

South West Rocks Country Club Ltd

Financial Statements

For the Year Ended 30 June 2017

South West Rocks Country Club Ltd

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For the Year Ended 30 June 2017

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South West Rocks Country Club Ltd

Directors' Report

30 June 2017

The directors present their report on South West Rocks Country Club Ltd for the financial year ended 30 June 2017.

1. General information

Information on directors

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

Names	Position	Appointed / Resigned
Robert James Hogan	Chairman	21 November 2001
David Adams	Vice Chairman	24 October 2010 / 30 October 2016
Ian Douglas MacFie Doyle	Director	19 October 2008
Bruce Thomas	Director	27 October 2013
Ian Simpson	Director	18 October 2015
Andrew Townsend	Director	18 October 2015 / 28 March 2017
Elva Watson	Director	18 October 2015

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

Company Secretary

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

David Cunningham, since 29 June 2009.

Principal activities

The principal activities of South West Rocks Country Club Ltd during the financial year were the provision of sporting and recreational facilities for members and their guests.

No significant changes in the nature of the Club's activity occurred during the financial year.

Business Review

The profit of the company amounted to \$119,603. This represents a decrease of \$61,849 on the results reported for the year ended 30 June 2016. The decrease was attributed to a decrease in net poker machines of \$38,632, increase in employee costs of \$55,790 and an increase in depreciation of \$11,333, offset partly by an decrease in electricity of \$13,404 and a decrease in repairs and maintenance of \$29,086.

Short term objectives

The Club's short term objectives are to:

- Maintain and improve the quality of the Club's facilities.
- Improve staff knowledge regarding appropriate customer contact.
- Maintain a healthy working environment.

South West Rocks Country Club Ltd

Directors' Report

30 June 2017

Long term objectives

The Club's long term objectives are to:

- Provide catering and entertainment in a socially healthy environment.
- Maintain a strong relationship with members of the Club and their guests.
- Strive for continuous improvements in industry to ensure best outcomes for the club and its members.
- Maintain strong cash flow and balance sheet.

Strategy for achieving the objectives

To achieve these objectives, the Club has adopted the following strategies:

- Aim to attract and retain quality staff, focusing on strong customer service.
- Ongoing training in relevant areas of the industry.
- Strive to attract board members with relevant knowledge and understanding of the entities objectives.
- Attract members who will utilise the club to assist in providing strong cash flow.

2. Other items

Meetings of directors

During the financial year, 20 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Robert James Hogan	20	17
David Adams	4	4
Ian Douglas MacFie Doyle	20	20
Bruce Thomas	20	20
Ian Simpson	20	19
Andrew Townsend	12	10
Elva Watson	20	19

South West Rocks Country Club Ltd

Directors' Report

30 June 2017

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2017 has been received and can be found on page 4 of the financial report.

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

Director:
Robert James Hogan

Director:
Ian Douglas MacFie Doyle

Dated 1 September 2017

South West Rocks Country Club Ltd

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of South West Rocks Country Club Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, 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.

Douglas Cheetham
Partner
Wrights Chartered Accountants

1 September 2017

Kempsey

South West Rocks Country Club Ltd

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
Revenue	5,722,963	5,737,367
Other income	28,194	32,076
Changes in inventories of finished goods and work in progress	(31,549)	8,865
Raw materials and consumables used	(791,120)	(806,567)
Employee benefits expense	(1,777,497)	(1,721,707)
Depreciation and amortisation expense	(536,235)	(524,902)
Other expenses	(2,428,954)	(2,476,414)
Finance costs	(66,199)	(67,266)
Profit before income tax	119,603	181,452
Income tax expense	-	-
Profit from continuing operations	119,603	181,452
Profit for the year	119,603	181,452
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Items that will be reclassified to profit or loss when specific conditions are met		
Total comprehensive income for the year	119,603	181,452

The accompanying notes form part of these financial statements.

