DIRECTORS' REPORT

Your directors present this report on the company for the financial year ended 30 June 2018.

Directors

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

GAUCI, Tony
HERRING, Brian
SCOTT, John
EPPLE, Barry
DWYER, Peter
DICKENS, Kevin (from November 2017)
HUZJAN, Frank (from November 2017)
BURKE, Margaret (to November 2017)

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

Principal Activities

The principal activity of the company during the financial year was the carrying on trade as a licensed bowling and sports club.

Short-term and Long-term Objectives

The company's short-term objectives are:

– to trade profitably as a Licensed Club
– to maintain the Club's current working capital
– to achieve the strongest financial position possible

The company's long-term objectives are:

– to maintain and where possible update Club facilities
– to protect the member's assets

Strategies

To achieve its stated objectives, the company has adopted the following strategies:

– monitoring monthly results
– developing KPI's
– developing and following a long term strategic plan

Information on Directors

GAUCI, Tony	–	President
Experience	–	17 years on the board
HERRING, Brian	–	Treasurer
Experience	–	18 years on the board

DIRECTORS' REPORT

Information on Directors (cont.)

SCOTT, John	–	Vice President
Experience	–	13 years on the board
EPPLE, Barry	–	Director
Experience	–	7 years on the board
DWYER, Peter	–	Director
Experience	–	4 years on the board
DICKENS, Kevin	–	Director
Experience	–	1 year on the board
HUZJAN, Frank	–	Director
Experience	–	1 year on the board

Meetings of Directors

During the financial year, 12 general meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings (general)	
	Number eligible to attend	**Number attended**
GAUCI, Tony	12	12
HERRING, Brian	12	12
SCOTT, John	12	12
EPPLE, Barry	12	12
DWYER, Peter	12	10
DICKENS, Kevin	8	8
HUZJAN, Frank	8	7
BURKE, Margaret	2	2

Environmental regulations

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Future developments

The Club intends to renovate the kitchen area and are considering a number of different proposals and costings. However at this stage, this project has been deferred with priority given to the replacement of the air conditioning system. The expected cost of the air conditioning system is $563,225 and a loan facility has been entered into with the CBA.

DIRECTORS' REPORT

Contribution in winding up

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of $2 each towards meeting any outstanding obligations of the entity. At 30 June 2018 the total amount that members of the Company are liable to contribute if the Company wound up is $8,490

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its Auditors, Morton & Cord, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Morton & Cord during or since the financial year.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 4 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.

Tony Gauci
17 August 2018

Brian Herring
17 August 2018

Morton & Cord
Chartered Accountants
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e: admin@mortoncord.com.au
w: www.mortoncord.com.au
a: 21 Moss St Nowra
PO Box 129

Auditor's Independence Declaration to the Directors of Culburra Bowling & Recreation Club Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Culburra Bowling & Recreation Club Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Morton + Cord

Morton & cord

Michael Lees
Partner
17 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
Revenue	2	16,445,830	16,152,427
Other income	2	321,313	264,607
Fair value adjustment – Investment properties	8	-	294,091
Total revenue		16,767,143	16,711,125
Cost of goods sold		(773,144)	(788,151)
Employee benefits expense		(1,598,929)	(1,664,191)
Depreciation and amortisation expense	3b	(572,629)	(526,226)
Bar operating expenses		(52,188)	(58,678)
Poker machine payouts		(11,457,697)	(11,244,661)
Poker machine operating expenses		(658,076)	(662,670)
Bowling greens operating expenses		(15,043)	(13,363)
TAB and Keno operating expenses		(44,083)	(43,961)
Promotions and entertainment expenses		(368,496)	(246,344)
Occupancy expenses		(334,463)	(297,726)
Borrowing costs		(7,231)	(12,638)
Other expenses		(810,001)	(805,777)
Profit for the year		75,163	346,739
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income for the year		-	-
Profit attributable to members of the entity		75,163	346,739
Total comprehensive income attributable to members of the entity		75,163	346,739

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018	2017
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	572,774	545,094
Inventories	5	81,461	79,623
Trade and other receivables	6	5,767	6,844
Other assets	7	16,814	13,948
TOTAL CURRENT ASSETS		676,816	645,509
NON-CURRENT ASSETS			
Investment properties	8	1,180,000	1,180,000
Property, plant and equipment	9	7,726,183	7,894,529
TOTAL NON-CURRENT ASSETS		8,906,183	9,074,529
TOTAL ASSETS		9,582,999	9,720,038
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	477,361	427,314
Provisions	11	199,327	239,090
Interest bearing liabilities	12	56,763	111,234
Other liabilities	13	22,947	18,970
TOTAL CURRENT LIABILITIES		756,398	796,608
NON-CURRENT LIABILITIES			
Trade and other payables	10	203,702	309,464
Provisions	11	15,720	12,200
Interest bearing liabilities	12	-	69,750
TOTAL NON-CURRENT LIABILITIES		219,422	391,414
TOTAL LIABILITIES		975,820	1,188,022
NET ASSETS		8,607,179	8,532,016
EQUITY			
Retained earnings		8,607,179	8,532,016
TOTAL EQUITY		8,607,179	8,532,016

