

# **Mingara Recreation Club Limited**

ABN: 81 001 662 648

## **Financial Statements**

For the Year Ended 30 June 2016



# Mingara Recreation Club Limited

ABN: 81 001 662 648

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For the Year Ended 30 June 2016

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# Mingara Recreation Club Limited

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## Directors' Report

30 June 2016

The Directors present their report on Mingara Recreation Club Limited for the financial year ended 30 June 2016.

### Directors

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

<b>Names</b>	<b>Appointed/Resigned</b>
Desmond Cousins	Resigned May 2016
John Graham	Commenced 2011
Russell Johnston	Commenced 2013
Chris King	Commenced 2015
Gary Knight	Commenced 2002
Debbie Montgomery	Commenced June 2016
Philip A Walker	Commenced 1996

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

### Company secretary

The following person held the position of Company secretary at the end of the financial year:

Mr Paul Barnett (Master of Management Enterprise) was appointed to the position of the Company Secretary on 27 December 2002. Mr Barnett is also the Chief Executive Officer of the Club and has been in the gaming industry for over 28 years. He is currently a Director on the Board of The Registered Clubs Association of NSW (ClubsNSW), the industry's peak body. He is also a Director of Club Keno Holdings Pty Ltd and Coast Community Connections Ltd.

### Principal activities

The principal activities of the Club during the financial year were to encourage, foster and promote such sports, games, recreation etc as the Club shall deem expedient in the district of Tumbi Umbi and elsewhere and to provide or assist in the provision of playing, training, coaching and teaching facilities therefore.

No significant changes in the nature of these activities occurred during the year.

### Review of operations

The profit / (loss) of the Company after providing for income tax amounted to \$2,881,775 (2015:\$4,023,515).

The operating profit for the year amounted to \$11,865,170 (2015:\$13,550,393) after charging \$8,757,596 (2015: \$9,209,048) for depreciation and amortisation, \$550,981 (2015:\$760,363) for financing costs and income tax benefit of \$325,182 (2015: \$442,533).

# Mingara Recreation Club Limited

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## Directors' Report

30 June 2016

### Review of operations continued

The profit breakup between each of the Club's sites is as follows:

	2016	2015
	\$	\$
Mingara Recreation Club (Tumbi Umbi)	6,466,994	6,238,771
The Westport Club (Port Macquarie)	1,850,047	3,707,180
Lantern Club (Roselands)	1,843,392	950,003
Pearl (Chatswood)	(997,694)	(1,589,032)
	<u>9,162,739</u>	<u>9,306,922</u>
Other group income and expenses	(6,606,146)	(5,725,940)
Income tax (expense)/benefit	325,182	442,533
<b>Total</b>	<u>2,881,775</u>	<u>4,023,515</u>

### Core and non core property

For the purpose of complying with section 41J Registered Clubs Act, the Club's members, at the Annual General Meeting held 18 November 2007, have passed the following ordinary resolution:

That all of the real property owned or occupied by the Club is declared not to be core property of the Club except:

- the Club's defined premises other than the areas within those defined premises currently occupied by third-party users; and
- the bowling greens currently used in connection with the Club's Port Macquarie premises.

### Short and long term objectives

The Club established short and long term objectives as outlined in the Club's business plan which is reviewed on an annual basis. The Club's short term objective is a focus on improving trading performance at all venues, completing the refurbishment at the Westport Club and preparing for future refurbishment at the Mingara destination. This integrates with the longer term objective of providing value to the communities in which they operate.

These objectives are measured through both financial and non financial key performance indicators that have been determined as relevant to the club industry.

# Mingara Recreation Club Limited

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## Directors' Report

30 June 2016

### Membership

The Club is a company limited by guarantee and without share capital. The number of members at 30 June 2016 and the comparison with the prior year is as follows:

	2016 No.	2015 No.
Ordinary	51,724	51,267
Special	3,250	3,189
Junior	560	486
Employee	373	382
Life	8	9
<b>Total</b>	<b>55,915</b>	<b>55,333</b>

### Information relating to directors

John Graham Experience	Accountant Director since November 2011 Mingara Community Advisory Committee member 2010 to 2011 Business owner Member of National Tax & Accountants Association Registered Tax Agent
Russell Johnston Experience	Retired Director since March 2013 Member of the Mingara Community Advisory Committee from 2010 to 2013 Head Teacher with the Department of Education and Communities, at various schools, 1981 - 2016
Chris King Experience	Arts and Culture Coordinator and Venue Manager Director since 2015 50 years professional theatrical actor, producer, director, entertainment Business and Events Manager 2006 Gosford City Council Cultural Citizen of the Year Federal Medal recipient for services to the community Board Member of Regional Development Australia, Central Coast 7 years (current) Business and Tourism Manager Central Coast Tourism Inc from 2011 to 2012 Vice President Gosford Musical Society 2004 - 2013 Coordinator Gosford Regional Show 1998-2015 Active Central Coast community and charity volunteer for over 30 years

