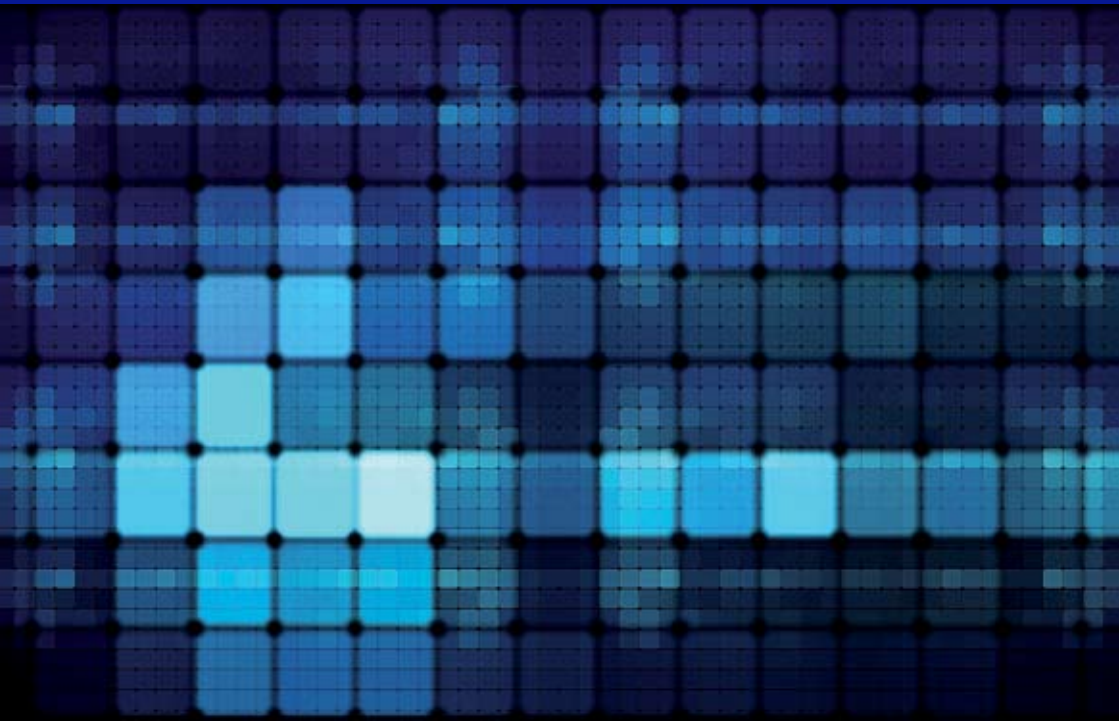


# 2008

## ANNUAL REPORT



**The Albury Sailors, Soldiers  
& Airmen's Club Limited**



# Notice of Annual General Meeting

ABN 47 001 042 397

## NOTICE

Is hereby given that the 36th Annual General Meeting of the Albury Sailors, Soldiers & Airmen's Club Limited ("the Club") will be held in the Club Auditorium at 570-582 Olive Street, Albury NSW on

***Wednesday, 29th October 2008 at 8.00pm.***

Admission will only be by current membership card. Only Ordinary members, Life members and Senior members are entitled to vote upon any resolution considered at the Annual General Meeting.

Non Local members and Staff members are entitled to attend the Annual General Meeting as observers, however, are not entitled to vote upon any resolution at the Annual General Meeting.

## BUSINESS

1. To confirm the Minutes of the Annual General Meeting held on 12th September 2007.
2. To confirm the minutes of the General Meeting held on 7th May 2008.
3. To receive and consider the Report of the Directors, the Financial Statements for the year ending 31st May 2008 and the Auditor's Report therein.
4. To consider the Ordinary Resolutions relating to Directors' Benefits and related matters (see separate notice).
5. To receive recommendations to Directors from the floor.

By direction of the Board  
Andrew Terry  
Chief Executive Officer

Dated: 31st July 2008

# Annual General Meeting - 12/09/2007 Minutes

Annual General Meeting - Held on Wednesday 12th September 2007, at 7.00pm in the Sky Light Lounge.

## CONSTITUTE

The meeting was constituted with L. Poy in the Chair and 53 members present.

## OBITUARIES

The President then called for members to be upstanding for a minute's silence for those members who had passed away during the year.

## APOLOGIES

Bernie Goldsworthy, Norm Burns, Maxine Jolly.

It was recommended that the above apologies be received.

Moved: R. Unsworth

Seconded: M. Jolly

CARRIED

## MINUTES

It was recommended that the minutes of the Annual General Meeting held on Wednesday, 20th September 2006 as publicised in the Annual Report and Balance Sheet of 2007 be confirmed.

Moved: M. Jolly

Seconded: R. Unsworth

CARRIED

## BUSINESS ARISING FROM PREVIOUS MINUTES

Nil

## PRESIDENT'S REPORT

The President spoke to the printed report outlining the challenges faced and the exciting plans for the future. Mr. Poy thanked the CEO & Management team, all staff, the Directors and the members for their ongoing commitment, patronage and support. It was recommended that the President's Report as published in the Annual Report and Balance Sheet of 2007 be accepted.

Moved: M. Jolly

Seconded: W. Matsinos

CARRIED

## CHIEF EXECUTIVE OFFICER'S REPORT

Mr. Terry gave an overview of the year and outlined the Clubs strategic plans to ensure that all aspects of the business generate member driven activity at a sustainable cost to profit rate. It was recommended that the CEO's report as published in the Annual Report and Balance Sheet of 2007 be accepted.

Moved: G. Little

Seconded: G. Holt

CARRIED

# Annual General Meeting - 12/09/2007 Minutes

## DIRECTORS REPORT

L. Poy spoke to the Report of the Directors, as publicised in the 2007 Annual Report. It was recommended that the Report of the Directors be accepted as presented.

Moved: D. Drysdale

Seconded: G. Holt

CARRIED

## FINANCIAL REPORT

The President, Mr. Poy called upon Mr. Lappin, Chief Operations Officer to present the Financial Report. Mr. Lappin gave a detailed report on the income and expenditure for the 2006 / 2007 financial year. It was recommended that the Financial Report for the year ending 31 May 2007, as published in Annual Report and Balance Sheet of 2007 be accepted.

Moved: R. Hill

Seconded: M. Jolly

CARRIED

## ORDINARY RESOLUTIONS

Mr. Poy handed over to Mr. Lappin who explained the Ordinary and Special Resolutions and the need to present them at this year's Annual General Meeting.

### 1. First Ordinary Resolution:

"That pursuant to the Registered Clubs Act, the members hereby approve and agree to the expenditure by the Club in a sum not exceeding \$141,900 until the next Annual General Meeting of the Club for the following activities of Directors:

- a) The reasonable cost of meals and beverages for Directors in the Club;
- b) Reasonable expenses incurred by Directors in travelling to and from Directors' meetings or other duly constituted committee meetings;
- c) The provision of blazers and associated apparel for the use of Club Directors when representing the Club;
- d) The provision of car parking spaces adjacent to the Club for the use of the Club Directors;
- e) The reasonable cost of Directors travelling to attend meetings of Clubs NSW, the RSL and Services Clubs Association and seminars, lectures, trade displays and other similar events as may be determined by the Board from time to time;
- f) The reasonable cost of Directors travelling to attend other registered clubs and casinos for the purposes of viewing and assessing their facilities and methods of operation provided such attendances are approved by the Board as being necessary for the betterment of the Club.

# Annual General Meeting - 12/09/2007 Minutes

The members acknowledge that the benefits in paragraph (a) to (f) above are not available to members generally but only for those who are Directors of the Club."

It was recommended that the first ordinary resolution be accepted.

Moved: J. McGrath

Seconded: R. Unsworth

CARRIED

## 2. Second Ordinary Resolution

"That pursuant to the Registered Clubs Act, the members hereby approve and agree that the President's Honorarium for the coming year be \$820 per month."

It was recommended that the second ordinary resolution be accepted.

Moved: J. McGrath

Seconded: R. Unsworth

CARRIED

## 3. Third Ordinary Resolution

"That pursuant to the Registered Clubs Act, the members hereby approve and agree to the expenditure by the Club in a sum not exceeding \$40,000 until the next Annual General Meeting of the Club for the purpose of the Directors holding Strategic Board Meetings and Workshops to discuss the long-term planning of the Club."

It was recommended that the third ordinary resolution be accepted.

Moved: J. McGrath

Seconded: R. Unsworth

CARRIED

## 4. Fourth Ordinary Resolution

"That pursuant to the Registered Clubs Act, the members hereby approve and agree that the member who undertakes the role of Hospital Visitation Officer shall receive an honorarium of \$1,500 per annum."

