
St George Leagues Club Limited
ABN 77 000 151 020
and its Controlled Entity

Annual Financial Report
31 October 2018

St George Leagues Club Limited and its Controlled Entity

Directors' Report

The directors present their report, together with the financial statements of St George Leagues Club Limited (the company) and its controlled entity (the consolidated entity) for the year ended 31 October 2018.

Directors

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

Brian Stuart Johnston
Harvey Warren Lockwood (resigned 4th December 2018)
Ralph Gordon Piggott
Peter Lawrence Doust
Bruce William Spaul
Peter Ernest Black
Michelle Maree McClelland
Craig Stephen Young
Martin Newman
Matthew David A'Court Horton (appointed 4th December 2018)

Information on directors

The information on directors is as follows:

Brian Stuart Johnston	<ul style="list-style-type: none">• Resigned as Chairman (October 2018)• Company Director• Director, St George District Rugby League Football Club Limited• Director, St George Illawarra Rugby League Football Club Pty Limited
Harvey Warren Lockwood	<ul style="list-style-type: none">• Consultant• Director, St George District Rugby League Football Club Limited• Director, St George Illawarra Rugby League Football Club Pty Limited
Ralph Gordon Piggott	<ul style="list-style-type: none">• Appointed as Chairman (October 2018)• Company Director• Director, St George District Rugby League Football Club Limited
Peter Lawrence Doust	<ul style="list-style-type: none">• Appointed as Deputy Chairman (October 2018)• Executive Director and Chief Executive Officer, St George Illawarra Rugby League Football Club Pty Limited• Director, St George District Rugby League Football Club Limited
Bruce William Spaul	<ul style="list-style-type: none">• Chartered Accountant• Director, St George District Rugby League Football Club Limited
Peter Ernest Black	<ul style="list-style-type: none">• Sales Manager• Director, St George District Rugby League Football Club Limited• Director, St George Illawarra Rugby League Football Club Pty Limited
Michelle Maree McClelland	<ul style="list-style-type: none">• School Teacher• Director, St George District Rugby League Football Club Limited
Craig Stephen Young	<ul style="list-style-type: none">• Coaching and Development Officer• Director, St George District Rugby League Football Club Limited
Martin Newman	<ul style="list-style-type: none">• Company Director• Director, St George District Rugby League Football Club Limited
Matthew David A'Court Horton	<ul style="list-style-type: none">• Company Director• Director, St George District Rugby League Football Club Limited

St George Leagues Club Limited and its Controlled Entity

Directors' Report (continued)

Directors' meetings

The number of directors' meetings of the company's Board of Directors (the Board) held during the year ended 31 October 2018 and the number of meetings held during the financial year were:

Director	Number of meetings attended	Number of meetings held *
Brian Stuart Johnston	9	10
Harvey Warren Lockwood	8	10
Ralph Gordon Piggott	10	10
Peter Lawrence Doust	10	10
Bruce William Spaul	10	10
Peter Ernest Black	9	10
Craig Stephen Young	10	10
Martin Newman	10	10
Michelle Maree McClelland	10	10

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

Membership

The company is a company limited by guarantee and is without share capital. The number of members as at 31 October 2018 was 27,029 (2017: 28,168).

Members' limited liability

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to \$2 per member in the event of the winding up of the company during the time that they are a member or within one year thereafter. The total amount that the members of the company are liable to contribute if the company is wound up is \$54,058 (2017: \$56,336).

Operating Result

The table below shows a reconciliation of St George Leagues Club and its Controlled Entity's earnings before finance costs, income tax, depreciation, amortisation and grants and community development expenditure to football clubs (referred to as EBITDAG).