## Mingara Recreation Club Limited

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### Directors' Report

30 June 2016

Gary Knight Experience	Manager / Consultant Director since 2002 Deputy Chairman from 2005 to 2008, 2012 to present Junior Deputy Chairman from 2004 to 2005 Chairman Community Support Committee from 2006 to 2009 Community Support Committee Member from 2003 to 2009 Previously worked for 25 years with the Commonwealth Bank in various roles, including customer service, lending, administration, branch management and business banking. Two years in small business management in retail sector. Numerous committee positions with sporting bodies including organising major events.
Debbie Montgomery Experience	Real Estate Consultant Director since 2016 Licensed Real Estate Agent, licensee in charge Full time Real Estate Agent since July 2002 Registered Fitness Instructor Business owner
Philip A Walker Experience	Property Consultant Director since 1996 Chairman from 2001 to 2003, 2012 to present Deputy Chairman from 1998 to 2000, 2009 to 2011 Junior Deputy Chairman from 1997 to 1998, 2008 to 2009 Community Support Committee member from February 2008 to June 2009 Chairman of Regional Development Australia, Central Coast, 2014- present Acting Chairman of Regional Development Australia, Central Coast, 2013-2014 Chairman of Clubs NSW Central Coast Regional Committee 2016 - present Director of Central Coast Tourism Inc from 2003 to 2013 Former Det. Senior Sergeant NSW Police - Crimes Agencies Former Chief of Staff for a member of the Australian Senate

# Mingara Recreation Club Limited

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## Directors' Report 30 June 2016

### Meetings of directors

During the financial year, regular meetings of directors were held monthly. Attendances by each director during the year were as follows:

	Board of Directors' Meetings		Special Board Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Desmond Cousins	10	10	1	1
John Graham	12	12	4	4
Chris King	12	12	4	4
Gary Knight	12	12	4	4
Russell Johnston	12	12	4	4
Debbie Montgomery	1	1	2	2
Philip A Walker	12	12	4	4

### Members guarantee

Mingara Recreation Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member, including members who ceased to be a member in the prior year to the winding up, shall not exceed \$20 subject to the provisions of the company's constitution.

As at 30 June 2016 the collective liability of members was \$1,118,300 (2015: \$110,666).

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

### Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 9 of the financial report.

### Discussion and Analysis on the Concise Financial Report for the Year Ended 30 June 2016

#### Statement of Profit or Loss and Other Comprehensive Income

The FY16 total operating revenue rose by \$1,343,746 (1.66%) to \$82,228,308. This is a result of the continued effort to build upon the growth achieved in previous financial years.

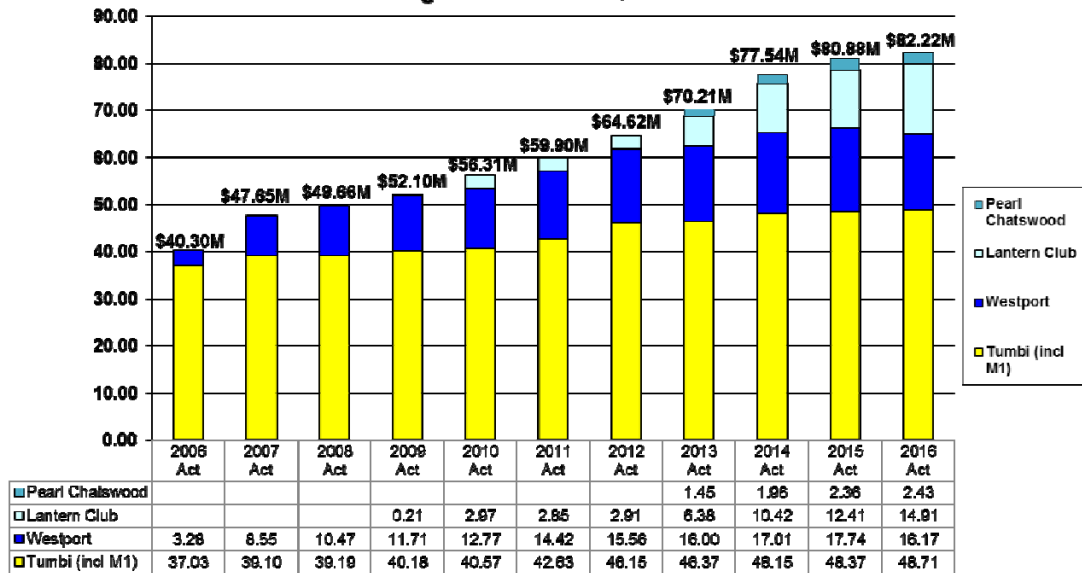


# Mingara Recreation Club Limited

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## Directors' Report 30 June 2016

**Mingara Recreation Club - Sales Revenue by Business 2006 - 2016**  
Figures shown in \$M's



Our single largest expense relates to employee benefits which encompass all wages, leave, associated on-costs, staff training, uniforms and recruitment. This year the costs have increased \$1,486,620 (5.39%) from \$27,569,883 to \$29,056,503 for FY16.

