

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Financial Statements

For the Year Ended 31 December 2010

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

For the Year Ended 31 December 2010

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Mudgee Soldiers Club Limited

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Directors' Report 31 December 2010

Your directors present their report of Mudgee Soldiers Club Limited ('the Club') for the financial year ended 31 December 2010.

Directors

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

Michael Shepperd
Wilf Jackson
John Cross
David Nelson
David Holden
Jenny Wallis
Wayne Marskell

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

Company Secretary

Owen Hughes was company secretary of the Club for the whole of the financial year and up to the date of this report. Owen Hughes has worked at Mudgee Soldiers Club since 1999 and has been the Secretary Manager since 2004. Owen Hughes is a member of the CMA. Owen also has a Bachelor of Business degree in Accounting and Economics and a Masters Degree in Administration.

Principal Activities

The principal activities of Mudgee Soldiers Club Limited during the financial year was the operation of a registered Club in accordance with its objectives and for the benefits of its members.

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

Operating Results

The profit from ordinary activities after providing for income tax amounted to \$ 1,785,760 (2009: \$118,913).

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Directors' Report

31 December 2010

Review of Operations

The Club earned an operating profit of \$535,753 (2009: \$747,700) before depreciation of \$493,499 (2009: \$477,309), finance costs of \$173,973 (2009: \$145,566), profit on amalgamation of \$1,935,088 (2009: \$NIL) and income tax benefit of \$17,609 (2009: \$5,912 expense) .

Dividends Paid or Declared

The Club is precluded from paying dividends to its members and as such no dividend has been paid or recommended during or since the financial year.

Core and Non Core Property

In accordance with section 41J of the Registered Clubs Act the Club's Property Assets are classified as follows:

Core Property : The Club's core property assets are defined as the Club's premises and situated land.

Non Core Property : The Club's non core property assets are defined as adjacent land and residential properties.

Information on Directors

	Occupation/ Qualifications	Position/Special Responsibilities	Years as Club Director
Michael Shepperd	Retired	President	16
Jenny Wallis	Motel Owner	Director	2
Wilf Jackson	Audio Electrician	Director	9
John Cross	Registered Company Auditor, CPA (Retired)	Vice President	6
David Nelson	Retired	Director	8
David Holden	Retired	Treasurer	6
Wayne Marskell	Council Stores and Purchasing Supervisor	Director	2

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Directors' Report

31 December 2010

Meetings of Directors

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Special Meetings	
	Eligible to attend	Number attended	Eligible to attend	Number attended
Michael Shepperd	12	12	9	9
Wilf Jackson	12	9	9	2
John Cross	12	12	9	7
David Nelson	12	10	9	2
David Holden	12	12	9	7
Jenny Wallis	12	9	9	4
Wayne Marskell	12	8	9	2

Proceedings on Behalf of Club

No person has applied for leave of Court to bring proceedings on behalf of the Club or intervene in any proceedings to which the Club is a party for the purpose of taking responsibility on behalf of the Club for all or any part of those proceedings.

The Club was not a party to any such proceedings during the year.

Indemnifying Officers and Auditors

The Club has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Club or of a related body corporate:

(i) indemnified or made any relevant agreement for indemnifying against a liability including costs and expenses in successfully defending legal proceedings; or

(ii) paid or agree to pay a premium in respect of a contract insuring against a liability for costs or expenses to defend legal proceedings;

with the exception of the payment of a premium to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Club, other than wilful breach of duty in relation to the Club.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Club occurred during the financial year:

(i) on 26th February 2010 the Club amalgamated with Mudgee Bowling and Recreation Club Limited under a Deed of Amalgamation. Please refer to Note 25 for details regarding the amalgamation.

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Directors' Report 31 December 2010

After Balance Day Events

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

Members should be aware that the current General Manager, Mr Owen Hughes has submitted his resignation, such resignation to be effective upon the appointment of a new General Manager.

Environmental Issues

The Club's operations are subject to various environmental regulation under both Commonwealth and State legislation. The Board considers that the Club has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Club.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 5.