	2018 \$	2017 \$
Net profit after income tax benefit attributable to members	3,183,375	281,854
Add/(less) back:		
Depreciation and amortisation expense	2,964,481	2,954,694
Finance costs	76,810	80,473
Income tax benefit	-	(233,097)
Gain on sale of poker machine entitlements	(1,566,667)	-
Grants to football clubs and community development and support expenditure	1,970,218	3,005,497
EBITDAG	6,628,217	6,089,421

St George Leagues Club Limited and its Controlled Entity Directors' Report (continued)

Short and long term objectives

The principal short and long term objectives of the consolidated entity are to operate a licensed social Club for the use of the members and their guests and to promote and foster the playing of Rugby League Football in the St George district and elsewhere.

Strategy for achieving the objectives

The Board and Management regularly address cash flow forecasts and apply budgetary controls to ensure that the objectives are achieved.

Principal activities

The principal activities of the company during the financial year were that of a licensed social Club and controlling the operations of the St George District Rugby League Football Club Limited.

There have been no significant changes in the nature of these activities during the year.

How these activities assist in achieving the objectives

These activities generate funds to achieve the objectives of providing facilities and promoting and fostering the playing of rugby league football.

Performance measurement and key performance indicator

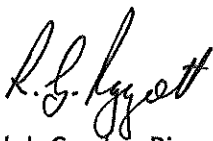
A number of performance indicators are employed by the company in order to measure and improve the company's performance. The company uses gross profit percentage and wages to sales percentage to measure the financial performance of each department.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the directors.

Dated at Kogarah this 30th day of January 2019.



Ralph Gordon Piggott
Director

DECLARATION OF INDEPENDENCE BY PAUL CHEESEMAN TO THE DIRECTORS OF ST GEORGE LEAGUES CLUB LIMITED AND ITS CONTROLLED ENTITY

As lead auditor of St George Leagues Club Limited and its Controlled Entity for the year ended 31 October 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

This declaration is in respect to St George Leagues Club Limited and its Controlled Entity during the year.



Paul Cheeseman
Partner

BDO East Coast Partnership

Kogarah, 30 January 2018

INDEPENDENT AUDITOR'S REPORT

To the members of St George Leagues Club Limited and its Controlled Entity

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of St George Leagues Club Limited (the Company) and its Controlled Entity (the consolidated entity), which comprises the consolidated statement of financial position as at 31 October 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in members' funds and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of St George Leagues Club Limited and its Controlled Entity, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 October 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*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our auditor's report.

BDO East Coast Partnership



Paul Cheeseman
Partner

Kogarah, 30 January 2019

St George Leagues Club Limited and its Controlled Entity Directors' Declaration

The directors of St George Leagues Club Limited and its Controlled Entity declare that:

- (a) In the Directors' opinion the financial statements and notes set out on pages 8 to 32, are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 October 2018 and of its performance, for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and *Corporations Regulations 2001* and other professional reporting requirements;
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

Dated at Kogarah this 30th day of January 2019



Ralph Gordon Piggott
Director

St George Leagues Club Limited and its Controlled Entity
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 October 2018

	Note	2018 \$	2017 \$
Revenue			
Sale of goods		4,158,056	4,435,621
Rendering of services		30,833,932	32,117,177
Other revenue		425,735	510,259
		<hr/>	<hr/>
Total revenue	1	35,417,723	37,063,057
		<hr/>	<hr/>
Other income	1	1,721,466	318,367
		<hr/>	<hr/>
Expenses			
Raw materials and consumables used		(1,803,244)	(2,111,582)
Employee benefits expense		(9,162,616)	(9,840,599)
Poker machine duty and CMS expense		(8,043,928)	(8,395,395)
Occupancy expenses		(4,571,134)	(4,487,181)
Marketing and promotional expenses		(4,277,860)	(5,193,881)
Depreciation and amortisation expense		(2,964,481)	(2,954,694)
Finance costs		(76,810)	(80,473)
Football clubs and community development and support expenditure	3	(1,970,218)	(3,005,497)
Other expenses		(1,085,523)	(1,263,365)
		<hr/>	<hr/>
Total expenses		(33,955,814)	(37,332,667)
		<hr/>	<hr/>
Profit before income tax benefit		3,183,375	48,757
Income tax benefit	4(a)	-	233,097
		<hr/>	<hr/>
Net profit after income tax benefit attributable to members		3,183,375	281,854
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the year attributable to members		3,183,375	281,854
		<hr/>	<hr/>

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 12 to 32.