Poker machine compliance costs, which include the NSW Government's gaming tax, showed an increase of \$1,227,662 (7.27%) to \$18,124,218. This is reflective of the increased revenue from gaming and represents an outlay of \$0.22 cents of every dollar of the Club's operational revenue. It continues to be the second largest of our recurrent costs.

Depreciation has decreased from \$9,209,048 to \$8,757,596. This will be expected to rise again in the next financial year as major works are completed at the Westport Club along with depreciation arising from the proposed amalgamation with Springwood Sports Club.

Similar to depreciation, raw materials and consumables have decreased 2.81% from \$7,262,643 to \$7,058,812. Following this trend has been a reduction in property expenses (including Information Technology costs) by \$437,237 (8.64%) from \$5,060,208 to \$4,622,971. These reductions are a result of a continued effort to reduce costs and realise savings through negotiated agreements and business efficiencies.

Finance costs have decreased by \$209,382 (27.54%) which is the continued benefit of a restructure of the Club's lending profile (2014/15) to take advantage of relatively low interest rates along with the repayment of older lending facilities in full.

A summary of finance costs over the past years shows:

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### Directors' Report 30 June 2016

Financial Year	Finance Costs/ \$100 of revenue
2009/10	\$1.83
2010/11	\$1.46
2011/12	\$1.27
2012/13	\$1.52
2013/14	\$1.28
2014/15	\$0.94
2015/16	\$0.67

All other expenses have had an overall increase of 9.18% or \$327,008. This increase is made up of increases in expenditure on:

- entertainment and promotions (up \$69,681)
- postage, printing and stationary costs (up \$80,001)
- professional services fees (up \$30,910)
- other operating expenses (up \$194,490)

These were offset by decreased expenditure on:

- repairs and maintenance costs (down \$19,129)
- insurance (down \$28,945)

This results in a profit position after tax for 2016 of \$2,881,775. The comparable amount for 2015 was a profit of \$4,023,515 (which included the benefit of grant income received for the Co-generation plant) of \$818,873.

#### Statement of Financial Position

The Club's net assets increased by \$2,881,775 to \$90,022,386. Total assets increased by 6.45% from \$113,273,619 to \$120,579,974. There has also been a significant increase in total liabilities of \$4,424,580 (16.93%) to \$30,557,588.

Major movements in Assets during the year were:

- Increase in Cash Holdings of \$442,232
- Decrease in Trade and Other Receivables of \$133,912
- Increase in Inventories of \$310,236
- Increase in Property, Plant and Equipment of \$6,303,685
- Increase in Intangible Assets (Gaming Machine Entitlements) of \$244,945 from purchases made

Major movements in Liabilities during the year were:

- Increase in Total Trade and Other Payables of \$555,334
- Increase in Total Provisions of \$422,756
- Increase in Total Borrowings (current and non-current interest bearing Bank Loans) of \$3,591,500

The Club's total loan balances have increased from \$14,077,500 to \$17,669,000 which contributes to a total liabilities/total assets gearing ratio of 25.3% compared to a ratio last year of 23.1%.

#### Statement of Cash Flows

Cash generated from operating activities amounts to \$13,269,713. This is a decrease of \$591,308 compared to the 2015 year and is reflective of an increase in payments made by the organization in the normal course of business that has not been fully offset by receipts generated from customers.

**Mingara Recreation Club Limited**

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**Directors' Report**  
**30 June 2016**


The Club spent \$14,696,088 investing in Property, Plant and Equipment. This is up from FY15 by \$4,859,489 and is reflective of the investment in the development of the Westport Club.

Cash received from financing activities was \$2,091,500 which is the net of proceeds of bank lending received during the year (\$9,400,000 which relates the Westport Club development) against repayment of borrowings (\$7,308,500).

As a result of these movements in cash flows detailed above, the Club's cash assets at year end were \$8,649,852 being an increase of \$442,232 during the FY16 financial year.

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

Director: .....  
  
Philip A Walker

Director: .....  
  