It was recommended that the fourth ordinary resolution be accepted.

Moved: J. McGrath

Seconded: R. Unsworth

CARRIED

## 5. Fifth Ordinary Resolution

"That pursuant to the Registered Clubs Act, the members hereby approve and agree to the expenditure by the Club in a sum not exceeding \$10,000 until the next Annual General Meeting of the Club for the purpose of the Club holding functions for Senior Members."

It was recommended that the fifth ordinary resolution be accepted.

Moved: R. Cummins

Seconded: R. Hill

CARRIED

## GENERAL BUSINESS

No General Business received—No discussion.

There being no further business the meeting closed at 8.00pm.

Lindsay Poy  
President

Andrew Terry  
CEO

# General Meeting - 07/05/2008 Minutes

## 1. CONSTITUTE

The meeting was constituted with President of the Board of Directors, Mr. Lindsay Poy in the chair and 138 Ordinary Members present.

## IN ATTENDANCE

### Directors:

Mr. Ron Cummins, Mr. Max Jolly, Mr. Gary Little, Mr. Ewen McPhee, Mr. Wayne Matsinos, Mr. Paul Packham, Mr. Rob Unsworth.

### Staff:

Mr. Andrew Terry (CEO), Mr. Paul Lappin (Asst CEO),  
Mr. Gerard Darmody (Operations Manager), Mr. Graeme Hicks, Julie Reuss.

### Guests:

Philon Pty Ltd:

Mr. Tom Zarimis, Mr. Lee Pinder.

Thomson Playford:

Mr. Brett Boon, Mr. Phillip Wade

Ernst & Young:

Mr. Matthew Payne, Mr. Daniel Cunningham.

## 2. APOLOGIES:

Mr. Gary Holt, Mr. Ron Turner, Mr. John Gill,  
Mrs. Barbara Leddin.

## 3. BUSINESS

### 3.1 SS&A Sports & Bowls Club (Winsor Park)

Mr. Terry welcomed members and then spoke on the history of the Club and the steps that had been taken to get the Board of Directors to this point. He particularly acknowledged the sacrifices made by the members of the Bowling Club, relinquishing their greens at the main Club to allow redevelopment for the successful Oasis outdoor area. He acknowledged the frustrations of members in regard to the uncertainty of their future at Winsor Park Sports & Bowls Club.

## General Meeting - 07/05/2008 Minutes

Mr. Phillip Wade, Senior Associate Lawyer with Thomson Playford, spoke of their efforts on behalf of SS&A to purchase the Winsor Park site. He read from an email he received on May 6 2008 from Phillip Smith, Manager of Property Sales with Railcorp. The email confirmed the following points:

- Railcorp have identified the Bowling Club Site as surplus to their needs.
- Any agreement to sale is subject to an agreement of terms and conditions and an exchange of contracts.
- Railcorp only recommenced negotiations in February 2008, after a lapse of 9 months.
- Railcorp have engaged the firm of Henry Davis York to prepare a contract for sale.
- Sale of the property to SS&A is subject to an agreement on terms and conditions of Contract & Market Value.
- Railcorp anticipates that further progress will be made within 3-4 weeks.

Mr. Wade confirmed that the email was positive confirmation for the Club. Members were advised that copies of the email were available for their perusal.

### 3.2 Pacific Shopping Centres

Mr. Terry then addressed members giving a comprehensive insight into the problems the Club has and will face, operating under the current business model. He then outlined the steps taken to assist the Club to develop and validate a long term sustainable property management strategy.

The proposed agreement with Pacific Shopping centres is to jointly investigate, at no cost to the Club, retail opportunity using the Club's non-core land. Pending the outcomes of the 2 year investigation by Pacific, a Joint Venture entity will be created which will be owned in equal shares by the Club & Pacific. A detailed presentation explaining in full the proposal and the principles of the future Joint Venture was presented to members.

Mr. Poy called for questions from the floor & members questioned the panel of experts, staff & Directors on the proposal. All members who wished to ask question/s were given the opportunity, and questions were answered to the satisfaction of the members.

# General Meeting - 07/05/2008 Minutes

Mr. Poy then presented the Ordinary Resolutions for consideration by Members.

## ORDINARY RESOLUTION 1

The members approve the Club entering into an agreement with Pacific Shopping Centres Australia Pty Limited ("Pacific") under which Pacific will undertake a feasibility study to determine the feasibility of constructing a retail shopping centre on the land owned by the Club in Albury, which land is bound by Olive, Swift, David and Wilson Streets and is comprised of the following lots.

1. Lot 1 in Deposited Plan 1090460;
2. Lot 2 in Deposited Plan 1090460; and
3. Lot X in Deposited Plan 164751.

The proposed retail development may require the Club's existing premises to be relocated to:

1. a new site on the Development Site; or
2. if the whole of the Development Site is required for the retail development, to a site located within or immediately adjacent to the Albury Central Business District.

If the feasibility study shows the retail shopping centre to be commercially viable, the Club and Pacific will then enter into a joint venture arrangement under which Pacific will:

1. construct a retail shopping centre on the Development Site; and
2. if necessary, construct a new premises for the Club.

When completed, the retail shopping centre development (including that part of the Development Site on which it is located) will be owned by a joint venture entity. The joint venture entity will be either a company or a unit trust, with the Club and Pacific each holding 50% of the shares or units (as the case may be) in the joint venture entity.

It was recommended that Ordinary Resolution 1 be passed.

Moved: P. Packham

Seconded: R. Cummins

For - 132 Votes

Against - 6 Votes

CARRIED

# General Meeting - 07/05/2008 Minutes

## ORDINARY RESOLUTION 2

Resolution required under section 41J of the Registered Clubs Act 1976 (NSW) The members declare Lot 2 in Deposited Plan 1090460 (which is the land upon which the Club's car park is located) ("Car Park Land") to be non-core property for the purposes of section 41J of the Registered Clubs Act 1976 (NSW).

It was recommended that Ordinary Resolution 2 be passed.

Moved: M. Treloar

Seconded: R. Unsworth

For - 133 Votes

Against – 5 Votes

CARRIED

## ORDINARY RESOLUTION 3

Resolution required under section 41J of the Registered Clubs Act 1976 (NSW)

The members declare that, if new premises are required to be constructed for the Club as part of the proposed development of the Development Site, Lot 1 in Deposited Plan 1090460 and Lot X in Deposited Plan 164751 (which are the lots upon which the Club's existing premises is located) will become non-core property of the Club for the purposes of section 41J of the Registered Clubs Act 1976 (NSW) upon completion of the construction of those new premises (if any).

It was recommended that Ordinary Resolution 3 be passed.

Moved: R. Mitchell

Seconded: W. Matsinos

For - 133 Votes

Against – 5 Votes

CARRIED

## 4. CLOSE

Mr. Poy thanked members for their interest and support and invited all present to join the Board of Directors for supper. The meeting closed at 8.45pm.

Lindsay Poy

Andrew Terry

President

CEO

# Notice of Ordinary Resolutions

"At the Annual General Meeting of the Albury Sailors & Airmen's Club Limited on the 29th October 2008, the following resolutions will be proposed as ordinary resolutions for benefits provided to the Directors of the Club and related matters.

To be passed, each ordinary resolution must receive votes in its favour from not less than a simple majority of those members, who being entitled to do so, vote in person at the meeting.

## 1. FIRST ORDINARY RESOLUTION

That pursuant to the Registered Clubs Act, the members hereby approve and agree to the FIRST ORDINARY RESOLUTION expenditure by the Club in a sum not exceeding \$118,392 until the next Annual General Meeting of the Club for the following activities of Directors:

- (a) The reasonable cost of meals and beverages for Directors in the Club;
- (b) Reasonable expenses incurred by Directors in travelling to and from Directors' meetings or other duly constituted committee meetings;
- (c) The provision of Board Uniforms for the use of Club Directors when representing the Club;
- (d) The provision of car parking spaces adjacent to the Club for the use of the Club Directors;
- (e) The reasonable cost of Directors travelling to attend meetings of Clubs NSW, the RSL and Services Clubs Association and seminars, lectures, trade displays and other similar events as may be determined by the Board from time to time;
- (f) The reasonable cost of Directors travelling to attend other registered clubs and casinos for the purposes of viewing and assessing their facilities and methods of operation provided such attendances are approved by the Board as being necessary for the betterment of the Club, and
- (g) Fringe Benefit Tax associated with Director's Expenses.

The members acknowledge that the benefits in paragraph (a) to (g) above are not available to members generally but only for those members who are Directors of the Club."

# Notice of Ordinary Resolutions

## 2. SECOND ORDINARY RESOLUTION

"That pursuant to the Registered Clubs Act, the members hereby approve and agree that the President's Honorarium for the coming year be \$820 per month."