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2018

	Note	Retained Earnings	Revaluation Surplus	Total
		$	$	$
Balance at 1 July 2016		8,185,277	-	8,185,277
Comprehensive income				
Profit (loss) for the year		346,739	-	346,739
Other comprehensive income for the year:				
–		-	-	-
Total comprehensive income attributable to members of the entity for the year		346,739	-	346,739
Balance at 30 June 2017		8,532,016	-	8,532,016
Balance at 1 July 2017		8,532,016	-	8,532,016
Comprehensive income				
Profit (loss) for the year		75,163	-	75,163
Other comprehensive income for the year:				
–		-	-	-
Total comprehensive income attributable to members of the entity for the year		75,163	-	75,163
Balance at 30 June 2018		8,607,179	-	8,607,179

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		18,442,835	18,056,533
Payments to suppliers and employees		(17,896,154)	(17,400,023)
Interest received		929	2,004
Net cash generated from operating activities	20	547,610	658,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		28,291	21,000
Purchase of property, plant and equipment		(440,121)	(669,564)
Net cash used in investing activities		(411,830)	(648,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease commitments		(231,095)	(451,402)
Repayment of loans		(124,221)	(98,814)
Proceeds from finance lease commitments		247,216	321,906
Net cash generated by/(used in) financing activities		(108,100)	(228,310)
Net increase in cash held		27,680	(218,360)
Cash and cash equivalents at beginning of financial year		545,094	763,454
Cash and cash equivalents at end of financial year	4	572,774	545,094

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Culburra Bowling & Recreation Club Limited applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: *Application of Tiers of Australian Accounting Standards* and AASB 2010–2: *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

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*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 stated otherwise.

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 17th August 2018 by the directors of the company.

Accounting Policies

a. **Revenue**

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a services and sales of goods is recognised upon the delivery of the service or sale of goods to the customer.

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

b. **Inventories**

Inventories held for sale are measured at the lower of cost and net realisable value. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

c. **Property, Plant and Equipment**

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

Freehold property

Freehold land and buildings are shown are measured at cost less accumulated depreciation on buildings.

Investment property

Investment properties are shown at fair value based on periodic valuations by external valuers.

In periods when investment properties are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the investment properties is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of investment properties are recognised directly in the statement of profit or loss. Revaluation decreases are also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

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

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Plant and equipment	15–30%
Poker machines	20-30%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. **Leases**

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

Finance leases are capitalised, recognising an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

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 for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised 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.

e. **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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

the company commits itself to either purchase or sell the asset (ie 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 recognised immediately as expenses in profit or loss.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

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 amount with a consequential recognition of an income or expense item in profit or loss.

(i) *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, 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 amount being included in profit or loss.

(ii) *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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments 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.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when 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 when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount 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.

f. **Impairment of Assets**

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

g. **Employee Benefits**

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits as they are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

i. **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).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

j. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. **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.

l. **Comparative Figures**

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

m. **Trade and Other Payables**

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

n. **Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements 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

(i) *Valuation of investment properties*

The investment property was independently valued at 30 June 2017 by Walsh & Monaghan Valuers. The valuation was based on the fair value less costs of disposal. The critical assumptions adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties. The valuation resulted in a fair value adjustment of $294,091 being recognised for the year ended 30 June 2017

(ii) At 30 June 2018, the directors reviewed the key assumptions made by the valuers at 30 June 2017. They have concluded that these assumptions remain materially unchanged and are satisfied that carrying amount does not exceed the recoverable amount of land and buildings at 30 June 2018.

Key judgements

(i) *Employee benefits*

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the 12-month period that follows (despite an informal company policy that requires annual leave to be used within 18 months), the directors believe that obligations for annual leave entitlements satisfy the definition of other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Poker machine licences

The Company holds poker machine licences either acquired through a past business combination or granted at no consideration by the NSW government. AIFRS requires that licences outside of a pre AIFRS transaction business combination be recognised initially at its fair value as at the date it was granted with a corresponding adjustment to the profit and loss to recognise the grant immediately as income. Until new gaming legislation taking effect in April 2002 allowing poker machine licences to be traded for the first time, the Company has determined that fair value at grant date for licences granted pre April 2002 to be zero. Should licences be granted to the Company post April 2002 they will be initially recognised at fair value. The Company has determined that the market for poker machine licences does not meet the definition of an active market and consequently licences recognised will not be revalued each year.

o. **Fair Value of Assets and Liabilities**

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, the use of observable market data.