Gary Knight

Dated this ..... 23 ..... day of ..... September ..... 2016

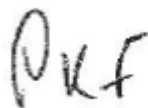
Port Macquarie

**Mingara Recreation Club Limited**  
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## **Auditors Independence Declaration under Section 307C of the Corporations Act 2001**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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



**PKF**  
Chartered Accountants



**CLAYTON HICKÉY**  
Partner

Dated: 4 October 2016

Newcastle

## Mingara Recreation Club Limited

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### Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2016

		2016	2015
	Note	\$	\$
Revenue	4	82,228,308	80,884,562
Other income	4	-	818,873
Changes in inventories	5	310,236	120,110
Raw materials and consumables used	5	(7,058,812)	(7,262,643)
Employee benefits expense	5	(29,056,503)	(27,569,883)
Entertainment, promotions and member's amenities		(4,965,932)	(4,896,251)
Depreciation and amortisation expense	5	(8,757,596)	(9,209,048)
Insurance expense		(507,667)	(536,612)
Poker Machine compliance costs		(18,124,218)	(16,896,556)
Postage, printing and stationery		(293,501)	(213,500)
Professional service fees		(211,587)	(180,677)
Property expense (including IT expense)		(4,622,971)	(5,060,208)
Repairs and maintenance		(2,037,281)	(2,056,410)
Other operating expenses		(3,794,902)	(3,600,412)
Finance costs	5	(550,981)	(760,363)
<b>Profit before income tax</b>		<b>2,556,593</b>	<b>3,580,982</b>
Income tax benefit/ (expense)	6	325,182	442,533
<b>Profit for the year</b>		<b>2,881,775</b>	<b>4,023,515</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b>2,881,775</b>	<b>4,023,515</b>

The accompanying notes form part of these financial statements.

# Mingara Recreation Club Limited

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## Statement of Financial Position

As At 30 June 2016

	Note	2016 \$	2015 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	8,649,852	8,207,620
Trade and other receivables	8	534,156	668,068
Inventories	9	863,226	552,990
Current tax receivable	15	-	41,005
<b>TOTAL CURRENT ASSETS</b>		<b>10,047,234</b>	<b>9,469,683</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	100,183,920	93,880,235
Deferred tax assets	15	918,281	738,107
Intangible assets	11	9,430,539	9,185,594
<b>TOTAL NON-CURRENT ASSETS</b>		<b>110,532,740</b>	<b>103,803,936</b>
<b>TOTAL ASSETS</b>		<b>120,579,974</b>	<b>113,273,619</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	5,762,141	5,206,807
Borrowings	13	5,019,000	4,330,000
Short-term provisions	14	4,082,132	3,745,276
<b>TOTAL CURRENT LIABILITIES</b>		<b>14,863,273</b>	<b>13,282,083</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	13	12,650,000	9,747,500
Deferred tax liabilities	15	2,653,683	2,798,693
Long-term provisions	14	390,632	304,732
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,694,315</b>	<b>12,850,925</b>
<b>TOTAL LIABILITIES</b>		<b>30,557,588</b>	<b>26,133,008</b>
<b>NET ASSETS</b>		<b>90,022,386</b>	<b>87,140,611</b>
<b>EQUITY</b>			
Reserves	16	3,279,120	3,279,120
Retained earnings		86,743,266	83,861,491
<b>TOTAL EQUITY</b>		<b>90,022,386</b>	<b>87,140,611</b>

The accompanying notes form part of these financial statements.

## Mingara Recreation Club Limited

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### Statement of Changes in Equity

For the Year Ended 30 June 2016

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
<b>Balance at 1 July 2015</b>	<b>83,861,491</b>	<b>3,279,120</b>	<b>87,140,611</b>
Profit for the year	2,881,775	-	2,881,775
Other comprehensive income	-	-	-
<b>Balance at 30 June 2016</b>	<b>86,743,266</b>	<b>3,279,120</b>	<b>90,022,386</b>

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
<b>Balance at 1 July 2014</b>	79,837,976	3,279,120	83,117,096
Profit for the year	4,023,515	-	4,023,515
Other comprehensive income	-	-	-
<b>Balance at 30 June 2015</b>	<b>83,861,491</b>	<b>3,279,120</b>	<b>87,140,611</b>

The accompanying notes form part of these financial statements.

