

**SOUTH SYDNEY GRAPHIC ARTS
CLUB LIMITED**

FINANCIAL REPORT

31 DECEMBER 2018

AUDITORS

D. A STRATI & ASSOCIATES PTY LTD
Level 5, 376 Bay Street
Brighton Le Sands NSW 2216

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

FINANCIAL REPORT
31 DECEMBER 2018

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SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

DIRECTORS' REPORT

The directors present their report, together with the financial statements of South Sydney Graphic Arts Club Limited (the company) for the year ended 31 December 2018.

DIRECTORS

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

<u><i>Name</i></u>	<u><i>Qualifications and Experience</i></u>
Deborah Atkins	President Retired - School Principal Board member for 12 years
Ross Marshall	Vice President Retired - Printer Board member for 17 years
Graeme Robinson	Director Retired - Printer Board member for 17 years
Justin Wenban	Director Self Employed Board member for 6 years
Michael Comminos	Director Director of Infrastructure Strategy and Programmes Board member for 5 years
Victoria Talbot	Director Semi-Retired Teacher Board member for 3 years
Michael King	Director Painter / Decorator Board member for 2 years
Mark Blizard	Director Group Executive / Project Management Appointed 9 January 2018

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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DIRECTORS' REPORT (Continued)

DIRECTORS' MEETINGS

The number of directors' meetings and the number of meetings attended by each of the directors of the company during the financial year were:-

Director	Number of meetings Held *	Number of meetings attended
Deborah Atkins	14	13
Ross Marshall	14	13
Graeme Robinson	14	13
Justin Wenban	14	9
Michael Comminos	14	10
Victoria Talbot	14	13
Michael King	14	13
Mark Blizzard	14	12

* Number of meetings held during the time
the director held office during the year.

PRINCIPAL ACTIVITIES

The principal activity of the company was to provide members and their guests with amenities and facilities usually associated with that of a licensed social club.

SIGNIFICANT CHANGES

There were no significant changes in the nature of principal activities of the company during the year.

MEMBERSHIP

The company is a company limited by guarantee and without share capital. The number of members as at 31 December 2018 was 5,764 and (2017: 5,443).

MEMBERS LIMITED LIABILITY

In accordance with Constitution of the company, each member undertakes to contribute an amount not exceeding two dollars (\$2.00) in the event of the winding up of the company, while he or she is a member of the Club or within one year thereafter.

OPERATING RESULT FOR THE YEAR

The net profit after tax for the year amounted to \$142,840 compared with a loss of \$8,738 for the prior year. This result was achieved after recognising \$42,363 (2017: \$42,810) for finance costs and \$388,056 (2017: \$353,742) for depreciation and amortisation.

DIRECTORS' REPORT (Continued)

MEASUREMENT OF SUCCESS

The company measures success by focussing on two key areas:

1. Financial performance measured through revenue, profitability and return on capital employed.
2. Provision of social welfare for members and the community.

SHORT AND LONG-TERM OBJECTIVES

The short-term objectives of the company are:

- (a) To maintain a level of operational profitability that supports the company's objectives, and
- (b) To develop a long-term member base which will benefit from the company's success.

This will ensure the long-term objective of continuing to operate a licensed social Club for the use of members and their guests.

STATE OF AFFAIRS

There have been no significant changes in the state of financial affairs of the company during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events occurring after the balance date which will affect either the company's operations or results of those operations or the company's state of affairs.

DIRECTORS' BENEFITS

No director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the company with a director, firm of which a director is a member or an entity in which the director has a substantial financial interest.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditors 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 its auditors during or since the financial year.

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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DIRECTORS' REPORT (Continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the company has paid insurance premiums of \$7,392 in respect of directors' and officers' liability, legal expenses and insurance contracts for current and former directors and officers.

The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

AUDITORS' INDEPENDENCE DECLARATION

The directors have received the Independence Declaration from the Auditors as required under Section 307C of the Corporations Act 2001. The declaration is attached to this report.