St George Leagues Club Limited and its Controlled Entity
Consolidated Statement of Financial Position
As at 31 October 2018

ASSETS	Note	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	5	15,296,518	12,991,167
Trade and other receivables		121,709	282,411
Inventories		156,460	186,324
Prepayments		434,562	473,729
Total Current Assets		<u>16,009,249</u>	<u>13,933,631</u>
Non-Current Assets			
Interest in Joint Venture	18(h)	100	100
Property, plant and equipment	6	42,477,705	42,087,110
Intangible assets		-	133,333
Deferred tax assets	4(c)	461,100	461,100
Total Non-current Assets		<u>42,938,905</u>	<u>42,681,643</u>
Total Assets		<u>58,948,154</u>	<u>56,615,274</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	7	2,587,321	3,137,950
Financial liabilities	8	1,624,080	245,482
Employee benefits	9	2,326,031	2,380,074
Deferred revenue		252,014	269,791
Total Current Liabilities		<u>6,789,446</u>	<u>6,033,297</u>
Non-Current Liabilities			
Financial liabilities	8	62,040	1,686,120
Employee benefits	9	105,284	112,344
Deferred tax liabilities	4(d)	177,431	177,431
Deferred revenue		124,463	99,967
Total Non-Current Liabilities		<u>469,218</u>	<u>2,075,862</u>
Total Liabilities		<u>7,258,664</u>	<u>8,109,159</u>
Net Assets		<u>51,689,490</u>	<u>48,506,115</u>
Members' Funds			
Retained profits		<u>51,689,490</u>	<u>48,506,115</u>
Total Members' Funds		<u>51,689,490</u>	<u>48,506,115</u>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 12 to 32.

St George Leagues Club Limited and its Controlled Entity
 Consolidated Statement of Changes in Members' Funds
 For the Year Ended 31 October 2018

	Retained Profits	Total Member Funds
	\$	\$
Balance at 1 November 2016	48,224,261	48,224,261
Net profit after income tax benefit for the year	281,854	281,854
Other comprehensive income for the year, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	281,854	281,854
	<hr/>	<hr/>
Balance at 31 October 2017	48,506,115	48,506,115
	<hr/>	<hr/>
Net profit after income tax benefit for the year	3,183,375	3,183,375
Other comprehensive income for the year, net of tax	-	-
	<hr/>	<hr/>
Total comprehensive income for the year	3,183,375	3,183,375
	<hr/>	<hr/>
Balance at 31 October 2018	51,689,490	51,689,490
	<hr/> <hr/>	<hr/> <hr/>

The Consolidated Statement of Changes in Members' Funds should be read in conjunction with the accompanying notes set out on pages 12 to 32.

St George Leagues Club Limited and its Controlled Entity
Consolidated Statement of Cash Flows
For the Year Ended 31 October 2018

	Note	2018 \$	2017 \$
Cash Flow From Operating Activities			
Receipts from customers (inclusive of GST)		38,658,548	40,449,991
Payments to suppliers and employees (inclusive of GST)		(33,006,698)	(34,998,855)
Grants to football clubs	3	(1,700,000)	(2,500,000)
Community development and support expenditure	3	(270,218)	(505,497)
Rent received (inclusive of GST)		226,085	179,261
Finance costs		(76,810)	(80,473)
Interest received	1	220,203	248,222
		<hr/>	<hr/>
Net cash inflow from operating activities		4,051,110	2,792,649
		<hr/>	<hr/>
Cash Flow from Investing Activities			
Proceeds from sale of property, plant and equipment		389,506	501,792
Proceeds from sale of poker machine entitlements		1,700,000	-
Payment for property, plant and equipment		(3,589,783)	(3,505,512)
		<hr/>	<hr/>
Net cash outflow from investing activities		(1,500,277)	(3,003,720)
		<hr/>	<hr/>
Cash Flow from Financing Activities			
Finance lease payments		(245,482)	(629,632)
Proceeds from borrowings		-	7,000
		<hr/>	<hr/>
Net cash outflow from financing activities		(245,482)	(622,632)
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		2,305,351	(833,703)
Cash and cash equivalents at the beginning of the financial year		12,991,167	13,824,870
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	5	15,296,518	12,991,167
		<hr/> <hr/>	<hr/> <hr/>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 12 to 32.