## Mingara Recreation Club Limited

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### Statement of Cash Flows For the Year Ended 30 June 2016

	2016	2015
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	<b>83,978,206</b>	83,322,861
Payments to suppliers and employees	<b>(70,886,150)</b>	(69,869,652)
Interest received	<b>37,267</b>	168,301
Interest paid	<b>(550,981)</b>	(760,363)
Income taxes paid	<b>691,371</b>	999,874
Net cash provided by/(used in) operating activities	<b>13,269,713</b>	13,861,021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of plant and equipment	<b>22,052</b>	30,000
Proceeds from investment	-	1,000,000
Purchase of property, plant and equipment	<b>(14,696,088)</b>	(9,836,599)
Purchase of poker machine entitlements	<b>(244,945)</b>	(406,449)
Net cash used by investing activities	<b>(14,918,981)</b>	(9,213,048)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	<b>9,400,000</b>	-
Repayment of bank borrowings	<b>(7,308,500)</b>	(3,451,500)
Net cash used by financing activities	<b>2,091,500</b>	(3,451,500)
Net increase/(decrease) in cash and cash equivalents held	<b>442,232</b>	1,196,473
Cash and cash equivalents at beginning of year	<b>8,207,620</b>	7,011,147
Cash and cash equivalents at end of financial year	<b>7 8,649,852</b>	8,207,620

The accompanying notes form part of these financial statements.



# Mingara Recreation Club Limited

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## Notes to the Financial Statements For the Year Ended 30 June 2016

The financial statements are for Mingara Recreation Club Limited as a not-for-profit individual entity.

The functional and presentation currency of Mingara Recreation Club Limited is Australian dollars.

### 1 Basis of Preparation

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

The adoption of AASB 1053 and AASB 2010-2 allowed the Club to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

Material accounting policies adopted in the preparation of these 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.

#### Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

### 2 Summary of Significant Accounting Policies

#### (a) Revenue and other income

Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods and is recognised in the Statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer.

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

Revenue from the rendering of services to members and other patrons of the Club is recognised in the Statement of Comprehensive Income when the services are provided.

All revenue is stated net of the amount of goods and services tax (GST) with the exception of poker machine revenue, which is stated inclusive of GST, with the associated GST expense recorded separately.

#### (b) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which it incurs them.

# Mingara Recreation Club Limited

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## Notes to the Financial Statements For the Year Ended 30 June 2016

### 2 Summary of Significant Accounting Policies continued

#### (c) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

#### Deferred income tax assets

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.

#### Deferred tax calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the 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.

#### Benefit brought to account

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 club will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (d) Cash and cash equivalents

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

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

#### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the standard costs basis and is net of any rebates and discounts received.

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## Notes to the Financial Statements For the Year Ended 30 June 2016

### 2 Summary of Significant Accounting Policies continued

#### (f) Property, plant and equipment

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

##### Land and buildings

Land and buildings are measured at cost.

##### Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

##### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

<b>Fixed asset Class</b>	<b>Useful life</b>
Buildings	7-66 years
Plant and Equipment	3-25 years
Furniture, Fixtures and Fittings	6-15 years
Motor Vehicles	5 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

#### (g) Financial instruments

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 cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

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## Notes to the Financial Statements For the Year Ended 30 June 2016

### 2 Summary of Significant Accounting Policies continued

#### Classification and 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 recognised and the maturity amount calculated using the *effective interest method*; and
- (d) 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.

#### *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.

#### *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 Company's 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 be realised within 12 months after the end of the reporting period, which will be classified as current assets.

## Mingara Recreation Club Limited

ABN: 81 001 662 648

# Notes to the Financial Statements

## For the Year Ended 30 June 2016

### 2 Summary of Significant Accounting Policies continued

#### *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.

#### *Impairment of financial assets*

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### *Financial assets at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### *Available-for-sale financial assets*

A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

#### **(h) Impairment of non-financial assets**

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements For the Year Ended 30 June 2016

### 2 Summary of Significant Accounting Policies continued

#### (i) Intangible Assets

##### Poker machine entitlements

Purchase of poker machine entitlements are held at cost and are deemed to have an indefinite useful life. They are tested for impairment in accordance with Note 2(h).

#### (j) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) and poker machine revenue (refer Note 2(a)). 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 payable are stated inclusive of GST.

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.

#### (k) Employee benefits

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

Employee benefits 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. Those cash outflows are discounted using market yields on Australian Corporate bonds with terms to maturity that match the expected timing of cashflows.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

#### (l) 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 are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period.

#### (m) Leases

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.

#### (n) Adoption of new and revised accounting standards

During the current year, the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

## Mingara Recreation Club Limited

ABN: 81 001 662 648

# Notes to the Financial Statements

## For the Year Ended 30 June 2016

### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### Impairment

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.

Impairment testing for 2016 has resulted in no impairment write-downs being recognised.

#### Deferred tax balances

Deferred tax assets are recognised for deductible temporary differences only if the Club considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### Provisions - long service leave

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

#### Property, plant and equipment residual values and useful lives

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

#### Link Jackpots and Bonus Points

The liability for Link Jackpots and Bonus Points is recognised and measured at the present value of the estimated future cash flows.

# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements For the Year Ended 30 June 2016

### 4 Revenue and Other Income

#### Revenue from continuing operations

	2016	2015
	\$	\$
(a) Revenue		
- sale of goods	17,627,853	17,879,795
- provision of services	64,382,922	62,738,121
- Interest received	37,267	168,301
- other trading revenue	180,266	98,345
	<u>82,228,308</u>	<u>80,884,562</u>
(b) Other income		
- grant income	-	818,873
	<u>-</u>	<u>818,873</u>

### 5 Result for the Year

Depreciation and amortisation expense	<u>8,757,596</u>	9,209,048
Finance costs	<u>550,981</u>	760,363
Loss on disposal of assets	<u>436,514</u>	685,190
Bad debts	<u>3,551</u>	636
Employee benefits expense	<u>29,056,503</u>	27,569,883
Cost of sales		
Raw materials and consumables used	7,058,812	7,262,643
Changes in inventories	<u>(310,236)</u>	<u>(120,110)</u>
	<u>6,748,576</u>	<u>7,142,533</u>

### 6 Income Tax Expense

(a) The major components of tax expense (income) comprise:		
Deferred tax	<u>(325,182)</u>	<u>(442,533)</u>
	<u>(325,182)</u>	<u>(442,533)</u>



# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements For the Year Ended 30 June 2016

(b) Reconciliation of income tax to accounting profit:

The Income Tax Assessment Act 1997 (amended) provides that under the concept of mutuality, Clubs are only liable for income tax on income derived from non-members and from outside entities.

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Prima facie income tax expense 30% (2015: 30%)	<b>766,978</b>	1,074,295
Net income and expenditure items relating to member activity	<b>(655,789)</b>	(1,054,552)
Losses recouped	<b>(111,189)</b>	(19,743)
Other non-deductible expenditure	<b>(325,182)</b>	(442,533)
Income tax expense/ (benefit)	<b>(325,182)</b>	(442,533)
<b>7 Cash and Cash Equivalents</b>		
Cash on hand	<b>3,630,255</b>	2,533,276
Cash at bank	<b>1,053,992</b>	1,141,394
Short-term bank deposits	<b>3,963,168</b>	4,531,003
Other cash and cash equivalents	<b>2,437</b>	1,947
	<b>8,649,852</b>	8,207,620
<b>8 Trade and Other Receivables</b>		
CURRENT		
Trade receivables	<b>177,447</b>	183,800
Prepayments	<b>348,421</b>	480,071
Other debtors	<b>8,288</b>	4,197
	<b>534,156</b>	668,068
<b>9 Inventories</b>		
CURRENT		
At cost:		
Bar and beverage stock	<b>701,517</b>	434,884
Promotions and other stock	<b>161,709</b>	118,106
	<b>863,226</b>	552,990

# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements For the Year Ended 30 June 2016

### 10 Property, plant and equipment

	2016	2015
	\$	\$
<b>LAND AND BUILDINGS</b>		
Land, At cost	<b>13,158,185</b>	13,158,185
Buildings, At cost	<b>104,153,453</b>	94,245,827
Accumulated depreciation	<b>(35,367,059)</b>	(32,058,816)
	<b>68,786,394</b>	62,187,011
Total land and buildings	<b>81,944,579</b>	75,345,196
<b>PLANT AND EQUIPMENT</b>		
Capital works in progress, At cost	<b>875,855</b>	2,345,335
Plant and equipment, At cost	<b>45,612,928</b>	41,648,775
Accumulated depreciation	<b>(30,781,348)</b>	(28,015,191)
	<b>14,831,580</b>	13,633,584
Furniture, fixtures and fittings, At cost	<b>6,330,412</b>	5,688,984
Accumulated depreciation	<b>(3,820,674)</b>	(3,134,358)
Total furniture, fixtures and fittings	<b>2,509,738</b>	2,554,626
Motor vehicles, At cost	<b>33,214</b>	8,918
Accumulated depreciation	<b>(11,046)</b>	(7,424)
Total motor vehicles	<b>22,168</b>	1,494
Total plant and equipment	<b>18,239,341</b>	18,535,039
<b>Total property, plant and equipment</b>	<b>100,183,920</b>	93,880,235

#### (a) Movements in carrying amounts of property, plant and equipment

	Capital Works in Progress	Land	Buildings	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Opening balance	2,345,335	13,158,185	62,187,011	13,633,584	2,554,626	1,494	93,880,235
Additions	9,656,322	-	-	6,539,121	-	-	16,195,443
Disposals	(582,567)	-	-	(551,595)	-	-	(1,134,162)
Depreciation	-	-	(3,308,243)	(4,759,080)	(686,651)	(3,622)	(8,757,596)
Transfers	(10,543,235)	-	9,907,626	(30,450)	641,763	24,296	-
<b>Closing balance</b>	<b>875,855</b>	<b>13,158,185</b>	<b>68,786,394</b>	<b>14,831,580</b>	<b>2,509,738</b>	<b>22,168</b>	<b>100,183,920</b>

# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 11 Intangible Assets

	2016	2015
	\$	\$
NON-CURRENT		
522 (2015: 514) Purchased poker machine entitlements, at cost	<u>9,430,539</u>	9,185,594

The Club has a total of 1,007 (2015: 999) poker machine entitlements at its Mingara, Westport, Lantern and Pearl Club sites.