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

Director: 
.....
Michael Shepperd

Director: 
.....
David Holden

Mudgee

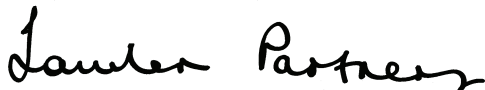
Dated this 16th day of March 2011

Mudgee Soldiers Club Limited
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**Auditors Independence Declaration
under Section 307C of the Corporations Act 2001**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2010 there have been:

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



LAWLER PARTNERS
Chartered Accountants

Newcastle

Dated: 23 March 2011



CLAYTON HICKEY
Partner

Mudgee Soldiers Club Limited

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Statement of Comprehensive Income For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Revenue	2	5,970,294	5,413,496
Profit on amalgamation	25	1,935,088	-
Changes in inventories	3	54,455	4,247
Raw materials and consumables used	3	(1,026,280)	(904,772)
Employee benefits expense		(1,862,249)	(1,603,149)
Depreciation and amortisation expense	3	(533,129)	(477,309)
Insurance expense		(135,634)	(88,305)
Repairs and maintenance expense		(263,713)	(179,947)
Utility expense		(281,641)	(239,994)
Advertising expense		(82,767)	(82,760)
Functions and entertainment expense		(153,880)	(121,007)
Poker machine taxes		(719,136)	(668,977)
Members promotions		(141,676)	(86,757)
Other expenses		(817,608)	(694,375)
Finance costs	3	(173,973)	(145,566)
Profit before income tax		1,768,151	124,825
Income tax benefit / (expense)	4	17,609	(5,912)
Profit for the year		1,785,760	118,913
Other comprehensive income:			
Other comprehensive income		-	-
Total comprehensive income for the year		1,785,760	118,913

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As At 31 December 2010

	Note	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	552,650	491,897
Trade and other receivables	7	24,405	41,441
Inventories	8	129,567	75,112
Other assets	9	34,123	18,877
Total current assets		740,745	627,327
Non-current assets			
Financial assets	10	1,792	1,792
Property, plant and equipment	11	9,862,669	8,233,801
Investment property	12	214,420	214,448
Deferred tax assets	17(b)	59,813	38,142
Intangible assets	13	609,782	327,651
Total non-current assets		10,748,476	8,815,834
TOTAL ASSETS		11,489,221	9,443,161
LIABILITIES			
Current liabilities			
Trade and other payables	14	560,634	463,928
Short-term provisions	15	380,073	219,358
Financial liabilities	16	955,983	768,846
Total current liabilities		1,896,690	1,452,132
Non-current liabilities			
Long-term provisions	15	50,436	35,720
Financial liabilities	16	1,358,599	1,551,763
Deferred tax liabilities	17(a)	38,819	44,629
Total non-current liabilities		1,447,854	1,632,112
TOTAL LIABILITIES		3,344,544	3,084,244
NET ASSETS		8,144,677	6,358,917

The accompanying notes form part of these financial statements.

Mudgee Soldiers Club Limited

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Statement of Financial Position

As At 31 December 2010

	Note	2010 \$	2009 \$
EQUITY			
Reserves	18	206,970	206,970
Retained earnings		7,937,707	6,151,947
TOTAL EQUITY		8,144,677	6,358,917

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 31 December 2010

	Retained Earnings	Capital Profits Reserve	Total
	\$	\$	\$
Opening balance at 1 January 2010	6,151,947	206,970	6,358,917
Profit for the year	1,785,760	-	1,785,760
Total comprehensive income for the period	-	-	-
Balance at 31 December 2010	7,937,707	206,970	8,144,677
Opening balance at 1 January 2009	6,033,034	206,970	6,240,004
Profit for the year	118,913	-	118,913
Total comprehensive income for the period	-	-	-
Balance at 31 December 2009	6,151,947	206,970	6,358,917

The accompanying notes form part of these financial statements.

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Statement of Cash Flows

For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Cash from operating activities:			
Receipts from customers		6,551,868	6,016,434
Payments to suppliers and employees		(5,879,409)	(5,230,534)
Interest received		20,646	7,212
Interest paid		(173,973)	(145,566)
Income taxes paid		(27,481)	(5,912)
Net cash provided by operating activities	22(b)	491,651	641,634
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		-	43,700
Acquisition of investments		-	291
Purchase of property, plant and equipment		(341,090)	(605,531)
Acquisition of intangible assets		(117,131)	(47,000)
Net cash provided by investing activities		(458,221)	(608,540)
Cash flows from financing activities:			
Proceeds from borrowings		1,401,000	1,452,000
Payment for subsidiary, net of cash acquired		33,350	-
Repayment of borrowings		(1,413,660)	(1,402,139)
Net cash provided by financing activities		20,690	49,861
Net increase (decreases) in cash held		54,120	82,955
Cash at beginning of financial year		491,897	408,942
Cash at end of financial year	6	546,017	491,897

The accompanying notes form part of these financial statements.