St George Leagues Club Limited and its Controlled Entity

Notes to the Financial Statements

For the Year Ended 31 October 2018

About this report

St George Leagues Club Limited is a company limited by guarantee, incorporated and domiciled in Australia and is a non-for-profit entity for the purposes of preparing the financial statements. The financial statements are for St George Leagues Club Limited and its Controlled Entity.

The financial statements were authorised for issue on 30th January 2019, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial report.

The financial statements are general purpose financial statements which:

- Have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*, as appropriate for not-for-profit orientated entities;
- Have been prepared under the historical cost convention;
- Are presented in Australian dollars;
- Where necessary comparative information has been restated to conform with changes in presentation in the current year;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Company and effective for reporting periods beginning on or after 1 November 2017; and
- Have been prepared on a going concern basis.

The Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the company. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature;
- It is important for understanding the results of the company;
- It helps to explain the impact of significant changes in the company's business - for example, acquisitions and impairment write downs; and
- It relates to an aspect of the Company's operations that is important to its future performance.

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Critical Accounting Judgements, Estimates and Assumptions

In the process of applying the company's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates that are material to the financial statements include:

Recoverability of deferred tax assets	Note 4
Estimated useful lives of assets	Note 6
Long service leave provision	Note 9

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

1 Revenue and other income

	2018 \$	2017 \$
Sale of goods		
Bar sales	1,214,638	1,256,260
Catering sales	2,937,227	3,178,456
Merchandise sales	6,191	905
	<hr/> 4,158,056	<hr/> 4,435,621
Rendering of services		
Poker machine - net clearances	29,626,918	30,923,324
Members' subscriptions	214,385	223,374
Commission received	454,011	529,073
Other rendering of services revenue	538,618	441,406
	<hr/> 30,833,932	<hr/> 32,117,177
Other revenue		
Interest received	220,203	248,222
Rent received	205,532	162,965
Sundry income	-	99,072
	<hr/> 425,735	<hr/> 510,259
Total revenue	<hr/> <hr/> 35,417,723	<hr/> <hr/> 37,063,057
Other income		
Gain on disposal of property, plant & equipment	154,799	318,367
Gain on sale of poker machine entitlements	1,566,667	-
	<hr/> 1,721,466	<hr/> 318,367

Recognition and Measurement

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

1 Revenue and other income (continued)

Recognition and measurement (continued)

Sale of Goods

Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods and is recognised (net of rebates, returns, discounts and other allowances) on the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods.

Rendering of Services

Revenue from rendering of services comprises revenue from gaming facilities together with other services to members and other patrons of the club and is recognised when the services are provided.

Interest Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Rental Revenue

Rental revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Other income

Sale of Property, Plant and Equipment and Poker Machine Entitlements

The gain or loss on disposal of property, plant and equipment and poker machine entitlements 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.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

2 Expenses

	2018 \$	2017 \$
Profit before income tax benefit includes the following specific items:		
Defined contribution superannuation expense	804,826	1,023,595

Recognition and measurement

Superannuation Plans

The company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The consolidated entity has no legal or constructive obligation to fund any deficit. The company's contribution is a rate of 9.5% of ordinary earnings.