South West Rocks Country Club Ltd

Statement of Financial Position

30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	668,355	665,742
Trade and other receivables	5	22,756	35,424
Inventories	6	188,643	177,928
Other assets	9	24,567	37,931
TOTAL CURRENT ASSETS		<u>904,321</u>	<u>917,025</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	11,536,967	11,317,258
Intangible assets	8	46,399	47,109
TOTAL NON-CURRENT ASSETS		<u>11,583,366</u>	<u>11,364,367</u>
TOTAL ASSETS		<u>12,487,687</u>	<u>12,281,392</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	244,947	214,962
Borrowings	11	361,059	291,289
Current tax liabilities	12	30,405	52,829
Short-term provisions	13	194,245	172,003
Other financial liabilities	14	165,447	177,400
TOTAL CURRENT LIABILITIES		<u>996,103</u>	<u>908,483</u>
NON-CURRENT LIABILITIES			
Borrowings	11	926,334	913,670
Long-term provisions	13	28,641	42,233
TOTAL NON-CURRENT LIABILITIES		<u>954,975</u>	<u>955,903</u>
TOTAL LIABILITIES		<u>1,951,078</u>	<u>1,864,386</u>
NET ASSETS		<u>10,536,609</u>	<u>10,417,006</u>
EQUITY			
Reserves		5,643,897	5,643,897
Retained earnings		4,892,712	4,773,109
TOTAL EQUITY		<u>10,536,609</u>	<u>10,417,006</u>

The accompanying notes form part of these financial statements.

South West Rocks Country Club Ltd

Statement of Changes in Equity
For the Year Ended 30 June 2017

2017

	Retained Earnings	Asset Revaluation Surplus	Total
Note	\$	\$	\$
Balance at 1 July 2016	4,773,109	5,643,897	10,417,006
Profit attributable to members of the entity	119,603	-	119,603
Balance at 30 June 2017	<u>4,892,712</u>	<u>5,643,897</u>	<u>10,536,609</u>

2016

	Retained Earnings	Asset Revaluation Surplus	Total
Note	\$	\$	\$
Balance at 1 July 2015	4,591,657	5,643,897	10,235,554
Profit attributable to members of the parent entity	181,452	-	181,452
Balance at 30 June 2016	<u>4,773,109</u>	<u>5,643,897</u>	<u>10,417,006</u>

The accompanying notes form part of these financial statements.

South West Rocks Country Club Ltd

Statement of Cash Flows
For the Year Ended 30 June 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	11,644,209	11,600,419
Payments to suppliers and employees	(10,902,597)	(10,871,340)
Interest paid	(66,199)	(67,266)
Net cash provided by/(used in) operating activities	20 <u>675,413</u>	<u>661,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(755,234)	(352,432)
Net cash used by investing activities	<u>(755,234)</u>	<u>(352,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds/(payment) of borrowings	82,434	(237,019)
Net cash used by financing activities	<u>82,434</u>	<u>(237,019)</u>
Net increase/(decrease) in cash and cash equivalents held	2,613	72,362
Cash and cash equivalents at beginning of year	665,742	593,380
Cash and cash equivalents at end of financial year	4 <u>668,355</u>	<u>665,742</u>

The accompanying notes form part of these financial statements.

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

The financial report covers South West Rocks Country Club Ltd as an individual entity. South West Rocks Country Club Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of South West Rocks Country Club Ltd is Australian dollars.

The financial report was authorised for issue by the Directors on 1 September 2017.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Club is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(b) 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 over their estimated useful lives.

(c) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Club and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Interest revenue

Interest is recognised using the effective interest method.

Subscriptions

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial year.

Other income

Other income is recognised on an accruals basis when the Club is entitled to it.

(d) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(f) Property, Plant and Equipment

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

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(f) Property, Plant and Equipment

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Land and buildings are measured using the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

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

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	10-20%
Leased plant and equipment	20-25%
Furniture, Fixtures and Fittings	5-10%
Office Equipment	10-25%

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

(g) Cash and cash equivalents

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

(h) Employee benefits

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

Employee benefits are presented as current liabilities in the statement of financial position if the Club does not have an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date regardless of the classification of the of the liability for measurement purposes under AASB 119.