Mudgee Soldiers Club Limited

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Notes to the Financial Statements

For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies

The financial report are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Income taxes

The Income Tax Assessment Act, 1936 (amended) provides that under the concept of mutuality clubs are only liable for income tax on income derived from non-members and from outside entities.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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

(c) Inventories

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

(d) Property, plant and equipment

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

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(d) Property, plant and equipment (Cont'd)

Property

Freehold land and buildings are measured on a cost basis.

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis or diminishing value over their useful lives to the Club commencing from the time the asset is held ready for use.

Depreciation rates

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

Buildings	2.5%
Plant and Equipment	15%
Furniture, Fixtures and Fittings	10%
Motor Vehicles	20%
Poker Machines	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

(e) Investment Property

Investment property, comprising residential rental properties, is held to generate long-term rental yields. All tenant leases are on an arms length basis. Investment property is carried at cost and depreciated on a straight line basis.

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(f) Intangibles

The purchase of "Gaming Machine Entitlements" are initially recorded at cost. These entitlements are not amortised as the entitlements do not have limited lives, however the balance is tested annually for impairment and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

(g) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the club 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.

Leased assets are depreciated on a straight-line basis or diminishing value basis over their estimated useful lives where it is likely that the club will obtain ownership of the asset or over the term of the lease.

Operating leases

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

(h) Financial Instruments

Recognition

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

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.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

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Notes to the Financial Statements

For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(h) Financial Instruments (Cont'd)

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

(i) Impairment of Assets

At the end of each reporting period, the Club reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(j) Employee benefits

Provision is made for the Club's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one 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 present value of the estimated future cash outflows to be made for those benefits.

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

(k) 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.

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(l) 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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from investment properties is recognised on a straight-line basis in accordance with lease agreements.

Membership subscriptions income is recognised as income in the year to which it relates.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

(n) Comparatives

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

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Club.

Key estimates - Impairment

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

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(p) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Club has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Club is as follows:

- AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Club has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- ◆ simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- ◆ simplifying the requirements for embedded derivatives;
- ◆ removing the tainting rules associated with held-to-maturity assets;
- ◆ removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- ◆ allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- ◆ reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

- (a) the objective of the entity's business model for managing the financial assets; and
- (b) the characteristics of the contractual cash flows.

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(p) New Accounting Standards for Application in Future Periods (Cont'd)

- AASB 1053: Applications of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements.

- ◆ Tier 1: Australian Accounting Standards; and
- ◆ Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

This standard deems the Club to be a Tier 2 entity, however the Club has decided not to adopt Reduced Disclosure under AASB 1053.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Club.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or alter 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Club.

- AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139] (applicable for annual reporting periods commencing on or after 1 July 2010).
 - ◆ requiring that the recognition and/or adjustment of contingent consideration for acquisitions preceding 1 July 2009 be recognised against the cost of acquisition.

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 1 Summary of Significant Accounting Policies (Cont'd)

(p) New Accounting Standards for Application in Future Periods (Cont'd)

- ◆ clarifying the accounting for replacement share-based payments awarded to the acquiree's employees as part of the cost of the combination service, or in the case of non-replaced and unvested share-based payments of the acquiree that do not form part of the exchange, and allocation to both the cost of acquisition and post-combination services on the basis of a market-based measure; and
- ◆ making sundry transitional amendments to various Standards.

This Standard is not expected to impact the Club.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- ◆ clarifying the application of AASB 108 prior to an entity's first Australian Accounting Standards financial statements;
- ◆ adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- ◆ amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- ◆ adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- ◆ making sundry editorial amendments to various Standards and Interpretations.

The Standard is not expected to impact the Club.

The Club does not anticipate early adoption of any of the above accounting standards.