3 Football Clubs and Community Development and Support Expenditure

Community development and support expenditure	270,218	505,497
Grant to St George Illawarra Rugby League Football Club Pty Ltd	1,700,000	2,500,000
	<u>1,970,218</u>	<u>3,005,497</u>

Recognition and measurement

Football club grants and community development and support expenditure is recognised at the fair value of consideration paid or payable net of the amount of goods and services tax (GST) payable to the taxation authority.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

4 Income Tax

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

The controlled entity, St George District Rugby League Football Club Limited, is exempt from income tax under Section 50-45 of the Income Tax Assessment Act (1997).

a) Income Tax Benefit

	2018 \$	2017 \$
The amount set aside for income tax in the statement of profit or loss and other comprehensive income has been calculated as follows:		
Portion of income attributable to non-members	4,725,344	4,870,577
Less: Portion of expenses attributable to non-members	5,363,770	5,595,270
	<u>(638,426)</u>	<u>(724,693)</u>
Add: Other assessable income	1,218,410	1,282,919
Less: Other deductible expenses	(826,966)	(1,184,357)
Transfer to tax losses	246,982	626,131
	<u>-</u>	<u>-</u>
Net income subject to tax	-	-
Current income tax applicable to above at 30%		
Decrease in deferred tax liability	-	(52,856)
Increase in deferred tax asset	-	(180,241)
	<u>-</u>	<u>(233,097)</u>
Income tax benefit	-	(233,097)

Recognition and measurement

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 by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

4 Income Tax (continued)

	2018 \$	2017 \$
(b) Deferred Tax Assets		
<i>Amounts recognised in profit or loss</i>		
Employee benefits	66,627	66,627
Tax losses	394,473	394,473
	<hr/>	<hr/>
Net deferred tax assets	461,100	461,100
	<hr/>	<hr/>
Movements		
Opening balance	461,100	280,859
Credited to profit or loss	-	180,241
	<hr/>	<hr/>
Closing balance	461,000	461,100
	<hr/>	<hr/>
(c) Deferred Tax Liabilities		
The balance comprises temporary differences attributable to:		
Depreciation	177,431	177,431
	<hr/>	<hr/>
Net deferred tax liabilities	177,431	177,431
	<hr/>	<hr/>
Movements		
Opening balance	177,431	230,287
Credited to profit or loss	-	(52,856)
	<hr/>	<hr/>
Closing balance	177,431	177,431
	<hr/>	<hr/>

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

4 Income Tax (continued)

Recognition and measurement

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted. Deferred tax assets are recognised for deductible temporary differences if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle the claim simultaneously.

Key Estimate and Judgement: Recoverability of Deferred Tax Assets

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Unrecognised deferred tax assets in relation to temporary differences associated with tax losses total \$246,982 at the end of the financial year (2017: nil). Deferred tax assets have not been recognised in the current year due to the likelihood of utilising the recognised income tax benefits in the short term.

These benefits will only be obtained if:

- i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised,
- ii) the company continues to comply with the conditions for deductibility imposed by law, and
- iii) no changes in tax legislation adversely affect the company in realising the benefit.

Mutuality Principle

The company calculates its income in accordance with the mutuality principle which excludes from income, any amounts of subscriptions and contributions from members, and payments received from members for particular services provided by the club or association, e.g. poker machines, bar and dining room service in the case of social clubs. The Commissioner of Taxation accepts this method of calculating income as appropriate for recognised clubs and associations.

Amendments to the Income Tax Assessment Act 1997 ensure social clubs continue not to be taxed on receipts from contributions and payments received from members.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

5 Cash and Cash Equivalents

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 as follows:

	2018 \$	2017 \$
Cash at bank and on hand	2,546,518	3,041,167
Term deposits	12,750,000	9,950,000
	<hr/>	<hr/>
	15,296,518	12,991,167
	<hr/>	<hr/>

Recognition and measurement

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-Cash Financing and Investing Activities

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$Nil (2017: \$530,400) by means of finance leases. These acquisitions are not reflected in the Consolidated Statement of Cash Flows.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