These poker machine entitlements are stated at cost, and have an indefinite useful life given they have no expiry date. The remainder of the Club's poker machine entitlements were granted for no cost, and have not been recognised as they do not meet the recognition and measurement criteria of the Accounting Standards.

#### (a) Reconciliation

##### Poker Machine Entitlements

Opening balance	9,185,594	8,779,145
Additions - Purchased	<u>244,945</u>	406,449
<b>Total</b>	<u>9,430,539</u>	9,185,594

During the year, the Club purchased 8 poker machine entitlements for \$244,945 for the Westport Club.

### 12 Trade and Other Payables

CURRENT		
Trade payables	1,805,348	2,232,856
Goods and services tax payable	259,855	213,453
Sundry payables and accrued expenses	3,583,795	2,579,391
Amounts received in advance	<u>113,143</u>	181,107
	<u>5,762,141</u>	5,206,807

### 13 Borrowings

CURRENT		
Bank loans	4,269,000	4,330,000
Other financial liabilities	<u>750,000</u>	-
	<u>5,019,000</u>	4,330,000
NON-CURRENT		
Bank loans	11,900,000	9,747,500
Other financial liabilities	<u>750,000</u>	-
	<u>12,650,000</u>	9,747,500

The bank loans are secured by a first registered mortgage over all of the Club's property, a fixed and floating charge over the assets and undertakings of the Club and a Deed of Undertaking between the CEO, the Club and Westpac in relation to the operating of the Club's gaming and liquor licences. The non-current bank loans are payable on or before 30 September 2019 on an equal instalment basis and are subject to annual review.

# Mingara Recreation Club Limited

ABN: 81 001 662 648

## Notes to the Financial Statements For the Year Ended 30 June 2016

### 14 Provisions

	2016	2015
	\$	\$
CURRENT		
Employee entitlements	3,439,702	3,226,626
Link Jackpots and Bonus Points	642,430	518,650
	<u>4,082,132</u>	<u>3,745,276</u>
NON-CURRENT		
Employee entitlements	<u>390,632</u>	304,732

	Employee entitlements	Link Jackpots and Bonus Points	Total
	\$	\$	\$
Opening balance at 1 July 2015	3,531,358	518,650	4,050,008
Additional provisions	2,265,602	2,860,463	5,126,065
Provisions used	(1,966,626)	(2,736,683)	(4,703,309)
<b>Balance at 30 June 2016</b>	<u>3,830,334</u>	<u>642,430</u>	<u>4,472,764</u>

### 15 Tax

#### (a) Current tax receivable / (payable)

	2016	2015
	\$	\$
Income tax receivable / (payable)	-	41,005

#### (b) Deferred tax assets

Deferred tax assets	<u>918,281</u>	<u>738,107</u>
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#### (c) Deferred tax liabilities

Timing differences at 30% (2015: 30%)	<u>2,653,683</u>	<u>2,798,693</u>
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## Mingara Recreation Club Limited

ABN: 81 001 662 648

### Notes to the Financial Statements For the Year Ended 30 June 2016

(d) Deferred tax assets and liabilities are attributed to the following

	Assets		Liabilities		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
Land	-	-	(2,223,972)	(2,223,972)	(2,223,972)	(2,223,972)
Buildings	-	-	(24,720)	54,701	(24,720)	54,701
Property, plant and equipment	-	-	(404,987)	(629,140)	(404,987)	(629,140)
Prepayments	-	-	(4)	(282)	(4)	(282)
Employee benefits	205,949	230,422	-	-	205,949	230,422
Trade & other payables	607,185	291,352	-	-	607,185	291,352
Tax losses	105,147	216,333	-	-	105,147	216,333
<b>Total</b>	<b>918,281</b>	<b>738,107</b>	<b>(2,653,683)</b>	<b>(2,798,693)</b>	<b>(1,735,402)</b>	<b>(2,060,586)</b>