## 3. THIRD ORDINARY RESOLUTION

"That pursuant to the Registered Clubs Act, the members hereby approve and agree to the expenditure by the Club in a sum not exceeding \$30,000 until the next Annual General Meeting of the Club for the purpose of the Directors holding Strategic Board Meetings and Workshops to discuss the long-term planning of the Club."

## 4. FOURTH ORDINARY RESOLUTION

"That pursuant to the Registered Clubs Act, the members hereby approve and agree that the member who undertakes the role of Hospital Visitation Officer shall receive an honorarium of \$1,500 per annum."

## 5. FIFTH ORDINARY RESOLUTION

"That pursuant to the Registered Clubs Act, the members hereby approve and agree to the expenditure by the Club in a sum not exceeding \$10,000 until the next Annual General Meeting of the Club for the purpose of the Club holding functions for Senior Members."

### EXPLANATORY MESSAGE

Ordinary Resolutions 1 to 5 inclusive reflect the requirements of the Registered Clubs Act where in the benefits received by Directors and certain other members, but not generally by all members, must be submitted for approval at the Annual General Meeting each year. The changes to the benefits sought above are either the same or less than the previous year with an overall reduction in cost to the Club.

# Registered Clubs Act 1976 - Disclosures

## 1 IMPORTANT INFORMATION FOR CLUB MEMBERS

The Registered Clubs Act 1976 defines a TOP EXECUTIVE as being one of the five highest paid employees of the club at each separate premises of the club

## 2 DISCLOSURE OF INTERESTS OF DIRECTORS IN CONTRACTS WITH THE CLUB - SECTION 41C

- 2.1 Club members may inspect the original of these disclosures and declarations by making a written application to the Secretary.
- 2.2 The Registered Clubs Act 1976 requires Directors who have a material personal interest in matters that relate to the affairs of the club to declare the interest at a board meeting AND the club to display the declaration on the club's notice board.
- 2.3 A contract is any commercial arrangement whether written or not.
- 2.4 In the reporting period there were 3 occasions where Directors reported a material personal interest in a matter relating to the club's affairs:
  - 2.4.1 Mr. Max Jolly – provided pest control services via Jolly's Pest Control Pty Ltd.
  - 2.4.2 Mr. Gary Little – is the Administration Manager for Arnolds CFD, provider of fresh fruit & vegetables to the Club.
  - 2.4.3 Mr. Lindsay Poy – is a Financial Planner with Hillross Financial Services, who have a joint venture with SS&A called SS&A Financial Services.
  - 2.4.4 Mr. Lindsay Poy - is a Board member of the Ovens and Murray Football Netball League Ltd, which is a public company limited by guarantee. The Club is a major sponsor of the O&M.

## 3 FINANCIAL INTERESTS IN HOTELS - SECTION 41D

- 3.1 In the reporting period there were no occasions when Directors or Top Executives reported a financial interest in a hotel in NSW.

## 4 GIFTS TO DIRECTORS AND STAFF - SECTION 41E AND SECTION 41F

- 4.1 Club members may inspect the original of these disclosures and declarations by making a written application to the Secretary.
- 4.2 An affiliated body of the club includes subsidiary clubs, and any body, which the club made a grant to within the previous 12 months
- 4.3 A gift includes money, hospitality, or discounts.
- 4.4 A gift valued at more than \$500 must be disclosed; gifts from Contractors must be disclosed if they total more than \$500 from an individual contractor in the reporting period.
- 4.5 The CEO, Andrew Terry attended the Asia Gaming Conference & Expo Hong Kong & Macau (6-16 June 2007). This trip was funded by Aristocrat Leisure Industries. The total value attributed to this benefit was \$15,000. There was an additional benefit of \$250 provided to Andrew Terry in the form of a Corporate Golf Day and meals.
- 4.6 Head Cellarman, Rod McKenzie attended the Bathurst V8 Supercars including travel & accommodation. This trip was funded by Auster. The total value attributed to this benefit was \$1,000.
- 4.7 The CEO, Andrew Terry received hospitality from Tooheys on a trip to their Brewery in Lidcombe. The total value attributed to this benefit was \$500.
- 4.8 Tooheys provided hospitality benefits to various directors and managers to the total of \$1,700 including that detailed in 4.7.

# Registered Clubs Act 1976 - Disclosures

- 4.9 Wayne Smith, Gaming Manager attended Global Gaming Conference & Expo at Las Vegas. This was funded by IGT and the total value attributed was \$10,000.

## 5 TOP EXECUTIVES - S.41H (1)(B)

- 5.1 The number of club TOP EXECUTIVES whose total remuneration for the reporting period falls within each successive \$10,000 band commencing at \$100,000 is detailed below:
- 5.2 Band Number of Top Executives
- |                       |   |
|-----------------------|---|
| \$100,000 - \$109,999 | 1 |
| \$180,000 - \$189,999 | 1 |
| \$290,000 - \$299,999 | 1 |

## 6 OVERSEAS TRAVEL - S.41H (1)(C)

- 6.1 In the reporting period the club incurred the following costs for the overseas travel of Directors and Employees:

| <b>Name</b> | <b>Position</b> | <b>Destination</b> | <b>Travel Purpose</b>       | <b>Cost paid by Club</b> |
|-------------|-----------------|--------------------|-----------------------------|--------------------------|
| Wayne Smith | Gaming Manager  | New Zealand        | Casino Study Tour           | \$ 4,511                 |
| Ewen McPhee | Director        | New Zealand        | Casino Study Tour           | \$ 4,072                 |
| Wayne Smith | Gaming Manager  | Las Vegas, USA     | Gaming -Conference and Expo | \$ 2,600                 |

## 7 LOANS TO STAFF- S.41H (1)(D)

- 7.1 The Registered Clubs Act 1976 requires the club to report loans to EMPLOYEES of \$1,000 or more. There were no loans to employees in the reporting period.

## 8 CONTRACTS APPROVED BY BOARD - S.41H (1)(E)

- 8.1 During the reporting period the Board approved 1 contract relating to the remuneration of the club's Top Executives.
- 8.2 During the reporting period no controlled contract was approved by the Board and forwarded to the Director of Liquor and Gaming.

## 9 EMPLOYEES RELATED TO DIRECTORS & TOP EXECUTIVES - S.41H (1)(F)

- 9.1 A Close Relative is defined in section 41B of the Registered Clubs Act 1976 and includes the immediate family.
- 9.2 In the reporting period, the club employed nil persons who were a close relative of a DIRECTOR or TOP EXECUTIVE of the club.

# Registered Clubs Act 1976 - Disclosures

## 10 PAYMENTS TO CONSULTANTS - S.41H(1)(G) AND (H)

10.1 Consultants were paid \$30,000 or more on the following instances:

| 10.2 | Name                     | Amount    | Purpose  |
|------|--------------------------|-----------|--|
|      | Philon                   | \$352,356 | Development Manager  |
|      | Thomson Playford         | \$246,355 | Club Lawyers   |
|      | Image & Brand Management | \$172,713 | Marketing audit, Re-branding and Wodonga launch                    |
|      | Altis Architects Pty Ltd | \$170,913 | Master planning, Concepts, Design & Architecture                   |
|      | Urbis JHD                | \$147,217 | Planning advice, SEIA submission, Highest and best use research    |
|      | Jones Lang LaSelle       | \$64,292  | Implementation of accepted recommendations from Operational Review |
|      | WHK/KPMG                 | \$62,112  | Audit, Taxation & Lodgment   |
|      | Ernst & Young            | \$49,440  | Independent Expert Review of development Proposal from Philon      |

10.3. The total costs paid by the club to consultants in the reporting period excluding the above was \$151,746

## 11 DETAILS OF SETTLEMENTS PAID BY THE CLUB - S.41H (1)(I)

11.1 In the reporting period the club made no legal settlements with either a director or club employee.

## 12 LEGAL FEES PAID BY THE CLUB - S.41H (1)(J)

12.1 In the reporting period, there were no instances when the club paid legal fees for Directors and Employees.

## 13 GAMING MACHINE PROFIT - S.41H (1)(K)

13.1 Gaming machine profit and the gaming machine tax period are defined in the Gaming Machine Tax Act 2001.

13.2 In the most recent gaming machine tax period, the total profit from gaming machines was \$15,154,348.

## 14 AMOUNT PAID TO COMMUNITY DEVELOPMENT - S.41H (1)(L)

14.1 Clubs earning in excess of \$1,000,000 p.a. in gaming machine profit can apply part of such profit to community development and support.