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Notes to the Financial Statements For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Note 2		
Revenue		
- Bar and bottle shop sales	1,424,701	1,253,098
- Dining room and coffee lounge sales	61,961	50,599
- Entertainment income	227,375	217,028
- Poker machine revenue	4,070,690	3,691,567
- Commissions received	110,289	126,864
- Fees and subscriptions	10,367	14,608
- Interest received	20,646	7,212
- Rental revenue for property investment	21,976	16,732
- Other revenue	22,289	35,788
	<u>5,970,294</u>	<u>5,413,496</u>
Note 3		
Expenses		
(a) Expenses		
Raw materials and consumables used	<u>971,825</u>	900,525
Finance Costs: other persons	<u>173,973</u>	145,566
Depreciation of property, plant and equipment	<u>533,129</u>	477,309
Direct property expenditure from investment property	<u>3,693</u>	12,976
(b) Revenue and Net Gains		
Net gain (loss) on disposal of property, plant and equipment	<u>(5,181)</u>	16,986

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

2010	2009
\$	\$

Note 4 Income tax expense

The Income Tax Assessment Act, 1936 (amended) provides that under the concept of mutuality, clubs are only liable for income tax on income derived from non-members and from outside entities. In view of these special circumstances, it is not appropriate to compare income tax payable with the net profit disclosed in the Statement of Comprehensive Income.

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	530,445	37,448
Net income and expenditure items relating to member activity	97,430	8,831
Other permanent differences - amalgamation profit	(580,526)	-
Fully assessable income	67,127	65,505
Fully deductible expenditure	(114,476)	(111,784)
Tax effect of temporary differences	(17,609)	5,912
	<hr/>	
Income tax expense attributable to profit from ordinary activities	(17,609)	5,912

Note 5 Auditors' Remuneration

Remuneration of the auditor of the Club for:

- Auditing the financial report	28,750	25,000
- Taxation and other services	32,368	53,392
	<hr/>	
	61,118	78,392

Note 6 Cash and cash equivalents

Cash on hand	210,738	190,218
Cash at bank	101,288	79,278
Short-term bank deposits	240,624	222,401
	<hr/>	
	552,650	491,897

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Note 7		
Trade and other receivables		
CURRENT		
Trade receivables	24,405	23,290
Government subsidies receivable	-	16,582
Interest receivable	-	1,569
	<u>24,405</u>	<u>41,441</u>
Note 8		
Inventories		
CURRENT		
Finished goods	<u>129,567</u>	<u>75,112</u>
Note 9		
Other Assets		
CURRENT		
Prepayments	<u>34,123</u>	<u>18,877</u>
Note 10		
Financial Assets		
NON-CURRENT		
Unlisted investments, at cost		
Available for sale financial assets	<u>1,792</u>	<u>1,792</u>

Available-for-sale financial assets comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2010

	2010	2009
	\$	\$
Note 11		
Property, plant and equipment		
LAND AND BUILDINGS		
Freehold land - at cost	1,149,034	529,034
Buildings and Improvements - at cost	9,387,178	8,157,788
Less accumulated depreciation	(2,003,050)	(1,782,044)
	<u>7,384,128</u>	<u>6,375,744</u>
Total land and buildings	<u>8,533,162</u>	<u>6,904,778</u>
PLANT AND EQUIPMENT		
Capital Works in Progress	9,961	9,603
Plant and Equipment	2,876,256	2,736,652
Less accumulated depreciation	(2,223,676)	(2,110,424)
	<u>652,580</u>	<u>626,228</u>
Furniture, Fixtures and Fittings	759,766	741,126
Less accumulated depreciation	(566,543)	(546,627)
	<u>193,223</u>	<u>194,499</u>
Motor Vehicles	24,070	24,070
Less accumulated depreciation	(23,319)	(23,131)
	<u>751</u>	<u>939</u>
Poker Machines	1,918,164	1,799,675
Less accumulated depreciation	(1,445,172)	(1,301,921)
	<u>472,992</u>	<u>497,754</u>
Total plant and equipment	<u>1,329,507</u>	<u>1,329,023</u>
Total property, plant and equipment	<u>9,862,669</u>	<u>8,233,801</u>

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

2010
\$

2009
\$

Note 11 Property, plant and equipment (Cont'd)