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

_____ **Ms Deborah Atkins – President**

_____ **Mr Ross Marshall – Vice President**

Dated: 1 March 2019 at Mascot

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N 87 000 298 699

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C – CORPORATION ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there has been:

1. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

D.A STRATI & ASSOCIATES
Certified Practising Accountants

Domenic Strati
Brighton Le Sands
1 March 2019

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 \$
Revenue from ordinary activities			
Revenue from sale of goods		2,744,895	2,625,706
Revenue from rendering services		2,095,994	1,664,318
Members subscriptions		9,779	14,465
Other revenue		74,890	58,144
Total Revenue	2	4,925,558	4,362,633
Expenses from ordinary activities			
Cost of sales		(1,019,023)	(944,054)
Poker machine licences and taxes		(277,108)	(180,276)
Personnel expenses		(1,773,989)	(1,666,317)
Members benefits		(276,601)	(299,183)
Finance costs		(42,363)	(42,810)
Other expenses		(964,909)	(940,173)
Total Expenses		(4,353,993)	(4,072,813)
Profit before depreciation and impairment		571,565	289,820
Depreciation and amortisation	3	(388,056)	(353,742)
Profit (Loss) before income tax		183,509	(63,922)
Income tax benefit (expense)	4	(40,669)	55,184
Net Profit (Loss) for the year		142,840	(8,738)
Total comprehensive income (loss) attributable to members of the entity		142,840	(8,738)

The accompanying notes form part of these financial statements

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	167,341	69,393
Trade and other receivables	6	25,069	18,576
Inventories	7	24,385	27,404
Other current assets	8	14,080	15,501
Total Current Assets		<u>230,875</u>	<u>130,874</u>
NON-CURRENT ASSETS			
Intangible assets	9	1,188,481	814,539
Property, plant and equipment	10	22,601,670	22,565,818
Deferred tax assets	11	417,823	458,492
Other non current assets	8	20,597	5,000
Total Non-Current Assets		<u>24,228,571</u>	<u>23,843,849</u>
TOTAL ASSETS		<u>24,459,446</u>	<u>23,974,723</u>
CURRENT LIABILITIES			
Trade and other payables	12	441,461	320,873
Short term provisions	13	325,342	259,086
Total Current Liabilities		<u>766,803</u>	<u>579,959</u>
NON-CURRENT LIABILITIES			
Trade and other payables	12	236,159	213,745
Long term provisions	13	48,667	42,042
Interest-bearing loans and borrowings	14	650,000	899,000
Total Non-Current Liabilities		<u>934,826</u>	<u>1,154,787</u>
TOTAL LIABILITIES		<u>1,701,629</u>	<u>1,734,746</u>
NET ASSETS		<u>22,757,817</u>	<u>22,239,977</u>
MEMBERS' EQUITY			
Reserves	15	20,073,045	19,698,045
Retained earnings		2,684,772	2,541,932
TOTAL MEMBERS' EQUITY		<u>22,757,817</u>	<u>22,239,977</u>

The accompanying notes form part of these financial statements

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Retained Earnings	Asset Revaluation Reserve	Capital Profits Reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2017	2,550,670	15,641,696	473,849	18,666,215
Loss for the year	(8,738)	-	-	(8,738)
Revaluation of Land & Buildings	-	3,582,500	-	3,582,500
Balance at 31 December 2017	<u>2,541,932</u>	<u>19,224,196</u>	<u>473,849</u>	<u>22,239,977</u>
Net Profit for the year	142,840	-	-	142,840
Revaluation of Poker Machine Licences	-	375,000	-	375,000
Balance at 31 December 2018	<u>2,684,772</u>	<u>19,599,196</u>	<u>473,849</u>	<u>22,757,817</u>

The accompanying notes form part of these financial statements

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		5,410,972	4,813,501
Cash paid to suppliers and employees		(4,641,024)	(4,295,321)
Net cash from operating activities	16(a)	<u>769,948</u>	<u>518,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(431,943)	(462,548)
Proceeds from disposal of property, plant and equipment		8,943	-
Net cash from (used) investing activities		<u>(423,000)</u>	<u>(462,548)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(249,000)	(88,239)
Net cash used by financing activities		<u>(249,000)</u>	<u>(88,239)</u>
Net increase (decrease) in cash and cash equivalents		<u>97,948</u>	<u>(32,607)</u>
Cash and cash equivalents at the beginning of year		69,393	102,000
Cash and cash equivalents at the end of year	16(b)	<u>167,341</u>	<u>69,393</u>