14.2 In the reporting period the Club applied \$453,853 to community development and support.

## President's Report - 2008



Lindsay Poy  
PRESIDENT

In many respects, the 2007/08 financial year of the SS&A Club was a year of challenges. Equally, many businesses in the Albury-Wodonga area and surrounding districts, are experiencing challenging times.

For the SS&A Club the 5th year of NSW Government gaming tax increases has had a significant impact on what we are able to provide to our members and the community at large, that we strive to support. Added to that impost is what we and the local economy has had to endure. The wide spread effects of the drought, high interest rates & petrol prices, the equine flu, and a new freeway which has turned our tourists & visitors into fast lane fly bys.

CEO, Andrew Terry will report further on the economics of running a business in the hospitality industry now and in the future. When one looks back in history, the Club reported a loss in the 1988 financial year and the 1999 financial year, then a record profit in 2005. An operating loss in this economic climate certainly brings us back to earth and we acknowledge and are responding to the toughest trading conditions the Club has faced since the October 1987 share market crash.

And we are not alone. The Club industry, which we are proud to be part of, is struggling to survive, due to increased taxation and smoking bans. As an example of this the Parramatta Leagues Club had a \$4 million loss last year and \$3 million loss this year. Suburban landmarks such as Marrickville RSL have closed their doors and another 24 Clubs have closed or amalgamated in the last 12 months. The significant falls in Club revenues and the record numbers of Clubs currently in administration will send shockwaves through both the government & community groups.

For the SS&A Club, the Board and Management needs to continue to be tenacious in its approach to the task ahead. We will continue to pursue all avenues to ensure that your Club remains an integral part of the Albury / Wodonga landscape. In this respect, the effort by the Club's management team in planning and responding to the market conditions needs to be highly commended. To the SS&A staff, thank you for your friendly service to our customers – that is our members and their guests who enjoy "going to the Club" because you make them feel so at home.

Special thanks to Bram & Irene Nicholson for visiting our members in hospital. Your role in the Club is very important and much appreciated by the Board and management and more importantly, valued by the members and their families to whom you give your time.

Similarly to the SS&A Sporting Bodies and their 2,000 plus SS&A financial members, thank you for representing the Club so well and for your continued support of our three venues - SS&A Albury, SS&A Sports & Bowls Club and the newly refurbished SS&A Wodonga.

Thank you to each Board member for your contribution to the betterment of the Club during your last two years of office and special thanks to our wives for their understanding and acceptance of the job that we have chosen to do.

Finally, thank you to the SS&A Club members for your continued support for your Club in what is arguably the most intense period of change and challenge in its 62 year history.

Lindsay Poy  
President & Chairman of the Board of Directors, 2006-2008

# Chief Executive Officer's Report - 2008



Andrew Terry  
CEO

## 2007/08 - A PERFECT STORM FOR THE CLUB INDUSTRY

The 2007/08 financial year had been predicted to be a watershed in the 65 year history of the Club movement as far back as 2003 and in many ways it did not disappoint. The cumulative impact of:

- the final instalment in NSW State gaming tax increases,
- the introduction of total indoor smoking bans,
- the ongoing drought,
- the opening of the Hume Freeway by-pass diverting in excess of 20,000 vehicles per day, and
- depressed consumer demand induced by 12 year high interest rates and escalating fuel costs.

Given these circumstances the loss of \$1,318,044 is in my opinion reasonable, however I am cognisant that it is not sustainable and that is why we have short and long-term initiatives in place to secure the Club's future.

A highlight of the year in our long-term strategy was the overwhelming support by the membership at the Special Meeting conducted on 7th May 2008. At this meeting members approved the investigation and possible creation of a Joint Venture Agreement with Pacific Shopping Centres to construct a major retail facility on the Albury site. This is a result of the foresight and strategy adopted by the Club's Board and Management in 2005. Future development costs incurred in the past year represented \$1.05million. These costs relate to specific professional consulting and legal advice required to determine the best use of Club assets to obtain long-term diverse income streams.

Operationally speaking, the Club made significant progress to reduce its operating costs to mitigate the downturn in Gaming, Food and Beverage (income down \$1.576 million or 6.5%). As a result the reported operating loss from core Club operations was a modest \$56,528.

Gaming activity was hardest hit, as was the case throughout the entire NSW Club industry with total turnover being down by 10.7% for the year. One consolation is that the SS&A fared in line with NSW Club averages, whereas other regions throughout NSW were even more adversely affected, such as the South Coast region, which collectively fell in excess of 15%. Given the extraordinary issues impacting upon the Border such as the freeway and drought, our Club on a comparative basis performed to a reasonable level.

As I mentioned to the membership earlier in the year, the annual results need to be read and reflected in the context of the longer-term investment activities that the Club has pursued over the past 2-3 years. These include the refurbishment of SS&A Wodonga; capital works at SS&A Albury and the preliminary development opportunities with Pacific Shopping Centres.

These activities have seen a substantial application of cash and financing reserves at a time when the hospitality sector of the economy is experiencing soft trading with severe pressure on consumer spending levels due to increased living costs.

# Chief Executive Officer's Report - 2008

However these measures are necessary so that the SS&A can secure its long-term future. The reality is that the Club movement of the past 60 years will simply not survive over the course of the next 10 years without major reshaping of the core business model. This means, that we as a Club must develop multiple non-gaming leisure, lifestyle and hospitality related offerings, which will appeal to a changing market landscape.

As a Registered Club, we must become more relevant and innovative in delivering to current and new members. We need to address what needs and services you seek, and therefore we need to continually modify our core business product offers to deliver to your needs.

Our collective branded range of offerings, which now includes SS&A Wodonga Golf, SS&A Travel, SS&A Financial Services, represent an initial portion of this strategy that will underpin our commercial success over future years.

We have been able to undertake the beginning of this metamorphosis as a result of strong profit results in previous years and being responsible and prudent with our use of debt.

This year with a significant loss of revenue (that has been shared throughout the industry) it has increased the resolve of the Board and Management's commitment in seeing through this strategy in tough times. This, I believe, will secure the SS&A's future where it will continue to be a major part of the Albury Wodonga community and as one of, if not arguably the largest, not-for-profit benefactor of community services in the region outside of government.

This year we have included a published Community Benefits Statement outlining those organisations, which received financial and in-kind support from the Club, and clearly outlines to all SS&A Members the types of assistance that your Club provides to the local community.

## THE ROAD AHEAD

It is my view that we as a group have weathered the worst of the storm for the time being. Having said that, 2008/09 will still place significant pressure on our ability to grow revenue and contain costs of operation especially in relation to the cost of food, utilities and finance.

Noting this, we are forecasting a moderate recovery in gaming, food and beverage revenue. Much of this will come from SS&A Wodonga now that it is fully operational and that the Wodonga public are becoming increasingly aware of its fabulous offering as a destination sport, entertainment and food venue.

The Club has recently commissioned an outdoor gaming area after many months of delay brought about by regulatory issues and this should have a favourable impact on gaming turnover. However we are aware of the pressures on disposable income levels at present, which will continue to dampen demand, as was the case last year.

The Club is in the process of changing and reformatting a number of key promotions and product offers to reflect the current market conditions, especially in our food offers and we are expecting a very positive response.

# Chief Executive Officer's Report - 2008

Further refinement in internal member services will hopefully meet with your acceptance and we anticipate an increase in patronage levels arising from these initiatives.

## STAFF

The difficult trading environment and the need to adjust costs throughout all areas of the company inevitably saw a number of reductions in employment throughout the group. The majority of these changes occurred at management level so as to ensure our customer contact employees were not unduly disrupted. Without individually detailing these changes, I must acknowledge the contribution of both current and former staff who have supported the Board, Members and my Senior Management Team in what has been a difficult and testing period.

Recently, the Board and myself were honoured to conduct the SS&A Employee Service Awards whereby we acknowledged and paid tribute to our employees of 25, 20, 15, 10 & 5 years of continuous employment. The large number receiving the awards testifies to the invaluable contribution our staff have made over the years and we look forward to recognising a new generation of SS&A ambassadors in years to come.

I must also thank the Board and Management Team for providing ongoing support, leadership and tireless work through these challenging years. I cannot promise it will get any easier but I can promise that we will continue to meet these challenges head-on and with a determination to succeed.

Andrew Terry  
Chief Executive Officer

# Report of the Directors

The Directors of The Albury Sailors, Soldiers and Airmen's Club Ltd (the 'Club') have pleasure in presenting their report together with the financial report for the year ended 31 May 2008 and the auditor's report thereon.