(a) Movements in Carrying Amounts

	Land	Buildings & improvements	Plant and Equipment	Furniture, Fixtures and Fittings	Motor Vehicles	Poker Machines	Works in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	529,034	6,375,744	626,228	194,499	939	497,754	9,603	8,233,801
Additions	-	49,415	113,544	18,640	-	159,161	358	341,118
Additions on amalgamation	620,000	1,180,000	26,060	-	-	-	-	1,826,060
Disposals	-	-	-	-	-	(5,181)	-	(5,181)
Depreciation expense	-	(221,031)	(113,252)	(19,916)	(188)	(178,742)	-	(533,129)
Carrying amount at the end of year	<u>1,149,034</u>	<u>7,384,128</u>	<u>652,580</u>	<u>193,223</u>	<u>751</u>	<u>472,992</u>	<u>9,961</u>	<u>9,862,669</u>

Note 12 Investment property

Investment property, at cost	214,601	214,601
Less accumulated depreciation	(181)	(153)
	<u>214,420</u>	<u>214,448</u>

The cost model is applied to all investment property.

(a) Movement reconciliation

	Investment Property	Total
	\$	\$
Opening balance	214,448	214,448
Additions	-	-
Depreciation	28	28
Disposals	-	-
Carrying amount at end of year	<u>214,476</u>	<u>214,476</u>

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Notes to the Financial Statements For the Year Ended 31 December 2010

2010	2009
\$	\$

Note 12 Investment property (Cont'd)

On 24 September 2007 Global Valuation Services determined the market value of the two investment properties located at 72 Gladstone Street Mudgee and 74 Gladstone Street Mudgee at \$455,000. The Board has determined that the valuation is materially correct as at reporting date.

Note 13 Intangible Assets

Poker Machine Licences at Cost	<u>609,782</u>	<u>327,651</u>
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Under the Gaming Machines Act 2002, a tradable asset titled a gaming machine entitlement was created. Gaming machine entitlements are able to be sold to other clubs within the state of New South Wales provided certain statutory requirements are met.

This Act came into effect on 2 April 2002. The Club records any gaming machine entitlement it purchases as an intangible asset, at cost. The Club has 96 gaming machine entitlements including 30 purchased entitlements.

(a) Movement in carrying amounts

Description Title	Poker Machine Licences - at cost	Total
	\$	\$
Opening balance	327,651	327,651
Additions	117,131	117,131
Acquisitions through amalgamation	165,000	165,000
Disposals	-	-
	<u>609,782</u>	<u>609,782</u>

Note 14 Trade and other payables

CURRENT		
Trade payables	293,885	199,899
GST payable	34,454	32,751
Sundry payables and accrued expenses	232,295	231,278
	<u>560,634</u>	<u>463,928</u>

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

2010
\$

2009
\$

Note 15 Provisions

(a) Movement in carrying amounts

	Short-term employee benefits \$	Long-term employee benefits \$	Total \$
Opening balance at 1 January 2010	219,358	35,720	255,078
Additional provisions	210,440	14,716	225,156
Amounts used	(49,725)	-	(49,725)
Closing Balance at 31 December 2010	<u>380,073</u>	<u>50,436</u>	<u>430,509</u>

(b) Analysis of Total Provisions

Current	380,073	219,358
Non-current	50,436	35,720
	<u>430,509</u>	<u>255,078</u>

Provision for Short-term Employee Benefits

A provision has been recognised for employee benefits relating to annual leave and sick leave (where sick leave is vesting). The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Provision for Long-term Employee Benefits

A provision has been recognised for employee benefits relating to long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Note 16 Borrowings

CURRENT

Bank overdraft		6,633	-
Bank loan - secured	16(a)	771,786	618,846
Bank Bill facility	16(b)	177,564	150,000
		<u>955,983</u>	<u>768,846</u>

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

	2010	2009
	\$	\$

Note 16 Borrowings (Cont'd)

NON-CURRENT

Bank Bill facility

16(b)	<u>1,358,599</u>	<u>1,551,763</u>
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(a) Bank Loan Facility

The Better Business Loan facility expires on 16 May 2022. The facility provided has a limit of \$800,000 with interest only repayments required until maturity.

(b) Bank Bill Facility

The Better Bill facility expires on 31 October 2017.

Note 17 Tax

(a) Liabilities

NON-CURRENT

Other deferred tax

	<u>38,819</u>	<u>44,629</u>
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(b) Assets

NON-CURRENT

Other deferred tax

	<u>59,813</u>	<u>38,142</u>
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Note 18 Reserves

(a) Capital Profits Reserve

The reserve is used to record profits from the sale of pre capital gains tax (CGT) assets.

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 19 Capital and Leasing Commitments

(a) Operating Lease Commitments

Non-cancelable operating leases contracted for but not capitalised in the financial statements.