Notes to the Financial Statements

For the Year Ended 30 June 2017

2 Summary of Significant Accounting Policies

(i) Provisions

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

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period

(j) Going concern

In determining whether the business is a going concern the Directors have examined the financial performance of the club. The Club has reviewed its budgets and and cost savings strategies. The Board wish to acknowledge that the club's current liabilities exceed their current assets by \$91,782 (2016: surplus of (\$8,542)).

Notwithstanding the Club's deficiency in net assets, the financial report has been prepared on the going concern basis. This basis has been adopted as the Club continues to receive the financial support from the bank and creditors to allow the Club to meet its liabilities and it is the belief of the Board that such financial support will continue to be made available.

3 Critical Accounting Estimates and Judgments

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

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

The significant estimates and judgements made include Depreciation and Employee Leave Entitlements, the calculations for which are based on current rates.

Key estimates - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The Club has not included an impairment provision based on the information available at the reporting date.

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

4 Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	668,355	665,742
Total cash and cash equivalents	668,355	665,742

5 Trade and other receivables

	2017	2016
	\$	\$
CURRENT		
Trade receivables	22,756	35,424
Total current trade and other receivables	22,756	35,424

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

6 Inventories

	2017	2016
	\$	\$
CURRENT		
At cost:		
Stock on hand - Bar & Bottle Shop	134,873	137,757
Stock on hand - Other	53,770	40,171
Total Inventories	188,643	177,928

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

7 Property, plant and equipment

	2017	2016
	\$	\$
LAND AND BUILDINGS		
Freehold land		
At independent valuation	3,204,000	3,204,000
Total Land	3,204,000	3,204,000
Buildings		
At directors' valuation	8,989,243	8,989,243
At cost	622,606	581,443
Accumulated depreciation	(3,591,973)	(3,350,510)
Total buildings	6,019,876	6,220,176
Total Land & Buildings	9,223,876	9,424,176
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	4,562,610	4,025,613
Accumulated depreciation	(2,771,707)	(2,503,953)
Total plant and equipment	1,790,903	1,521,660
Leased plant and equipment		
At cost	715,785	538,710
Accumulated depreciation	(193,597)	(167,288)
Total leased plant and equipment	522,188	371,422
Total plant and equipment	2,313,091	1,893,082
Total property, plant and equipment	11,536,967	11,317,258

Notes to the Financial Statements
For the Year Ended 30 June 2017

7 Property, plant and equipment

(a) Movements in Carrying Amounts

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

	Land \$	Buildings \$	Plant and Equipment \$	Total \$
Year ended 30 June 2017				
Balance at the beginning of year	3,204,000	6,220,176	1,893,082	11,317,258
Additions	-	41,163	714,072	755,235
Depreciation expense	-	(241,463)	(294,063)	(535,526)
Balance at the end of the year	3,204,000	6,019,876	2,313,091	11,536,967

In terms of Section 41J(2) of the Registered Clubs Act, 2 Sportsman Way, South West Rocks is core property of the Club.

8 Intangible Assets

Brand names			
Net Carrying Value		2,600	3,310
Licenses			
Net Carrying Value		43,799	43,799
Total Intangibles		46,399	47,109

9 Other non-financial assets

	2017 \$	2016 \$
CURRENT		
Prepayments	24,567	37,931
Total Other Assets	24,567	37,931

10 Trade and other payables

	2017 \$	2016 \$
CURRENT		
Trade payables	148,367	131,728
Sundry payables and accrued expenses	93,368	83,234
Total trade and other payables	241,735	214,962

South West Rocks Country Club Ltd

Notes to the Financial Statements For the Year Ended 30 June 2017

11 Borrowings

	2017	2016
	\$	\$
CURRENT		
Secured liabilities:		
Lease liability secured	181,059	111,289
Bank loans	180,000	180,000
Total current borrowings	361,059	291,289
	2017	2016
	\$	\$
NON-CURRENT		
Secured liabilities:		
Lease liability secured	136,167	75,272
Bank loans	790,167	838,398
Total non-current borrowings	926,334	913,670
Total borrowings	1,287,393	1,204,959

Leased liabilities are secured by the underlying leased assets.