To the extent possible, market information is extracted from the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

p. **New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 1058: *Income of Not-for-Profit Entities* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.
- new lessee accounting requirements for leases at significantly below-market terms and conditions (commonly known as 'peppercorn leases') principally to enable the lessee to further its objectives. This requires the lessee to recognise the leased asset / right-of-use asset at fair value per AASB 13, the lease liability per AASB 117/AASB 16 and the residual as income (after related amounts) at the inception of the lease per AASB 1058;
- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

profit or loss and unwinding of the liability in principal and interest components;

- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 2: REVENUE AND OTHER INCOME

		2018	2017
		$	$
Revenue			
Trading income			
–	bar sales	1,963,887	1,870,032
–	keno commission	78,528	83,622
–	poker machine revenue	14,370,268	14,164,036
–	TAB commission	33,147	34,737
		16,445,830	16,152,427
Other income			
–	bingo & raffles	116,485	112,302
–	green fees	17,242	18,766
–	interest received	929	2,004
–	member subscriptions	25,997	21,869
–	rent received	46,824	45,429
–	ATM rebates	54,483	44,989
–	other revenue	59,353	19,248
Total other income		321,313	264,607
Total revenue and other income		16,767,143	16,417,034

NOTE 3: PROFIT FOR THE YEAR

		2018	2017
	Expenses		
a.	Employee benefits expense:		
	– contributions superannuation funds	142,514	142,729
b.	Depreciation and amortisation:		
	– land and buildings	81,987	81,987
	– poker machines	341,641	296,445
	– plant and equipment	149,001	147,794
	Total depreciation and amortisation	572,629	526,226
c.	Auditors’ remuneration		
	– auditors’ remuneration	17,433	16,572
	– other services	5,183	5,622
	Total auditors remuneration	22,616	22,194

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 4: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
CURRENT		
Cash at bank	376,326	346,007
Cash on hand	196,448	199,087
	572,774	545,094

NOTE 5: INVENTORIES

CURRENT		
At cost:		
Bar stock	81,461	79,623
	81,461	79,623

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT		
Trade receivables	5,767	6,844
	5,767	6,844

NOTE 7: OTHER ASSETS

Prepayments	16,814	13,948
	16,814	13,948

NOTE 8: INVESTMENT PROPERTIES

Investment properties		
- at valuation	885,909	885,909
- fair value adjustments	294,091	294,091
	1,180,000	1,180,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	$	$
Land and Buildings		
Land, improvements & bowling greens:		
– Deemed cost	1,825,000	1,825,000
	1,825,000	1,825,000
Proposed club development	24,782	24,782
Buildings:		
– Deemed cost	4,997,281	4,990,056
Less accumulated depreciation	(1,042,746)	(962,172)
Total buildings	3,954,535	4,027,884
Total land and buildings	5,804,317	5,877,666
Poker Machines		
At cost	2,825,010	2,637,721
Less accumulated depreciation	(1,574,717)	(1,354,503)
Total poker machines	1,250,293	1,283,218
Plant and Equipment		
Bar & kitchen equipment:		
At cost	620,553	608,094
Less accumulated depreciation	(540,206)	(516,098)
	80,347	91,996
Clubhouse assets:		
At cost	2,383,716	2,331,581
Less accumulated depreciation	(1,862,859)	(1,790,053)
	520,857	541,528
Motor vehicles:		
At cost	134,500	134,500
Less accumulated depreciation	(124,986)	(104,129)
	9,514	30,371
Bowling greens:		
At cost	15,083	15,083
Less accumulated depreciation	(13,825)	(12,317)
	1,258	2,766

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	$	$
Bowling green equipment:		
At cost	106,991	114,719
Less accumulated depreciation	(90,603)	(92,355)
	16,388	22,364
Outdoor poker machine area:		
At cost	56,521	56,521
Less accumulated depreciation	(13,312)	(11,901)
	43,209	44,620
Total plant and equipment	671,573	733,645
Total property, plant and equipment	7,726,183	7,894,529