Payable - minimum lease payments

- not later than 12 months

-	2,789
<hr/>	
-	2,789
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This lease is a non-cancelable lease with a five year term with rent charged quarterly in advance.

Note 20 Contingent Liabilities

There are no contingent liabilities not otherwise disclosed in the financial report.

Note 21 Key Management Personnel Compensation

(a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Michael Shepperd	Director
Wilf Jackson	Director
John Cross	Director
David Nelson	Director
David Holden	Director
Jenny Wallis	Director
Wayne Marskell	Director

Other Key Management Personnel

Owen Hughes Company Secretary

(b) Key Management Personnel Compensation

2010 Total compensation	144,591	13,013	157,604
	<hr/>		
2009 Total compensation	133,765	13,230	146,995
	<hr/>		

Total fees paid to the Directors for the year 2010 was \$5,971 (2009: \$5,608).

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 22 Cash Flow Information

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	6	552,650	491,897
Bank overdraft	16	(6,633)	-
		546,017	491,897

(b) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Net Profit/(loss) for the period		1,785,760	118,913
Non-cash flows in profit			
Depreciation and amortisation expense		533,129	477,309
Net (gain)/loss on disposal of property, plant and equipment		5,181	(16,986)
Discount on amalgamation		(1,935,088)	-
Changes in assets and liabilities			
(Increase)/decrease in receivables		17,555	(26,893)
(Increase)/decrease in other assets		(15,246)	(3,862)
(Increase)/decrease in inventories		(39,455)	(4,247)
Increase/(decrease) in deferred tax assets		(17,711)	(5,289)
Increase/(decrease) in trade payables and accruals		31,909	93,471
Increase/(decrease) in deferred taxes payable		(5,810)	11,201
Increase/(decrease) in provisions		131,427	(1,983)
Net Cash provided by operating activities		491,651	641,634

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 22 Cash Flow Information (Cont'd)

(c) Acquisition of Business

During the year the Club amalgamated with Mudgee Bowling and Recreation Club Ltd acquiring all the net assets for zero consideration. The transaction has been excluded from the Statement of Cash Flows as a non-cash activity.

Details of this transaction are:

Cash acquired in amalgamation	33,350	-
Assets and liabilities held at acquisition date:		
Receivables	519	-
Inventories	15,000	-
Deferred tax asset	3,960	-
Intangible assets	165,000	-
Property, plant and equipment	1,826,060	-
Trade and other payables	(64,797)	-
Employee provisions	(44,004)	-
Net Assets	1,901,738	-
Excess over Net Assets	1,935,088	-

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

(d) Loan Facilities

Loan facilities	2,800,000	2,800,000
Amount utilised	(2,308,009)	(2,320,609)
	491,991	479,391

Finance will be provided under this facility provided the Club has not breached any borrowing requirements.

The bank holds the following security over the Club's assets:

- (i) a registered mortgage over property situated at 99 Mortimer Street, Mudgee, New South Wales.
- (ii) a registered mortgage over property situated at 72 Gladstone Street, Mudgee, New South Wales.

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 22 Cash Flow Information (Cont'd)

- (iii) a registered mortgage over property situated at 74 Gladstone Street, Mudgee, New South Wales.
- (iv) a registered equitable mortgage by Mudgee Soldiers Club Limited over the whole of its assets and undertakings.

Note 23 Related party transactions

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

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

Note 24 Financial instruments

(a) Financial Risk Management

The Club's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank overdrafts and bank loans.

The Club does not have any derivative financial instruments.

(b) Financial Risk Management - Financial Risks

The main risks the Club is exposed to through its financial instruments are interest rate risk and credit risk.

(c) Interest Rate Risk

Interest rate risk is managed by reviewing the maturity of term deposits and cash management accounts and prevailing instrument rates on these cash deposits. For further details on interest rate risk refer to Note 24(e).

(d) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Club does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Club.