6 Property, Plant and Equipment

	2018 \$	2017 \$
Land and Buildings		
At cost	37,443,357	36,392,107
Less: Accumulated depreciation	(6,022,534)	(5,382,934)
	<hr/> 30,420,823	<hr/> 31,009,173
Leasehold Improvements		
At cost	2,046,162	2,046,162
Less: Accumulated amortisation	(2,046,162)	(2,046,162)
	<hr/> -	<hr/> -
Total Land, Buildings and Leasehold Improvements	<hr/> 30,420,823	<hr/> 31,009,173
Poker Machines		
At cost	12,474,126	12,964,834
Less: Accumulated depreciation	(7,410,367)	(8,128,299)
	<hr/> 5,063,759	<hr/> 4,836,535
Plant and Equipment		
At cost	22,151,307	24,009,012
Less: Accumulated depreciation	(16,222,288)	(17,880,825)
	<hr/> 5,929,019	<hr/> 6,128,187
Motor Vehicles		
At cost	171,672	308,769
Less: Accumulated depreciation	(107,568)	(195,554)
	<hr/> 64,104	<hr/> 113,215
Total Plant and Equipment	<hr/> 11,056,882	<hr/> 11,077,937
Work-in-progress	1,000,000	-
Total Property, Plant and Equipment	<hr/> <hr/> 42,477,705	<hr/> <hr/> 42,087,110

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

6 Property, Plant and Equipment (continued)

Valuation

An independent valuation of the company's land and buildings was carried out by Andrew Nock Pty Limited at 21 June 2016 on the basis of open market value for existing use. This resulted in a valuation of land and buildings at \$38,500,000 and \$8,583,000 respectively. The directors are of the opinion that there has been no decline in the market value of the company's land and buildings at 31 October 2018. As land and buildings are recorded at cost the valuation has not been brought to account.

Properties

The following are core properties:

124 Princes Highway, Kogarah NSW 2217

The following are non-core properties:

There is no non-core property held by the Club.

Reconciliations

Movements in Carrying Amounts

Movements 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:

	2018 \$	2017 \$
Land and Buildings		
Carrying amount at beginning of year	31,009,173	30,795,581
Additions	51,250	853,192
Depreciation expense	(639,600)	(639,600)
	<hr/>	<hr/>
Carrying amount at end of year	30,420,823	31,009,173
	<hr/>	<hr/>
Leasehold Improvements		
Carrying amount at beginning of year	-	5,471
Disposals	-	(4,805)
Amortisation expense	-	(666)
	<hr/>	<hr/>
Carrying amount at end of year	-	-
	<hr/>	<hr/>
Poker Machines		
Carrying amount at beginning of year	4,836,535	4,085,004
Additions	1,786,439	2,301,103
Disposals	(126,381)	(154,166)
Depreciation expense	(1,432,834)	(1,395,406)
	<hr/>	<hr/>
Carrying amount at end of year	5,063,759	4,836,535
	<hr/>	<hr/>

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

6 Property, Plant and Equipment (continued)

	2018 \$	2017 \$
Reconciliations (continued)		
Plant and Equipment		
Carrying amount at beginning of year	6,128,187	6,161,759
Additions	752,093	881,617
Disposals	(80,467)	(24,454)
Depreciation expense	(870,794)	(890,735)
	<hr/>	<hr/>
Carrying amount at end of year	5,929,019	6,128,187
	<hr/>	<hr/>
Motor Vehicles		
Carrying amount at beginning of year	113,215	141,502
Disposals	(27,858)	-
Depreciation expense	(21,253)	(28,287)
	<hr/>	<hr/>
Carrying amount at end of year	64,104	113,215
	<hr/>	<hr/>
Work-in-progress		
Carrying amount at beginning of year	-	-
Additions	1,000,000	-
	<hr/>	<hr/>
Carrying amount at end of year	1,000,000	-
	<hr/>	<hr/>

Leased assets

The net book value of leased assets included in the property, plant and equipment is \$723,314 (2017: \$976,340).

Recognition and measurement

Freehold land and buildings are shown at historic cost less subsequent depreciation for buildings and accumulated impairment losses for land and buildings.

