,923 |
| Proceeds from sale of poker machine licences | (437,500) | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | 120 | (2,034) |
| Inventories | 7,713 | (5,177) |
| Prepaid expenses | (2,109) | 19,880 |
| Accounts payable | 83,949 | 30,204 |
| Net cash (outflow) from operating activities | 83,951 | 347,470 |
| <u>(b) Reconciliation of cash and cash equivalents</u> | | |
| Cash at bank | 1,333,006 | 1,221,982 |
| Cash on hand | 160,000 | 120,000 |
| | 1,493,006 | 1,341,982 |

(c) Cash flows presented on a net basis

Cash flows arising from poker machines, Keno and TAB trading are presented on a net basis in the Statement of Cash Flows.

Note 16 — Asset revaluations

The clubhouse building, and the freehold land on which it stands, were separately independently valued – refer Note 10.

In compliance with Australian Accounting Standard AASB116, "Property, Plant and Equipment":-

(a) The revaluation decrement of \$1,875,169 relating specifically to the clubhouse building and improvements was recognised in the Statement of Profit or Loss for the year ended 30 June 2013; and

(b) The revaluation increment of \$3,913,200 relating specifically to the freehold land was recognised in "Other comprehensive income" in the Statement of Comprehensive Income for the year ended 30 June, 2013 and is accumulated in the Statement of Changes in Equity under the heading "Asset Revaluation Reserve" as at 30 June, 2018.

Note 17 — Contributed equity

The company is limited by guarantee. In the event of a winding-up of the company, the Constitution states that each member is required to contribute a maximum of \$2 toward meeting any outstanding obligations of the company.

Note 18 — Contingent liabilities

The directors of the company are not aware of any contingent liabilities at balance date.

Note 19 — Events subsequent to reporting date

There have been no events which have occurred between balance date and the date of these accounts which will materially impact the company.

Sutherland United Services Club Limited

Notes to the Financial Statements For the year ended 30 June, 2018

| | 2018 | 2017 |
|--|------|------|
| | \$ | \$ |

Note 20 — Related-party transactions

Transactions with directors involving the purchase of trading stock occurred within the normal club-member relationship on terms and conditions no more favourable than those available on similar transactions to other club members.

No emoluments have been paid to the directors during the year.

Note 21 — Key management personnel compensation

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

| | | |
|---------------------------------------|---------|---------|
| Key management personnel compensation | 561,091 | 539,592 |
|---------------------------------------|---------|---------|

Note 22 — Financial risk management

The company financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bank loan and lease.

The net fair values of the assets and liabilities approximates their carrying amount, because of their short term to maturity. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of the financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

| | 2018 | | 2017 | |
|--|--------------------|-------------------|--------------------|-------------------|
| | Carrying Amount | Net Fair Value | Carrying Amount | Net Fair Value |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| Cash and cash equivalents | 1,493,006 | 1,493,006 | 1,341,982 | 1,341,982 |
| Available for sale financial asset at fair value | 1,423 | 1,423 | 1,423 | 1,423 |
| Loans and receivables | (3,116) | (3,116) | (396) | (396) |
| | 1,491,314 | 1,491,314 | 1,343,010 | 1,343,010 |
| Financial Liabilities: | | | | |
| Trade and other payables | 437,649 | 437,649 | 356,300 | 356,300 |
| Hire purchase payable | - | - | 2,693 | 2,693 |
| | 437,649 | 437,649 | 358,992 | 358,992 |

Sutherland United Services Club Limited
ACN 001 028 771

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes thereto are in accordance with the Corporations Act 2001, and:

(a) comply with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) give a true and fair view of the company financial position as at 30 June, 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

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.



H Morgan

- President

Dated this 24th day of October, 2018.

BUSINESS PARTNER ACCOUNTANTS

ABN 31 254 110 993

Chartered Accountants and Business Advisors

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Miranda NSW 1490

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Independent audit report

To the members of Sutherland United Services Club Limited

Audit Opinion

We have audited the financial report of Sutherland United Services Club Limited, which comprises the Statement of Financial Position as at 30 June, 2018, the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors Declaration.

In our opinion, the accompanying financial report of Sutherland United Services Club Limited is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the company's financial position as at 30 June, 2018 and of its financial performance for the year then 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 Sutherland United Services Club Limited, would be in the same terms if given to the directors as at the time of this audit 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 Audit Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June, 2018, but does not include the financial report and our audit report thereon.

(cont'd. over)

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 the 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 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 the 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 this 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.

Business Partner Accountants
Business Partner Accountants

[Handwritten Signature]
Mark J Lennon

Signed at Sutherland, NSW, this 24th day of October, 2018.