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 24 Financial instruments (Cont'd)

(e) Interest Rate Risk

The Club's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year		Maturing 1 to 5 Years		Maturing Over 5 Years		Non-interest Bearing		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial Assets:														
Cash and cash equivalents	0.60	1.00	101,288	79,278	-	-	-	-	-	-	210,738	190,218	312,026	269,496
Short-term deposits	3.30	4.83	240,624	222,401	-	-	-	-	-	-	-	-	240,624	222,401
Receivables	-	-	-	-	-	-	-	-	-	-	24,405	41,441	24,405	41,441
Total Financial Assets			341,912	301,679	-	-	-	-	-	-	235,143	231,659	577,055	533,338
Financial Liabilities:														
Loans and Bill Payable	8.64	7.27	771,786	618,846	177,564	150,000	842,160	600,000	513,700	951,763	-	-	2,305,210	2,320,609
Bank overdraft	-	-	6,633	-	-	-	-	-	-	-	-	-	6,633	-
Trade and other payables	-	-	-	-	-	-	-	-	-	-	560,634	463,928	560,634	463,928
Total Financial Liabilities			778,419	618,846	177,564	150,000	842,160	600,000	513,700	951,763	560,634	463,928	2,872,477	2,784,537

(f) Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the Statement of Financial Position and notes to the financial statements. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

(g) Sensitivity Analysis

The Club has performed a sensitivity analysis relating to its exposure to interest rate risk and has determined that any fluctuations would not have a material impact on profit or equity. The Club's finance lease rates are fixed for the life of the lease hence are not affected by changes in the market interest rates. Any changes to short term deposits and financial liabilities would be minimal. .

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 25 Amalgamation with Mudgee Bowling and Recreation Club Ltd

(a) Effect of acquisitions

On 26 February 2010, the Club amalgamated with Mudgee Bowling and Recreation Club Ltd under a Deed of Amalgamation pursuant to Division 1A of the Registered Clubs Act 1976. Under an amalgamation the Club acquired the assets and liabilities of Mudgee Bowling and Recreation Club.

The amalgamation had the following effect on the Club's assets and liabilities

	Recognised values	Fair Value Adjustment	Carrying amount
	\$	\$	\$
Current assets:			
Cash on hand	33,350	-	33,350
Trade and other receivables	519	-	519
Inventory	15,000	-	15,000
Deferred tax assets	3,960	-	3,960
Non-current assets:			
Property, plant and equipment	1,826,060	-	1,826,060
Intangible assets	165,000	-	165,000
Current liabilities:			
Trade and other payables	(64,797)	-	(64,797)
Employee provisions	(44,004)	-	(44,004)
Non-current liabilities:			
Net identifiable assets and liabilities	1,935,088	-	1,935,088

Purchase consideration

Discount on amalgamation

1,935,088

Cash consideration for the acquisition was nil. Accordingly, the fair value of the net assets of Mudgee Bowling and Recreation Club have been treated as a discount on acquisition in accordance with AASB 3 "Business Combinations" and subsequently recognised in the Statement of Comprehensive Income.

Note 26 Events after the Balance Sheet Date

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

Mudgee Soldiers Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2010

Note 27 Members Guarantee

The Club is a company limited by guarantee. If the Club is wound up, the Articles of Association state that each member is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the Club. At 31 December 2010 the number of members was 5,936 (2009: 6,389).

Note 28 Segment Reporting

The company operates predominantly in one business segment in Mudgee, Australia, its principal activities being that of a registered Club ran in accordance with its objectives and for the benefits of its members.

Note 29 Company Details

The registered office and principal place of business of the Club is:

Mudgee Soldiers Club Limited
99 Mortimer Street
Mudgee NSW 2850

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 6 to 35, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2010 and of the performance for the year ended on that date of the Club.
2. In the directors opinion, there are reasonable grounds to believe that the Club 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


Michael Shepperd

Director


David Holden

Dated 16th day of March 2011

Mudgee Soldiers Club Limited
ABN: 99 001 044 677

**Independent Audit Report to the members of
Mudgee Soldiers Club Limited**

Report on the Financial Report

We have audited the accompanying financial report of Mudgee Soldiers Club Limited (the company), which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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.

Mudgee Soldiers Club Limited

ABN: 99 001 044 677

Independent Audit Report to the members of Mudgee Soldiers Club Limited

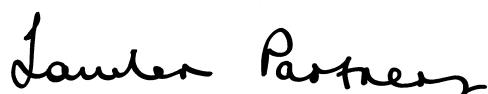
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Mudgee Soldiers Club Limited on 23 March 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion, the financial report of Mudgee Soldiers Club Limited is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.



LAWLER PARTNERS
Chartered Accountants



CLAYTON HICKEY
Partner

Dated: 23 March 2011