The accompanying notes form part of these financial statements

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The financial report is for the South Sydney Graphic Arts Club Limited as an individual entity, incorporated and domiciled in Australia. South Sydney Graphic Arts Club Limited is a company limited by guarantee.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

The company is a not-for-profit entity which is not publicly accountable. Australian Accounting Standards contain requirements specific to not-for-profit entities, which set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical cost and do not consider the changing values of money, except for financial assets and financial liabilities which are measured at fair value.

The amounts presented in the financial statements are in Australian dollars (\$) and have been rounded to the nearest dollar.

Accounting Policies

a) Revenue and Other Income

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from functions, catering, beverages and merchandise is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

Rendering of Services and Membership Revenue

Revenue from gaming and services to members and patrons is recognised when services are provided.

Interest Revenue

Interest revenue is recognised as interest accrues taking into account the interest rates and effective yield on the financial asset.

Rental Income

Rental Income is accounted for on a straight line basis over the term of the lease.

Sale of Property, Plant and Equipment

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and is recognised as other income at the date control of the asset passes to the buyer.

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Inventories

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

c) 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 any impairment losses.

Freehold property

Freehold land and buildings are shown at their fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

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

Increases in the carrying amount arising on revaluation of land and buildings are recognised in Statement of Changes in Equity and accumulated in the Asset Revaluation Reserve. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in the Statement of Changes of Equity and will decrease the Asset Revaluation Reserve.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings 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.

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 and 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(e) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period which they are incurred.

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

Depreciation

Property, plant and equipment are depreciated over their useful lives commencing from the time the asset is held ready for use. Buildings are depreciated using the straight line method whereas plant and equipment is depreciated using the diminishing value method. Land is not depreciated.

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation (continued)

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

<u>Class of Fixed Assets</u>	<u>Rates</u>
Buildings and Related Improvements	2% - 20%
Plant, Equipment and Furniture	3% - 40%
Poker Machines and Related Equipment	30% - 40%

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 included in the income statement. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

d) Intangibles

Poker Machine Entitlements

Poker machine entitlements are deemed to have an indefinite useful life and are not amortised. Instead they are tested annually for impairment.

Other Intangibles

Other Intangibles are deemed to have a finite useful life and are amortised over their useful lives commencing from the time the asset is held and ready for use.

e) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

f) 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.

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the income statement over the period of the borrowings to which they relate.

h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees at balance date. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

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

i) Provisions

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

j) Leases

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

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

Capitalised Leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Subsequent to initial recognition these instruments are measured as set out below.

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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the company's intention to hold these investments to maturity. Any held-to-maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

l) Goods and Services Tax (GST)

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

Receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Income Tax

The company is assessable for income tax on the surplus of trading with persons other than members and on investment income. Receipts from members themselves, however, are not subject to income tax being in accordance with the principle of mutuality.

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted for permanent differences, changes in deferred tax assets and liabilities attributed to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

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

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

n) Critical Accounting Estimates and Judgements

The preparation of the financial statements require management to make estimates and judgements that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities.

Uncertainty about these estimates and judgements could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Estimates and Judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Management based its estimates and judgements on historical results and the best available current information. Estimates and judgements assume a reasonable expectation of future events and are based on current trends and economic data, from internal and external sources.

Estimation of useful life of assets

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical Accounting Estimates and Judgements (continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

Assessment of impairment and remaining useful lives of property, plant and equipment

The Directors have considered whether any indicators of impairment exist which would require the performance of an impairment review in respect of the property, plant and equipment owned by the Club. In addition, management has considered whether the useful lives of any such assets should be revised as a result of any anticipated development. Management has determined that as at the year-end date no such indicators exist.

o) New Revised Standards Effective for these Financial Statements

The Company has adopted all of the new and revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial position of the Group.

p) Accounting Standards and Interpretations Issued but not yet effective

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the 31 December 2018 reporting period. The Directors have not early adopted any of these new or amended standards or interpretations. The Company will be required to review and revise presentation, recognition or measurement where required for these accounting standards in future years.

q) Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

In arriving at this position, the directors have had regard to the fact that the company has, or in the directors opinion will have, access to sufficient cash to meet its debts as and when they fall due and fund its ongoing operations for a period of not that less than 12 months from the date of approval of the financial statements.

r) Comparative Figures

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

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
NOTE 2: REVENUE		
Operating activities:		
Revenue from bar trading	1,444,789	1,400,581
Revenue from restaurant and bistro	1,300,106	1,225,125
Revenue from poker machines	1,987,232	1,549,131
Revenue from Keno and TAB	108,762	115,187
Revenue from boardroom	61,460	45,216
Revenue from members subscriptions	9,779	14,465
Commissions received	13,430	12,928
Total revenue	<u>4,925,558</u>	<u>4,362,632</u>
 NOTE 3: PROFIT FOR THE YEAR		
Profit from ordinary activities before income tax expense has been determined after:		
Expenses (excluding depreciation):		
Direct Costs of:		
- Bar trading	861,526	735,265
- Restaurant and Bistro	933,465	920,359
- Poker Machine trading	593,613	460,242
Total Direct Cost of Trading	<u>2,388,604</u>	<u>2,115,866</u>
Depreciation of Non-Current Assets		
- Buildings and property improvements	77,500	82,500
- Plant, equipment and furniture	100,965	101,106
- Poker machines & related equipment	203,545	164,801
	<u>382,010</u>	<u>348,407</u>
Amortisation of website/app costs	1,057	2,132
Net loss on disposal of Non-Current Assets	4,989	3,202
	<u>388,056</u>	<u>353,742</u>
Interest expense on financial liabilities	<u>42,363</u>	<u>42,811</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 3: PROFIT FOR THE YEAR (continued)

	2018	2017
	\$	\$
Remuneration of the auditor for:		
- Audit of the financial report	20,000	19,500
- Other services	8,270	11,705
	<u>28,270</u>	<u>31,205</u>
Provision for employee entitlements:		
Annual leave & Sick leave	47,368	25,855
Long service leave	6,625	11,434
	<u>53,993</u>	<u>37,289</u>

NOTE 4: INCOME TAX

- a) The amount set aside for income tax in the statement of comprehensive income has been calculated as follows:

Portion of income attributable to non members	239,679	211,003
Less: Portion of expenses attributable to non members	<u>(204,817)</u>	<u>(190,620)</u>
	34,862	20,383
Add: Other assessable income	122,192	128,115
Less: Other deductible expenses	<u>(304,652)</u>	<u>(292,787)</u>
Transfer to tax losses	147,598	144,289
Net income subject to tax	<u>0</u>	<u>0</u>
Increase (decrease) in deferred tax asset	(40,669)	55,184
Income tax benefit (expense)	<u>(40,669)</u>	<u>55,184</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 5: CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Cash on hand	40,000	40,000
Cash at bank (SSGAC Account)	140	609
Cash at bank (ANZ Trading Account)	27,060	28,747
Cash at bank (ANZ TAB Account)	100,141	37
	<u>167,341</u>	<u>69,393</u>

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	1,558	1,052
Other receivables	23,511	17,524
	<u>25,069</u>	<u>18,576</u>

NOTE 7: INVENTORIES

CURRENT

At cost

Bar & Liquor at cost	18,760	21,783
Food at cost	5,625	5,621
	<u>24,385</u>	<u># 27,404</u>

NOTE 8: OTHER ASSETS

CURRENT

Prepayments	<u>14,080</u>	<u>15,501</u>
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NON-CURRENT

Security Deposit - TAB	5,000	5,000
Other receivables	15,597	-
	<u>20,597</u>	<u>5,000</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 9: INTANGIBLE ASSETS

	2018	2017
	\$	\$
Website App Development	1,481	2,539
License agreement - Fingal Bay unit	62,000	62,000
Poker machine licences - at directors valuation	1,125,000	750,000
	<u>1,188,481</u>	<u>814,539</u>