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' 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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

6 Property, Plant and Equipment (continued)

Recognition and measurement (continued)

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated using the straight line/ diminishing value methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

	2018	2017
Buildings	40 years	40 years
Leasehold improvements	10 years	10 years
Plant and equipment	10 years	10 years
Poker machines	5 years	5 years
Motor vehicles	6 years	6 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss. When revalued assets are sold the amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

Key Estimate and Judgement: Estimated Useful Lives of Assets

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

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

7 Trade and Other Payables

	2018 \$	2017 \$
Current		
Trade creditors	346,564	493,496
Goods and Services Tax (GST) payable	224,664	249,306
Sundry creditors and accruals	2,016,093	2,395,148
	<u>2,587,321</u>	<u>3,137,950</u>

Recognition and measurement

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. Liabilities for wages and salaries, including non-monetary benefits are recognised in accruals.

8 Financial Liabilities

Current		
Secured		
Commercial Bill	1,500,000	-
Finance lease liabilities	124,080	245,482
	<u>1,624,080</u>	<u>245,482</u>
Non-Current		
Secured		
Commercial bill	-	1,500,000
Finance lease liabilities	62,040	186,120
	<u>62,040</u>	<u>1,686,120</u>

Financing Arrangements

The company has access to the following lines of credit:

Total facilities available:		
Commercial bill	1,500,000	1,500,000
Finance lease liabilities	186,120	431,602
	<u>1,686,120</u>	<u>1,931,602</u>

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

8 Financial Liabilities (continued)

	2018 \$	2017 \$
Facilities utilised at reporting date		
Commercial bill	1,500,000	1,500,000
Finance lease liabilities	186,120	431,602
	<hr/>	<hr/>
	1,686,120	1,931,602
	<hr/>	<hr/>

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Commercial bill

Commercial bills are denominated in Australian dollars.

The facility repayments are interest-only with the principal amount due on 30 June 2019 and has therefore been classified as current. The interest rate of the facility at year end was 4.57%.

Security

The security for the commercial bill facility is:

1. First registered real property mortgage by St George Bank over the Commercial property located at 124 Princes Highway, Kogarah NSW 2217.
2. First registered fixed and floating charge over the assets and undertaking of St George Leagues Club Limited.
3. Charge over the liquor licence of the Club given by St George Leagues Club Limited.

The carrying amount of the pledged assets is as follows:

Land and buildings and plant & equipment	42,477,705	42,087,110
	<hr/>	<hr/>

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

9 Employee Benefits

	2018 \$	2017 \$
Current	2,326,031	2,380,074
Non-Current	105,284	112,344

Recognition and measurement

Annual Leave and Sick Leave

Annual leave expected to be settled within 12 months of the reporting date is recognised in employee benefits with respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Key Estimate and Judgement: Long Service Leave Provision

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the market yields on national government bonds at reporting date which most closely match the terms of maturity with the expected timing of cash flows. The unwinding of the discount is treated as long service leave expense.

The present values of employee benefits not expected to settle within the next 12 months of reporting date has been calculated using the following rates:

	2018	2017
Assumed rate of increase in wage and salary rates	2.10%	1.80%
Discount rate	2.63%	2.49%

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

10 Commitments

	2018 \$	2017 \$
Finance Lease Commitments		
Finance lease commitment are payable as follows:		
Within one year	124,080	245,482
One year or later and no later than five years	62,040	186,120
	<hr/>	<hr/>
Minimum lease payments	186,120	431,602
	<hr/>	<hr/>

Capital Commitments

At 31 October 2018, St George Leagues Club and its Controlled Entity had not entered into any contractual commitments for the acquisition of property, plant and equipment (2017: 1,000,000).

On the 31 October 2017 St George Leagues Club Limited (the Lessor) had committed to contribute \$1,000,000 plus GST to the Lessee of the premises at 124 Princes Hwy, Beverley Park NSW 2217 in the construction of a Child Care Centre on the premise. This contribution occurred during the current financial year.