## Directors

The Directors of the Club at any time during or since the financial year are:

|                   |                |                     |
|-------------------|----------------|---------------------|
| Mr Lindsay Poy    | Mr Gary J Holt | Mr Wayne J Matsinos |
| Mr Ron Cummins    | Mr Max Jolly   | Mr Ewen McPhee      |
| Mr Paul S Packham | Mr Gary Little | Mr Rob Unsworth     |

*Refer attached Schedules 'A' and 'B' for details of Directors in office and attendances at Board and Sub-Committee meetings.*

In accordance with the Club's Articles of Association all Directors retire bi-annually from the Board of Directors and subject to the provisions of the Articles of Association in respect to length of service in a particular office, are eligible for re-election.

## Company Secretary

Mr Andrew Terry, B. Bus. (C.H.M) was appointed to the position of Company Secretary of the Club on 16 August 2000 and continues to act in this capacity post year end. Mr Terry is the Chief Executive Officer of the Club.

## Principal Activities

The principal activities of the Club during the course of the financial year were management of licensed social club facilities with associated sporting activities for members of the Club.

## Review of Operations

The operating loss of the Club for the year before providing for income tax was \$1,344,723 (2007 profit: \$2,054,904). Income tax benefit is \$26,679 (2007 expense: \$30,716).

### **Core Trading**

The Club was able to reduce its operating costs in response to the downturn in gaming, food and beverage revenue due to the introduction of additional legislation. Excluding development and restructuring expenses, the operating result for the 2008 year from core club operations was a modest breakeven.

### **Property Development**

The recently introduced smoking bans, higher gaming taxation and increasing legislation around gaming activities has had a substantial negative impact on the Club's poker machine revenue. These changes have led the Club's Board to the conclusion that the Club's business model, in its present format and operation, will not be sustainable into the future. In order to drive the necessary changes, during the 2008 year the Club entered into a Heads of Agreement with Pacific Shopping Centre Group, under which Pacific will present a detailed proposal to the Club of the financial feasibility of a joint venture shopping centre development on the Club's existing land. The results of Pacific's feasibility study are to be delivered within the next two years.

# Report of the Directors

## Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Club, to affect significantly the operations of the Club, the results of those operations, or the state of affairs of the Club, in future financial years.

## Likely Developments

The Club will continue to pursue its policy of increasing the financial stability of the Club during the next financial year. This will require further investment in areas such as member services and benefits.

### *Alfresco Gaming*

The Club has received approval for the construction of an alfresco gaming area. This development is expected to be completed during the 2008/09 year.

### *SS&A Sports & Bowls – Purchase of Land*

The Club is in continuing negotiations with Rail Corporation New South Wales in relation to the purchase of land at the Club's Young Street site. Based on its current status, any transaction is not expected to take place until at least the 2009 calendar year.

Further information about likely developments in the operations of the Club and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Club.

## Membership

The Club is a Company limited by Guarantee and without share capital. The number of members as at 31 May 2008 were 25,565 (2007: 24,983).

## Dividends

The Club is a Company limited by Guarantee and is prevented by its constitution from paying dividends.

## Environmental Regulation

The Club's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Directors believe that the Club has adequate systems in place for the management of its environmental requirements and is not aware of any breach during the period covered by this report of those environmental requirements as they apply to the Club.

## Indemnification and Insurance of Officers and Auditors

The Club has agreed to indemnify all Directors of the Club and certain Executive Officers against all liabilities to another person (other than the Club or a related body corporate) that may arise from their position as Directors or Executive Officers of the Club and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The policy agreement stipulates that the Club will meet the relevant liability. The premium paid in respect of this policy is part of a combined premium for a comprehensive suite of insurance products held by the Club. In 2007 the premium paid was \$2,758.

The Club has not indemnified its auditors.

# Report of the Directors

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporation Act is set out below and forms part of the directors' report for the financial year ended 31 May 2008.

Signed in accordance with a resolution of the Directors.

**L Poy**  
Director

**G Holt**  
Director

Dated at Albury this 30th day of July 2008.

## Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To: the Directors of The Albury Sailors, Soldiers and Airmen's Club Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 May 2008 there have been:

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

WHK Audit & Risk Assessment

Timothy S Frazer  
Partner

Dated at Albury this 31st day of July 2008.

**SCHEDULE 'A' TO ANNUAL REPORT OF DIRECTORS  
DETAILS OF DIRECTORS IN OFFICE AT ANYTIME DURING THE 2007/2008 FINANCIAL YEAR**

| <b>NAME</b>     | <b>POSITION</b> | <b>AGE</b> | <b>MEMBER</b> | <b>OCCUPATION</b>      | <b>SERVICE</b>  |
|-----------------|-----------------|------------|---------------|------------------------|---|
| Lindsay Poy     | President       | 58         | 20 years      | Financial Adviser      | Member of Board of Directors for 9 years, including 5 years as President                                |
| Paul Packham    | Vice President  | 71         | 49 years      | Retired                | Member of Board of Directors for 32 years including 5 years as President and 13 years as Vice President |
| Ron Cummins     | Vice President  | 58         | 30 years      | Business Owner         | Member of Board of Directors for 5 years, including 2 years as Vice President                           |
| Gary Holt       | Director        | 58         | 37 years      | Public Servant         | Member of Board of Directors for 17 years, including 6 years as Vice President                          |
| Max Jolly       | Director        | 61         | 14 years      | Pest Controller        | Member of Board of Directors for 7 years  |
| Ewen McPhee     | Director        | 65         | 34 years      | Retired                | Member of Board of Directors for 5 years  |
| Robert Unsworth | Director        | 50         | 14 years      | Teacher                | Member of Board of Directors for 5 years  |
| Wayne Matsinos  | Director        | 50         | 13 years      | Real Estate            | Member of Board of Directors for 3 years  |
| Gary Little     | Director        | 57         | 4 years       | Administration Manager | Member of Board of Directors for 2 years  |

**SCHEDULE 'B' TO ANNUAL REPORT OF DIRECTORS  
DETAILS OF BOARD AND SUB-COMMITTEE MEETINGS AND MAJOR EVENTS ATTENDANCES**

| Total Meetings Held | BOARD | SPECIAL | EXECUTIVE | SPORTING | DISCIPLINARY | BUILDING | AUDIT | RSL & SERVICES CLUBS NATIONAL CONFERENCE JULY 2007 | CLUBS NSW RIVERINA ZONE - CLUB DIRECTORS INSTITUTE - WORKSHOP JULY 2007 | RSL & SERVICES CLUBS -CASINO STUDY TOUR AUGUST 2007 | RSL & SERVICES CLUBS ANNUAL CONFERENCE OCTOBER 2007 | RSL & SERVICES CLUBS -CASINO STUDY TOUR APRIL 2008 |
|---------------------|-------|---------|-----------|----------|--------------|----------|-------|--|---|---|---|--|
|                     | 20    | 9       | 6         | 4        | 8            | 4        | 8     | 1  | 1   | 1   | 1   | 1  |
| L Poy               | 19    | 9       | 6         |          |              |          |       |  |   |   |   |  |
| G Holt              | 16    | 8       |           |          |              |          | 6     | 1  |   |   |   |  |
| P Packham           | 19    | 8       | 6         |          |              | 4        | 8     |  |   |   | 1   |  |
| M Jolly             | 19    | 9       |           |          | 7            |          |       |  | 1   |   | 1   |  |
| R Cummins           | 20    | 8       | 6         |          |              | 4        | 8     | 1  |   |   |   |  |
| E.McPhee            | 16    | 8       |           | 4        |              |          |       |  |   | 1   |   |  |
| R Unsworth          | 18    | 8       | 1         | 4        | 1            |          |       |  |   |   |   |  |
| W Matsinos          | 19    | 9       |           |          | 8            | 4        |       |  |   |   | 1   | 1  |
| G Little            | 19    | 8       | 1         | 4        |              |          | * 5   | 1  |   |   |   |  |