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

Land		
Club freehold land - at independent valuation 2017	18,400,000	18,400,000
Buildings - at independent valuation 2017	3,100,000	3,100,000
Less accumulated depreciation	<u>(77,500)</u>	<u>-</u>
	<u>21,422,500</u>	# <u>21,500,000</u>
Plant, Equipment and Furniture - at cost	1,379,158	1,319,650
Less accumulated depreciation	<u>(872,974)</u>	<u>(798,556)</u>
	<u>506,184</u>	<u>521,094</u>
Poker Machines and Related Equipment - at cost	1,577,562	1,384,623
Less accumulated depreciation	<u>(904,576)</u>	<u>(839,899)</u>
	<u>672,986</u>	<u>544,724</u>
Total property, plant and equipment	<u>22,601,670</u>	<u>22,565,818</u>

Pursuant to Section 41J of the Registered Clubs Act, the land and buildings situated at 182 Coward Street Mascot NSW, are clasified as core property of the Club for the financial year ended 31 December 2018.

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in Carrying Amounts	2018	2017
	\$	\$
<p>Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:</p>		
<u>Land and Buildings</u>		
Carrying amount at the beginning of year	21,500,000	18,000,000
Revaluations	-	3,582,500
Depreciation Expense	<u>(77,500)</u>	<u>(82,500)</u>
Carrying amount at end of year	<u>21,422,500</u>	<u>21,500,000</u>
<u>Plant, Equipment and Furniture</u>		
Carrying amount at the beginning of year	521,094	545,815
Additions	94,287	85,081
Disposals	(8,232)	(8,696)
Depreciation Expense	<u>(100,965)</u>	<u>(101,106)</u>
Carrying amount at end of year	<u>506,184</u>	<u>521,094</u>
<u>Poker Machines and Equipment</u>		
Carrying amount at the beginning of year	544,724	334,565
Additions	337,656	377,467
Disposals	(5,848)	(2,508)
Depreciation Expense	<u>(203,545)</u>	<u>(164,801)</u>
Carrying amount at end of year	<u>672,986</u>	<u>544,724</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 11: DEFERRED TAX ASSETS	2018	2017
	\$	\$
Opening Balance	458,492	403,308
Income tax benefit (expense)	<u>(40,669)</u>	<u>55,184</u>
Closing Balance	<u>417,823</u>	<u>458,492</u>
Recognised in comprehensive income		
- Employee entitlements	5,610	4,516
- Tax Losses	<u>412,213</u>	<u>453,976</u>
	<u>417,823</u>	<u>458,492</u>

NOTE 12: TRADE AND OTHER PAYABLES

Unsecured liabilities:		
Trade payables	22,967	44,851
Accrued expenses	77,518	53,493
Equipment payable	260,162	155,897
Goods and services tax	32,152	28,265
Income received in advance	11,646	10,658
Members subscriptions in advance	5,763	770
PAYG withholding	<u>31,253</u>	<u>26,938</u>
	<u>441,461</u>	<u>320,873</u>
NON-CURRENT		
Equipment payable	<u>236,159</u>	<u>213,745</u>
	<u>236,159</u>	<u>213,745</u>

NOTE 13: PROVISIONS

CURRENT		
Short-term Provisions		
Provision for Poker Machine Linked Jackpot	18,888	-
Employee entitlements:		
Provision for annual leave	112,470	91,938
Provision for sick leave	<u>193,984</u>	<u>167,148</u>
	<u>325,342</u>	<u>259,086</u>
NON-CURRENT		
Long-term		
Employee entitlements:		
Provision for long service leave	<u>48,667</u>	<u>42,042</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 14: LONG TERM BORROWINGS

	2018	2017
	\$	\$
NON-CURRENT		
Mortgage loan	<u>650,000</u>	<u>899,000</u>

NOTE 15: RESERVES

Asset Revaluation Reserve	19,599,196	19,224,196
Capital Profits Reserve	<u>473,849</u>	<u>473,849</u>
	<u>20,073,045</u>	<u>19,698,045</u>

a. Asset Revaluation Reserve

The asset revaluation reserve records the revaluation of non current assets.

b. Capital Profits Reserve

The capital profits reserve represents the after tax capital profits on sale of non current assets.