(e) Movement in temporary differences during the year

	Balance 1 July 2015	Recognised	Closing Balance
	\$	\$	\$
Land	(2,223,972)	-	(2,223,972)
Buildings	54,701	(79,421)	(24,720)
Property, plant and equipment	(629,140)	224,153	(404,987)
Prepayments	(282)	278	(4)
Employee benefits	230,422	(24,473)	205,949
Trade & other payables	291,352	315,833	607,185
Tax losses	216,333	(111,186)	105,147
	<b>(2,060,586)</b>	<b>325,184</b>	<b>(1,735,402)</b>

## 16 Reserves

### Asset realisation reserve

The asset realisation reserve represents a reduction in the Club's deferred tax liability in relation to the calculation of the tax base of buildings owned by the Club. The tax base of buildings for registered clubs is calculated by reducing from the cost of the buildings the capital allowances deducted for taxation purposes under Division 43 of the Income Tax Assessment Act 1997.

## Mingara Recreation Club Limited

ABN: 81 001 662 648

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 17 Financial Risk Management

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

The Club does not have any derivative financial instruments.

No financial assets and 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 Club intends to hold these assets to maturity.

The total 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:

	2016	2015
	\$	\$
<b>Financial Assets</b>		
<b>Available-for-sale financial assets</b>		
Cash and cash equivalents	8,649,852	8,207,620
<b>Held-to-maturity financial assets</b>		
Trade receivables	177,447	183,800
<b>Total financial assets</b>	<u>8,827,299</u>	<u>8,391,420</u>
<b>Financial Liabilities</b>		
<b>Financial liabilities at amortised cost</b>		
Trade payables	1,805,348	2,232,856
Borrowings	17,669,000	14,077,500
	<u>19,474,348</u>	<u>16,310,356</u>

There was no material difference between the carrying value and fair value of the Club's financial assets and liabilities.

#### 18 Related Parties

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

There were no transactions with related parties during the financial year.

#### 19 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$1,742,791 (2015: \$1,595,845).

## Mingara Recreation Club Limited

ABN: 81 001 662 648

### Notes to the Financial Statements For the Year Ended 30 June 2016

#### 20 Capital and Leasing Commitments

##### (a) Operating Leases

	2016	2015
	\$	\$
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	1,118,633	978,433
- between one year and five years	551,349	1,659,191
	<u>1,669,982</u>	<u>2,637,624</u>

Operating leases have been taken out for Pearl Club (Chatswood), gym equipment and motor vehicles where the Club has determined that it does not control the significant risks and rewards of ownership. The lease terms are 3 - 5 years.

##### (b) Contracted Commitments

Contracted commitments for:

Poker machine entitlements	-	60,000
Westport construction	1,268,014	1,163,278
Mingara One construction	67,562	8,626
Springwood amalgamation	6,055,000	-
Mingara commitments	7,960	-
Lantern commitments	26,535	-
	<u>7,425,071</u>	<u>1,231,904</u>

#### 21 Contingencies

Contingent Liabilities

TAB Limited	15,000	15,000
Port Macquarie-Hastings Council	214,000	214,000
	<u>229,000</u>	<u>229,000</u>

#### 22 Events Occurring After the Reporting Date

In May 2016 Mingara Recreation Club signed a Memorandum of Understanding with Springwood Bowling & Recreation Club Limited (trading as Springwood Sports Club) for the amalgamation of Springwood Sports Club into Mingara Recreation Club Limited. Subsequent to year end the board and members of Mingara Recreation Club Limited ratified this amalgamation. Liquor and Gaming NSW has yet to provide the notification period for objection and Liquor and Gaming NSW approval can only be provided post that.

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.

**Mingara Recreation Club Limited**

ABN: 81 001 662 648

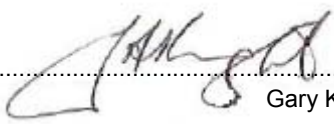
**Directors' Declaration**

The directors of the Company declare that:

1. The financial statements and notes for the year ended 30 June 2016 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 30 June 2016 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 .....  .....  
Philip A Walker

Director .....  .....  
Gary Knight

Dated this 28 ..... day of September 2016

Port Macquarie



**Mingara Recreation Club Limited**  
ABN: 81 001 662 648

## **Independent Audit Report to the members of Mingara Recreation Club Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Mingara Recreation Club Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other 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.

#### *Directors' Responsibility 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 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**Mingara Recreation Club Limited**  
ABN: 81 001 662 648

## **Independent Audit Report to the members of Mingara Recreation Club Limited**

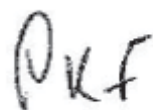
### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mingara Recreation Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

- (a) the financial report of Mingara Recreation 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 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements to the extent described in Note 1, and the *Corporations Regulations 2001*; and



**PKF**  
Chartered Accountants



**CLAYTON HICKEY**  
Partner

Newcastle

Dated this 4<sup>th</sup> day of October 2016