\* Elected Audit Committee January 2008

# Income Statement For the Year Ended 31 May 2008

|   | Note     | 2008<br>\$         | 2007<br>\$        |
|---|----------|--------------------|-------------------|
| Revenue from sale of goods                    |          | 6,324,413          | 5,955,052         |
| Revenue from rendering of services            |          | 16,251,619         | 18,197,804        |
|   |          | <b>22,576,032</b>  | <b>24,152,856</b> |
| Other income                                  | 5(b)     | (890,692)          | (3,273,110)       |
| Change in inventory                           |          | 14,892             | (22,528)          |
| Purchases                                     |          | 2,523,536          | 2,342,016         |
| Borrowing costs                               |          | 164,888            | 101,998           |
| Depreciation and amortisation                 |          | 2,271,821          | 2,263,216         |
| Gifts and donations                           |          | 280,420            | 460,703           |
| Insurance                                     |          | 153,545            | 174,813           |
| IT and communications                         |          | 286,427            | 289,148           |
| Other expenses                                |          | 761,391            | 1,040,784         |
| Personnel expenses                            |          | 7,727,453          | 8,212,971         |
| Poker machine taxes                           |          | 4,841,605          | 5,443,014         |
| Professional fees                             |          | 1,318,687          | 794,393           |
| Promotion and marketing expenses              |          | 1,819,953          | 1,968,233         |
| Repairs and maintenance expenses              |          | 1,019,835          | 896,098           |
| Security expenses                             |          | 121,908            | 107,905           |
| Travel and accommodation                      |          | 97,696             | 127,275           |
| Utilities and rent                            |          | 753,530            | 773,814           |
| <b>Result from operating activities</b>       |          | <b>(690,863)</b>   | <b>2,452,113</b>  |
| Financial income                              |          | -                  | 24,186            |
| Financial expenses                            |          | (653,860)          | (421,395)         |
| <b>Net financing costs</b>                    | <b>6</b> | <b>(653,860)</b>   | <b>(397,209)</b>  |
| Share of profit of equity accounted investees | 11       | -                  | -                 |
| <b>Profit/(Loss) before income tax</b>        |          | <b>(1,344,723)</b> | <b>2,054,904</b>  |
| Income tax expense/(benefit)                  | 7        | (26,679)           | 30,716            |
| <b>Profit/(Loss) for the period</b>           |          | <b>(1,318,044)</b> | <b>2,024,188</b>  |

The income statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 58

# Statement of Recognised Income & Expense for the Year Ended 31 May 2008

|   | Note | 2008<br>\$         | 2007<br>\$       |
|---|------|--------------------|------------------|
| Net income recognised directly in equity                    |      | -                  | -                |
| Profit/(loss) for the period                                |      | (1,318,044)        | 2,024,188        |
| <b>Total recognised income &amp; expense for the period</b> |      | <b>(1,318,044)</b> | <b>2,024,188</b> |

The statement of recognised income and expense is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 58.

# Balance Sheet as at 31 May 2008

|                                      | Note | 2008<br>\$        | 2007<br>\$        |
|--------------------------------------|------|-------------------|-------------------|
| <b>Current assets</b>                |      |                   |                   |
| Cash and cash equivalents            | 9    | 1,518,322         | 788,948           |
| Trade and other receivables          | 10   | 339,496           | 302,542           |
| Inventories                          | 12   | 168,239           | 153,347           |
| Other                                | 13   | 94,160            | 190,638           |
| <b>Total current assets</b>          |      | <b>2,120,217</b>  | <b>1,435,475</b>  |
| <b>Non-current assets</b>            |      |                   |                   |
| Other financial assets               | 11   | 4,206             | 2,706             |
| Property, plant and equipment        | 14   | 33,549,151        | 31,587,174        |
| Intangible assets                    | 15   | 190,724           | -                 |
| <b>Total non-current assets</b>      |      | <b>33,744,081</b> | <b>31,589,880</b> |
| <b>Total assets</b>                  |      | <b>35,864,298</b> | <b>33,025,355</b> |
| <b>Current liabilities</b>           |      |                   |                   |
| Bank overdraft                       | 9    | 82,320            | 283,366           |
| Trade and other payables             | 16   | 2,246,782         | 2,731,768         |
| Loans and borrowings                 | 17   | 1,763,723         | 1,371,656         |
| Provisions                           | 19   | 329,830           | 153,365           |
| Employee benefits                    | 20   | 637,474           | 593,008           |
| Current tax payable                  | 7    | -                 | -                 |
| Unearned revenue                     |      | 151,820           | 91,081            |
| <b>Total current liabilities</b>     |      | <b>5,211,949</b>  | <b>5,224,244</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Loans and borrowings                 | 17   | 8,744,106         | 4,547,791         |
| Employee benefits                    | 20   | 179,609           | 206,642           |
| <b>Total non-current liabilities</b> |      | <b>8,923,715</b>  | <b>4,754,433</b>  |
| <b>Total liabilities</b>             |      | <b>14,135,664</b> | <b>9,978,677</b>  |
| <b>Net assets</b>                    |      | <b>21,728,634</b> | <b>23,046,678</b> |
| <b>Equity</b>                        |      |                   |                   |
| Contributed equity                   | 23   | -                 | -                 |
| Retained earnings                    | 26   | 21,728,634        | 23,046,678        |
| <b>Total equity</b>                  |      | <b>21,728,634</b> | <b>23,046,678</b> |

The Balance sheet to be read in conjunction with the notes to and forming part of the financial statements set out on pages 28 to 58.

# Statement of Cash Flows for the Year Ended 31 May 2008

|  | Note     | 2008<br>\$       | 2007<br>\$       |
|--|----------|------------------|------------------|
| <b>Cash flows from operating activities</b>                        |          |                  |                  |
| Cash receipts from customers                                       |          | 25,852,867       | 26,555,695       |
| Cash paid to suppliers and employees                               |          | (24,259,184)     | (24,417,624)     |
| Cash generated from operations                                     |          | 1,593,683        | 2,138,071        |
| Income tax (paid)/refunded   |          | 26,679           | (59,126)         |
| Interest paid  |          | (653,860)        | (287,612)        |
| Interest received  |          | -                | 24,186           |
| Net cash from operating activities                                 | 25       | 966,502          | 1,815,519        |
| <b>Cash flows from investing activities</b>                        |          |                  |                  |
| Acquisition of property, plant and equipment                       |          | (2,855,997)      | (1,206,690)      |
| Proceeds from sale of property, plant and equipment                |          | -                | 18,000           |
| Acquisition of intangible assets                                   |          | (202,297)        | -                |
| Investment in joint venture  |          | (1,500)          | (2,500)          |
| Cash received on amalgamation with WCC                             |          | -                | 59,474           |
| Net cash from investing activities                                 |          | (3,059,794)      | (1,131,716)      |
| <b>Cash flows from financing activities</b>                        |          |                  |                  |
| Proceeds from borrowings   |          | 4,548,000        | 800,000          |
| Repayment of borrowings  |          | (385,000)        | (1,040,000)      |
| Repayment of leases and hire purchase                              |          | (1,139,288)      | (1,034,910)      |
| Net cash from financing activities                                 |          | 3,023,712        | (1,274,910)      |
| Net increase/(decrease) in cash and cash equivalents               |          | 930,420          | (591,107)        |
| <b>Cash and equivalents at the beginning of the financial year</b> | <b>9</b> | <b>505,582</b>   | <b>1,096,689</b> |
| <b>Cash and equivalents at the end of the financial year</b>       | <b>9</b> | <b>1,436,002</b> | <b>505,582</b>   |

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 1 REPORTING ENTITY

The Albury Sailors, Soldiers and Airmen's Club Ltd (the "SS&A" or "Club") is a public company limited by guarantee domiciled in Australia. The address of the Club's registered office is 491 Smollett Street, Albury, 2640, New South Wales, Australia.

The Club is primarily involved in the management of a licensed social club with associated sporting and social activities for members of the Club.

## 2 BASIS OF PREPARATION

### a) Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs"), adopted by the Australian Accounting Standards Board ("AASB"), the Registered Clubs Act and Gaming Machine Tax Act 2001 and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on 30 July 2008.

### b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.

### c) Functional and Presentation Currency

These financial statements are presented in Australian dollars, which is the Club's functional currency.

### d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

### e) Not-For-Profit Status

Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Club has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently, where appropriate the Club has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 2 BASIS OF PREPARATION (CONTINUED)

### f) Going Concern Basis of Preparation

The Club reports a deficiency in working capital of \$3,091,732 (2007: \$3,788,769).

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

The Club's ability to remain a going concern and to discharge its liabilities in the ordinary course of business is dependent upon the continuing financial support of its members, bankers, key suppliers and the generation of positive net cash flows from operating activities. The Directors have reviewed the budgeted trading position of the Club including an analysis of income and expenditure items together with a cashflow analysis and are satisfied that it is appropriate to prepare the financial report on the going concern basis.

In reviewing future operations the Directors have an expectation that new initiatives will continue to be introduced which have the support of its member base.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### a) Revenue

#### ***Goods Sold and Services Rendered***

Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from gaming facilities, golf green fees and other services to members and other patrons of the Club is recognised in the income statement when the services are provided.

Revenue from the provision of travel services, via Travel Brokers, is accounted for on the basis of commissions earned by the Club not the gross funds deposited into the Trust Account operated for Travel Compensation Fund purposes.

The Club's share of the operating result of SS&A Financial Services has not been recognised in the 2008 year due to materiality considerations.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ***Other income***

Other income items include ATM commissions, membership subscriptions and rent.