NOTE 16: CASH FLOW INFORMATION

16 (a) Reconciliation of cash flow from

Profit (loss) after income tax	142,840	(8,738)
Non-cash flows in profit (loss)		
Disposal of plant and equipment	4,989	11,204
Impairment (Gain) / Loss on Assets		
Prior Period Adjustment		
Changes in assets and liabilities:		
Decrease (increase) in receivables	(6,493)	13,278
Decrease (increase) in inventories	3,019	4,936
Decrease (increase) in other assets	(14,026)	8,146
Decrease (increase) in deferred tax assets	40,669	(55,184)
Increase (decrease) in payables	143,002	160,373
Increase (decrease) in short term provisions	66,256	25,855
Increase (decrease) in long term provisions	6,625	11,434
Net cash provided by (used in) operating activities	<u>769,948</u>	<u>518,180</u>

16 (b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position (note 5).

	<u>167,341</u>	<u>69,393</u>
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SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 17: RELATED PARTY TRANSACTIONS

The name of each person holding the position of director of the club during the financial year is listed in the Directors Report.

No director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Directors' Remuneration	2018	2017
All directors positions are honorary. The directors received no remuneration or retirement benefits from the Club, with the exception that an honorarium was paid to the directors.	\$	\$
	<u>34,400</u>	<u>33,650</u>

Key Management Personnel

The following were key management personnel of the company at any time during the reporting period and unless otherwise indicated were directors for the entire period:

Directors

Deborah Atkins
 Ross Marshall
 Graeme Robinson
 Justin Wenban
 Michael Comminos
 Victoria Talbot
 Michael King
 Mark Blizzard

Executive Management

Ian McMillan - Chief Executive Officer
 James McKenzie - Operations Manager

Transactions with Key Management Personnel	2018	2017
	\$	\$
The key management personnel compensation included in "personnel expenses" is as follows:		
Short term employee benefits		
Executive Management Salaries & Allowances	<u>370,408</u>	<u>369,100</u>
Post employment benefits		
Executive Management Superannuation	<u>64,020</u>	<u>63,411</u>

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

NOTE 18: POKER MACHINE ENTITLEMENTS

The company acknowledges that Poker Machine Entitlements have a value. The value of these entitlements is the market value determined by the trading of such entitlements. The current market value is estimated by the directors to be \$25,000 for each entitlement. The club currently holds forty five (45) poker machine entitlements.

NOTE 19: EVENTS SUBSEQUENT TO REPORTING DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company as at 31 December 2018.

NOTE 20: MEMBERS GUARANTEE

The company is limited by guarantee. If the company is wound up, the Articles of Association state that each member is required to contribute a maximum of \$2 each towards meeting the outstanding obligations of the company. At 31 December 2018 the number of financial members totalled 5,764 (2017: 5,443).

NOTE 21: COMPANY DETAILS

The registered office and principle place of business is:
182 Coward Street
MASCOT NSW 2020

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N 87 000 298 699

DIRECTORS' DECLARATION

The directors of South Sydney Graphic Arts Club Limited declare that:

1. In the Directors' opinion the financial statements and notes as set out on pages 6 to 25, are in accordance with the Corporations Act 2001 and:
 - (a) Comply with Australian Accounting Standards – Reduced Disclosure Requirements and Corporations Regulations 2001 and other professional reporting requirements; and
 - (b) Give a true and fair view of the company's financial position as at 31 December 2018 and of its performance, for the financial year ended on that date;

2. 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 _____ **Deborah Atkins**

Director _____ **Ross Marshall**

Dated : 1 March 2019 at Mascot

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED

We have audited the accompanying financial report of South Sydney Graphic Arts Club Limited, which comprises the statement of financial position as at 31 December 2018, 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 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 risk 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 entity'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 audit opinion.

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 South Sydney Graphic Arts Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

SOUTH SYDNEY GRAPHIC ARTS CLUB LIMITED
A.B.N. 87 000 298 699

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Opinion

In our opinion, the financial report of South Sydney Graphic Arts 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 31 December 2018 and of its financial performance for the year ended on that date; and
- (ii). Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

D.A STRATI & ASSOCIATES
Certified Practising Accountants

Domenic Strati
Brighton Le Sands
1 March 2019