Recognition and measurement

Leases under which the consolidated entity assumes substantially all the risks and benefits incidental to the ownership of the assets but not the legal ownership are classified as finance leases.

A lease asset and a lease liability are recorded at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

11 Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent liabilities with respect to bank guarantees given to third parties	50,000	50,000
	<hr/>	<hr/>

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

12 Key Management Personnel

(a) Directors

The following persons were non-executive directors of the company during the financial year:

Brian Stuart Johnston
Harvey Warren Lockwood (resigned 4th December 2018)
Ralph Gordon Piggott
Peter Lawrence Doust
Bruce William Spaul
Peter Ernest Black
Michelle Maree McClelland
Craig Stephen Young
Martin Newman
Matthew David A'Court Horton (appointed 4th December 2018)

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly during the financial year:

Danny Robinson	General Manager
Michael Derrig	Assistant General Manager
Jarrad Schwarze (Appointed December 2017)	Operations Manager
Garry Carr (Resigned December 2017)	Gaming Operations Manager

(c) Management Personnel Compensation

	2018 \$	2017 \$
Benefits and payments made to other Key Management Personnel	1,105,485	1,151,748

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

13 Related Parties

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 12.

	2018 \$	2017 \$
Related Party Transactions		
Grants paid to St George Illawarra Rugby League Football Club Pty Ltd	1,700,000	2,500,000

Balance with Entities Within the Group

The balances of St George Illawarra Rugby League Football Club Pty Ltd with the parent company at reporting date:

Sundry debtors	63,120	103,661
Trade payables	62,698	233,552

From time to time, directors of the company, or their director-related entities, may purchase goods from the company. These purchases are on the same terms and conditions as those entered into by other company employees or customers and are trivial or domestic in nature.

Apart from the details disclosed in this note, 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.

14 Company Details

The Club is incorporated and domiciled in Australia as a company limited by guarantee.

The registered office of the company is:

St George Leagues Club Limited
124 Princes Highway
Kogarah NSW 2217

15 Controlled Entity

Subsidiary: St George District Rugby League Football Club Ltd
Country of Incorporation: Australia

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

16 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 in future financial years.

17 Parent Entity Financial Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts.

	2018 \$	2017 \$
Statement of Financial Position		
Current assets	15,927,051	13,653,205
Total assets	58,817,821	56,286,713
Current liabilities	6,724,482	5,759,276
Total liabilities	7,193,700	7,835,137
Members' funds		
Total members' funds	51,624,121	48,451,576
Profit for the year	3,172,545	263,123
Total comprehensive income for the year	3,172,545	263,123

(b) Contingent liabilities of the parent entity

Refer to Note 11 for details of the contingent liabilities of the parent entity.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

18 Summary of Other Significant Accounting Policies

(a) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position 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 included 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(b) Poker Machine Entitlements

Poker machine entitlements are not amortised as they are deemed to have an indefinite useful life. They have an indefinite useful life as they do not expire and under current government legislation there is no plan to remove such entitlements. As a result, poker machine entitlements are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Poker machine entitlements are carried at cost less accumulated impairment losses.

(c) Impairment of Assets

Non-financial assets 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 asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(d) Finance Costs

Finance costs relate to interest charges incurred on the commercial bill held with St George Bank.

(e) Trade and Other Receivables

Trade debtors and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

St George Leagues Club Limited and its Controlled Entity
Notes to the Financial Statements
For the Year Ended 31 October 2018

18 Summary of Other Significant Accounting Policies (continued)

(g) Customer Loyalty Program

The consolidated entity operates a loyalty program where customers accumulate points for dollars spent. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

(h) Interest in Joint Venture

The joint venture is jointly controlled by the controlled entity and another entity. The controlled entity's interest is accounted for by using the equity accounting principles in the consolidated financial statements. Under the constitution of the joint venture, the liability of the controlled entity is limited. As such the share of the net deficiency and loss has not been brought to account.