Revenue from members' subscriptions is treated as other income and is accounted for by recognising a liability for unearned revenue upon receipt of funds, and recognising the revenue in equal portions throughout the membership year.

### **b) Finance Income and Expenses**

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

### **c) Lease Payments**

#### ***Operating Lease Payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### ***Finance Lease Payments***

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **d) Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss of the Club except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The mutuality principle has been applied to the income tax calculation of the Club. The Club upon applying the mutuality principle has utilized a rate of 27.3% (2007: 19.81%).

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

### e) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances, call deposits and highly liquid investments 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. Bank overdrafts that are repayable on demand and form an integral part of the Club's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### f) Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses (refer Note 3(j)). Receivables relating to the Club's core operations are due for settlement no more than 30 days from the date of recognition unless specific payment arrangements have been approved.

Receivables raised in relation to the provision of travel services are matched with a corresponding payable for purchase of the services from suppliers. Travel receivables are generally due for settlement no more than 45 - 60 days prior to departure depending on the supplier.

### g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### h) Property, Plant and Equipment

#### ***Recognition and Measurement***

Items of property, plant and equipment are measured at cost or deemed cost less accumulated depreciation/amortisation and impairment losses. The cost of self-constructed assets includes the cost of materials and direct labour and an appropriate proportion of production overheads.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 June 2004, the date of transition to AASBs, are measured on the basis of deemed cost, being the revalued amount at the date of the transition.

### ***Depreciation/Amortisation***

Depreciation/amortisation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment, with the exception of buildings for which depreciation is recognised on a straight-line basis. Land is not depreciated. The depreciation/amortisation rates applied for the current and comparative periods are as follows:

|                     | <b>2008</b> | <b>2007</b> |
|---------------------|-------------|-------------|
| Buildings           | 3%          | 3%          |
| Plant and equipment | 10%         | 20%         |
| Motor vehicles      | 33%         | 33%         |
| Computers           | 20%         | 40%         |
| Gaming machines     | 20%         | 35%         |

### ***Subsequent Costs***

The Club recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Club and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included as other income in the income statement.

### **i) Trade and Other Payables**

Trade and other payables are stated at cost, which approximates amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

### **j) Impairment**

The carrying amounts of the Club's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets. Value in use in respect of a not-for-profit entity is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to generate net cash inflows. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

### **k) Employee Benefits**

#### ***Short-Term Benefits***

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Club expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

#### ***Long-Term Employee Benefits***

The Club's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to Commonwealth Government bonds at reporting date which have maturity dates approximating to the terms of the Club's obligations. Where the Club does not have the unconditional right to defer settlement beyond twelve months, the liability is recognised as a current liability.

#### ***Accumulation Superannuation Funds***

An accumulation plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to accumulation superannuation funds are recognised as an expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

### **l) Provisions**

A provision is recognised if, as a result of a past event, the Club has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are not recognised for future operating losses.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is treated as an expense as part of borrowing expenses related to the particular provision.

The Club has recognised a provision for member points redemption based on Dacom data available at year end.

A provision for restructuring is recognised when the Club has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Intangibles

#### **Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. All business combinations are accounted for by applying the purchase method.

#### **Gaming Machine Licenses**

The Directors consider that an active market does not currently exist for gaming licenses in this region. An intangible asset has not therefore been recognised in the Club's balance sheet for any licences held pre 2 April 2002 per the Gaming Machine Act 2001. Any gaming licenses received as part of a business combination are not allocated a value.

Any gaming licenses separately acquired are stated at cost or deemed cost less accumulated impairment losses.

#### **Other Intangible Assets**

Other intangible assets that are acquired by the Club, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

#### **Subsequent Expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

#### **Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Acquired brand 5 years
- Software 3 years
- Venue Operator's Licence 10 years

### n) 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 the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. An exception to this are poker machine revenues which are reported inclusive of the GST element and a corresponding GST expense is reported in poker machine taxes.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### **o) Business Combinations**

Where amalgamations occur between two clubs, the assets and liabilities transferred are recognised at fair value from the date that control commences. Subject to the terms of any amalgamation a non reciprocal transfer of the net assets is treated as other income within the Club's income statement.

### ***Controlled Entities***

During the year the Club had two subsidiary companies. These companies have not been consolidated into the accounts of the Club in accordance with AASB 3: 'Business Combinations' on the grounds that they did not trade and hence the effect is not material.

### **p) Loans and Borrowings**

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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

### **q) Leased Assets**

Leases in terms of which the Club assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Club's balance sheet. Lease payments are accounted for as described in Note 3(c).

### **r) New Standards and Interpretations Not Yet Adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the Club in the period of initial application. They are available for early adoption at 31 May 2008, but have not been applied in preparing this financial report:

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Club's 31 May 2010 financial statements. The Club has not yet determined the potential effect of the revised standard on the Club's financial report.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Club's 31 May 2010 financial statements. The Club has not yet determined the potential effect of the revised standard on the Club's disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Club's 31 May 2010 financial statements and will constitute a change in accounting policy for the Club. In accordance with the transitional provisions the Club will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowings costs commences on or after the effective date. The Club has not yet determined the potential effect of the revised standard on future earnings.
- AI 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for rewards such as free or discounted goods or services. AI 13 becomes mandatory for the Club's 31 May 2009 financial statements. The Club has not yet determined the potential effect of the revised standard on future earnings.

### s) Financial Instruments

#### ***Recognition & initial measurement***

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Club becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### s) Financial Instruments (continued)

#### ***Derecognition***

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### ***Classification & subsequent measurement***

##### ***(i) Financial assets at fair value through profit & loss***

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

##### ***(ii) Loans & receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### ***(iii) Held to maturity investments***

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

##### ***(iv) Available-for-sale financial assets***

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

##### ***(v) Financial liabilities***

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### ***Derivative instruments***

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### s) Financial Instruments (continued)

#### *Fair value*

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

#### *Impairment*

At each reporting date, the 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 income statement.

#### *Financial Guarantees*

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 Revenue.

### t) Segment Reporting & Operating Segments

AASB 114 Segment Reporting and AASB 8 Operating Segments (applicable to annual reporting periods beginning on or after 1 January 2009) state that they do not apply to general purpose financial reports of not-for-profit entities. The Directors of the Club have stated in Note 2(e) that the Club is a not-for-profit entity.

### u) Trading Statements

Clubs NSW Best Practice Guidelines are effective from 1 July 2005 for all members of Clubs NSW. The following disclosures are provided to achieve compliance:

|                       | <b>2008</b><br>\$ | <b>2007</b><br>\$ |
|-----------------------|-------------------|-------------------|
| Poker machine takings | 15,504,986        | 17,236,602        |
| Bar sales             | 3,006,756         | 2,791,816         |
| Less: cost of sales   | (1,058,305)       | (1,012,758)       |
| Catering sales        | 2,997,923         | 2,811,308         |
| Less: cost of sales   | (1,277,155)       | (1,095,582)       |
| Bottleshop sales      | 190,720           | 248,942           |
| Less: cost of sales   | (158,683)         | (206,486)         |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 4 ACCOUNTING ESTIMATES & JUDGMENTS

Management has been involved in and discussed with Directors the development, selection and disclosure of The Albury Sailors, Soldiers and Airmen's Club Ltd critical accounting policies and estimates and the application of those policies and estimates. There are no critical accounting judgments which require specific disclosure except for as detailed at Note 3 (l), (m) & (s), Note 8, Note 15 and Note 19.