Movements in Carrying Amounts

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

	Land and Buildings	Poker Machines	Plant and Equipment	Total
	$	$	$	$
2018				
Balance at the beginning of the year	5,877,666	1,283,218	733,645	7,894,529
Additions at cost	8,638	334,300	97,183	440,121
Reclassification at carrying value	-	-	-	-
Disposals	-	(25,584)	(10,254)	(35,838)
Depreciation expense	(81,987)	(341,641)	(149,001)	(572,629)
Carrying amount at the end of the year	5,804,317	1,250,293	671,573	7,726,183

NOTE 10: TRADE AND OTHER PAYABLES

CURRENT		
Trade payables	138,906	187,733
Other current payables	338,455	239,581
	477,361	427,314
NON-CURRENT		
Other non-current payables	203,702	309,464
	203,702	309,464
Total trade and other payables	681,063	736,778

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 10: TRADE AND OTHER PAYABLES

			2018	2017
			$	$
a.	**Financial liabilities at amortised cost classified as trade and other payables**			
	Trade and other payables:			
	– total current		260,040	145,206
	– total non-current		203,702	309,464
	Financial liabilities as trade and other payables	18	463,742	454,670

NOTE 11: PROVISIONS

	2018	2017
CURRENT		
Provision for employee benefits:		
Annual leave	135,694	165,317
Long service leave	63,633	73,773
	199,327	239,090
NON-CURRENT		
Provision for employee benefits:		
Long service leave	15,720	12,200
	15,720	12,200
Total provision for employee benefits	215,047	251,290

	Total
	$
Analysis of total provisions	
Opening balance at 1 July 2017	251,290
Additional provisions raised during year	111,315
Amounts used	(147,558)
Balance at 30 June 2018	215,047

NOTE 11: PROVISIONS

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(g).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12: INTEREST BEARING LIABILITIES

	2018	2017
	$	$
CURRENT		
Business loan	56,763	111,234
	56,763	111,234
NON-CURRENT		
Business loan	-	69,750
	-	69,750
Total interest bearing liabilities	56,763	180,984

NOTE 13: OTHER LIABILITIES

Income in advance	22,947	18,970
	22,947	18,970

NOTE 14: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors do not believe that there are any contingent assets or liabilities as at the date of this report.

NOTE 15: EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any significant events since the end of the reporting period.

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel (KMP).

The totals of remuneration paid to KMP of the company during the year are as follows:

	2018	2017
	$	$
KMP compensation	689,899	617,236

NOTE 17: OTHER RELATED PARTY TRANSACTIONS

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 18: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, and leases.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

		Note	2018	2017
			$	$
Financial assets				
Cash and cash equivalents		4	572,774	545,094
Total financial assets			572,774	545,094
Financial liabilities				
Financial liabilities at amortised cost:				
–	trade and other payables	10a	463,742	454,660
–	borrowings	12	56,763	180,984
Total financial liabilities			520,505	635,644

Refer to Note 19 for detailed disclosures regarding the fair value measurement of the company's financial assets and financial liabilities.

NOTE 19: FAIR VALUE MEASUREMENTS

The company has the following assets, as set out in the table below, that are measured at fair value on a recurring basis after their initial recognition. The company does not subsequently measure any liabilities at fair value on a recurring basis and has no assets or liabilities that are measured at fair value on a non-recurring basis.

	Note	2018	2017
		$	$
Recurring fair value measurements			
Investment properties			
Investment properties (i)	8	1,180,000	1,180,000

(i) For the investment properties, the fair values are based on an external independent valuation performed in the 2017 year, which used comparable market data for similar properties.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20: RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	75,163	346,739
Depreciation	572,629	526,226
(Gain)/loss on sale of property, plant and equipment	6,134	(16,199)
Fair value adjustments	-	(294,091)
Operating profit before changes in working capital and provisions	653,926	562,675
(Increase)/decrease in inventories	(1,838)	63
(Increase)/decrease in trade and other receivables	1,077	2,119
(Increase)/decrease in other assets	(2,866)	(3,600)
(Decrease)/increase in trade and other payables	(55,715)	64,408
(Decrease)/Increase in provisions and employee benefits	(50,951)	29,149
(Decrease)/Increase of other liabilities	3,977	3,700
Net cash from operating activities	547,610	658,514

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Culburra Bowling & Recreation Club Limited, the directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 25, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards – Reduced Disclosure Requirements; and
   b. give a true and fair view of the financial position of the company as at 30 June 2018 and of its performance for the year ended on that date.
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.

Tony Gauci

17 August 2018

Brian Herring

17 August 2018

Morton & Cord
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CULBURRA BOWLING & RECREATION CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Culburra Bowling & Recreation Club Limited (the company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss, 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 Culburra Bowling & 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 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 Culburra Bowling & Recreation Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of 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's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Morton + Cord

Morton & Cord

Michael Lees
17 August 2018
Nowra