The Securities held over Bank loans are as follows:

First Registered Mortgage over Real Property situated in the Parish of Arakoon, County of Macquarie, Local Government Area of Kempsey as described in the Certificate of Title.

Fixed and Floating Charge over the whole of the assets of South West Rocks Country Club Limited.

Other Reporting Covenants:

Minimum Interest Times Cover based on EBIT of 1.5.

EBIT to be greater than 4.5% of revenue.

Bank Loan is fixed (\$900,000) for a period of five years, with the remaining balance at a variable rate. Repayment amount is \$15,000 per month in arrears.

12 Tax

	2017	2016
	\$	\$
GST/PAYG	30,405	52,829
Total tax liabilities	30,405	52,829

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

13 Provisions

	2017	2016
	\$	\$
CURRENT		
Employee Leave Entitlements	194,245	172,003
	<u>2017</u>	<u>2016</u>
	\$	\$
NON-CURRENT		
Employee Leave Entitlements	28,641	42,233

14 Other Financial Liabilities

	2017	2016
	\$	\$
CURRENT		
Subscriptions in advance	165,447	177,400

15 Members' Guarantee

The Club is incorporated under the *Corporations Act 2001* and is a Club limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of \$ 2 each towards meeting any outstandings and obligations of the Club. At 30 June 2017 the number of members was 4,034 (2016: 4,064).

16 Revenue and Other Income

Revenue from continuing operations	2017	2016
	\$	\$
Sales revenue		
- sale of goods	2,072,899	2,041,416
- member subscriptions	52,276	51,228
	<u>2,125,175</u>	<u>2,092,644</u>
Finance income		
- interest received	2,645	4,718
Other revenue		
- other trading revenue	3,595,143	3,640,005
Total Revenue	<u><u>5,722,963</u></u>	<u><u>5,737,367</u></u>
	2017	2016
	\$	\$
Other Income		
- Commissions	28,194	32,076
Total Revenue and Other Income	<u><u>5,751,157</u></u>	<u><u>5,769,443</u></u>

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

17 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of South West Rocks Country Club Ltd during the year are as follows:

The total remuneration paid to key management personnel of the Club is \$ 201,620 (2016: \$ 222,952).

18 Contingencies

In the opinion of the Directors, the Club did not have any contingencies at 30 June 2017 (30 June 2016:None).

19 Related Parties

(a) Transactions with related parties

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

The following transactions occurred with related parties:

David Adams Electrical to complete work within the club. The total value was \$697, all transactions were on commercial terms. David Adams was a Director of the Club.

Paragon Pizzeria to provide food for patrons and staff after 8pm as required, in line with licencing requirements. The total value was \$889, all transactions were on commercial terms. The Secretary Manager, David Cunningham is related to the proprietor of Paragon Pizzeria.

Rox Jumping Castles to provide entertainment services to patrons of the Club. The total value was \$3,760, all transactions were on commercial terms. Danielle Rusworth, the proprietor is an employee of the Club.

20 Cash Flow Information

(a) Reconciliation of cash

	2017	2016
	\$	\$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>668,355</u>	<u>665,742</u>

21 Events Occurring After the Reporting Date

The financial report was authorised for issue on 1 September 2017 by the Board of Directors.

No 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.

South West Rocks Country Club Ltd

Notes to the Financial Statements

For the Year Ended 30 June 2017

22 Statutory Information

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

South West Rocks Country Club Ltd

2 Sportsman Way

South West Rock NSW 2431

South West Rocks Country Club Ltd

Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 6, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2017 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

Director

Dated 1 September 2017

South West Rocks Country Club Ltd

Independent Audit Report to the members of South West Rocks Country Club Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South West Rocks Country Club Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of 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.

Responsibilities of 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 the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

Douglas Cheetham
Partner

Kempsey

Date style: Format 2

1 September 2017