|   | Note | 2008<br>\$ | 2007<br>\$ |
|---|------|------------|------------|
| <b>5 INCOME STATEMENT</b>                               |      |            |            |
| <b>a) Other Expenses</b>                                |      |            |            |
| Impairment of non current assets                        |      | 198,442    | 331,400    |
| Loss (profit) on disposal of non-current assets         |      | -          | 37,325     |
| <b>b) Other income</b>                                  |      |            |            |
| Gain on amalgamation with WCC                           |      | -          | 2,707,079  |
| Donated assets  |      | 47,380     | -          |
| Membership subscriptions                                |      | 592,115    | 355,047    |
| Other   |      | 251,197    | 210,984    |
| <b>c) Personnel Expenses</b>                            |      |            |            |
| Wages and salaries                                      |      | 6,193,905  | 6,442,046  |
| Other associated personnel expenses                     |      | 833,271    | 1,212,911  |
| Contributions to accumulation superannuation funds      |      | 470,366    | 483,006    |
| Termination benefits                                    |      | 212,479    | 63,075     |
| Increase in liability for annual leave                  |      | 2,664      | 30,910     |
| Increase/(decrease) in liability for long service leave |      | 14,769     | (18,977)   |
| <b>6 FINANCE INCOME &amp; EXPENSE</b>                   |      |            |            |
| Interest income   |      | -          | 24,186     |
| Interest expense  |      | (653,860)  | (421,395)  |
| Net finance cost  |      | (653,860)  | (397,209)  |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 7 INCOME TAX EXPENSE

|   | Note | 2008<br>\$      | 2007<br>\$    |
|---|------|-----------------|---------------|
| <b>Recognised in the Income Statement</b>   |      |                 |               |
| <b>Current Tax Expense</b>  |      |                 |               |
| Current period  |      | -               | 25,954        |
| adjustment for prior period   |      | (26,679)        | 4,762         |
|   |      | (26,679)        | 30,716        |
| <b>Deferred Tax Expense</b>   |      |                 |               |
| Origination & reversal of temporary differences                                     |      | -               | -             |
| Reduction in tax rate   |      | -               | -             |
| Benefit of tax losses recognised  |      | -               | -             |
|   |      | (26,679)        | 30,716        |
| <b>Total Income Tax Expense in Income Statement</b>                                 |      | <b>(26,679)</b> | <b>30,716</b> |
| <b>Numerical Reconciliation Between Tax Expense<br/>&amp; Pre-Tax Profit/(Loss)</b> |      |                 |               |
| Profit/(loss) for the period  |      | (1,344,723)     | 2,054,904     |
| Total income tax expense/(benefit) at 30% (2007: 30%)                               |      | (403,417)       | 616,471       |
| Decrease in income tax expense due to: Tax exempt revenues                          |      | 403,417         | (590,517)     |
|   |      | -               | 25,954        |
| Under/(over) provided in prior years  |      | (26,679)        | 4,762         |
| Income tax expense on pre-tax net profit  |      | (26,679)        | 30,716        |

## 8 DEFERRED TAX ASSETS & LIABILITIES

### Recognised

No deferred tax balances have been recognised in the financial statements on the basis that a conservative approach has been taken in relation to the probability that they will be utilized in the future. Application of the mutuality concept to the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, further supports this approach.

### Unrecognised

Gross Tax losses of \$606,260 (2007: \$310,450). Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Club can utilise the benefits therefrom, together with the compounding impact of mutuality.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 9 CASH AND CASH EQUIVALENTS

|  | Note | 2008<br>\$       | 2007<br>\$     |
|--|------|------------------|----------------|
| Cash at bank and on hand                                 |      | 1,518,322        | 788,948        |
| Bank overdraft   |      | (82,320)         | (283,366)      |
| Cash and cash equivalents in the statement of cash flows |      | <u>1,436,002</u> | <u>505,582</u> |

## 10 TRADE AND OTHER RECEIVABLES

|                   | Note | 2008<br>\$     | 2007<br>\$     |
|-------------------|------|----------------|----------------|
| <b>Current</b>    |      |                |                |
| Trade receivables |      | 304,707        | 284,264        |
| Other receivables |      | 34,789         | 18,278         |
|                   |      | <u>339,496</u> | <u>302,542</u> |

Trade receivables are shown net of impairment losses amounting to \$4,000 (2007: \$4,000).

The Club is not materially exposed to any individual trade customer. Credit risks on trade debts due from customers are concentrated in the Albury-Wodonga region.

## 11 OTHER FINANCIAL ASSETS

|                               | Note | 2008<br>\$   | 2007<br>\$   |
|-------------------------------|------|--------------|--------------|
| Investment in joint venture   |      | 4,000        | 2,500        |
| Shares in controlled entities |      | 206          | 206          |
|                               |      | <u>4,206</u> | <u>2,706</u> |

During the 2007 year the Club entered into an agreement with a local financial planning firm to facilitate the delivery of financial services to members. The investment in joint venture relates to the Club's 50% share in the trustee company. Active trade of SS&A Financial Services commenced in May 2007, however the Club's share of the trading performance has not been recognised in 2008 due to materiality considerations.

During the year the Club controlled two other companies. Neither company traded during the past two financial years. No amount is due and payable from these companies to the Club.

## 12 INVENTORIES

|                | Note | 2008<br>\$     | 2007<br>\$     |
|----------------|------|----------------|----------------|
| Raw materials  |      | 38,587         | 23,424         |
| Finished goods |      | 129,652        | 129,923        |
|                |      | <u>168,239</u> | <u>153,347</u> |

Finished goods include stock of goods held for resale and prizes on hand. Raw materials consists of catering based stock items.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 13 OTHER ASSETS

|                                    | Note | 2008<br>\$ | 2007<br>\$ |
|------------------------------------|------|------------|------------|
| Deposits, prepayments and vouchers |      | 94,160     | 190,638    |

## 14 PROPERTY, PLANT & EQUIPMENT

|                                     | Note | 2008<br>\$  | 2007<br>\$  |
|-------------------------------------|------|-------------|-------------|
| <b>Land</b>                         |      |             |             |
| At deemed cost                      |      | 7,700,000   | 7,700,000   |
| Less: accumulated depreciation      |      | -           | -           |
|                                     |      | 7,700,000   | 7,700,000   |
| <b>Buildings</b>                    |      |             |             |
| At cost / deemed cost               |      | 25,175,649  | 22,023,503  |
| Less: accumulated depreciation      |      | (4,426,458) | (3,780,499) |
|                                     |      | 20,749,191  | 18,243,004  |
| <b>Plant and equipment</b>          |      |             |             |
| At cost                             |      | 12,205,737  | 11,749,844  |
| Less: accumulated depreciation      |      | (9,272,006) | (8,453,280) |
|                                     |      | 2,933,731   | 3,296,564   |
| <b>Leased plant and equipment</b>   |      |             |             |
| At capitalised cost                 |      | 3,556,641   | 2,951,439   |
| Less: accumulated amortisation      |      | (1,424,201) | (1,357,634) |
|                                     |      | 2,132,440   | 1,593,805   |
| <b>Leasehold improvements</b>       |      |             |             |
| At cost                             |      | 4,722       | 4,722       |
| Less: accumulated amortisation      |      | (1,787)     | (1,687)     |
|                                     |      | 2,935       | 3,035       |
| Capital work in progress            |      | 30,855      | 750,769     |
| Total property, plant and equipment |      | 33,549,151  | 31,587,177  |

Freehold land & buildings in Olive Street Albury were independently valued by Graham Scrymgeour AAPI, Certified Practising Valuer of Global Valuation Services Pty Ltd on the basis of fair value at 26 April 2005. The valuations were land of \$4,350,000 and buildings of \$18,950,000. As land and buildings are recorded on the historical cost basis, the valuation has not been brought to account.

Freehold land & buildings in Parkers Road Wodonga were independently valued by Graham Scrymgeour AAPI, Certified Practising Valuer of Global Valuation Services Pty Ltd on the basis of fair value at 15 September 2006. The valuations were land of \$3,350,000 and buildings of \$940,000. As land and buildings are recorded on the historical cost basis, the valuation has not been brought to account.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 14 PROPERTY, PLANT & EQUIPMENT (CONTINUED)

### a) Asset Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

|                               | Land<br>\$       | Buildings<br>\$   | Plant<br>and equipment<br>\$ | Leased assets<br>\$ | Capital – work<br>in progress<br>\$ | Leasehold<br>improvements<br>\$ | Total<br>\$       |
|-------------------------------|------------------|-------------------|------------------------------|---------------------|-------------------------------------|---------------------------------|-------------------|
| Balance at 1 June 2006        | 4,350,000        | 18,652,627        | 3,038,635                    | 1,511,373           | 33,268                              | 95,439                          | 27,681,342        |
| Additions                     | 3,350,000        | 353,791           | 1,003,053                    | 1,131,430           | 717,501                             | -                               | 6,555,775         |
| Revaluations                  | -                | -                 | -                            | -                   | -                                   | -                               | -                 |
| Internal transfers            | -                | -                 | 300,152                      | (300,152)           | -                                   | -                               | -                 |
| Disposals                     | -                | (148,777)         | (88,465)                     | (37,325)            | -                                   | (112,157)                       | (386,724)         |
| Depreciation                  | -                | (614,637)         | (956,811)                    | -                   | -                                   | 19,753                          | (1,551,695)       |
| Amortisation                  | -                | -                 | -                            | (711,521)           | -                                   | -                               | (711,521)         |
| <b>Balance at 31 May 2007</b> | <b>7,700,000</b> | <b>18,243,004</b> | <b>3,296,564</b>             | <b>1,593,805</b>    | <b>750,769</b>                      | <b>3,035</b>                    | <b>31,587,177</b> |
| Balance at 1 June 2007        | 7,700,000        | 18,243,004        | 3,296,564                    | 1,593,805           | 750,769                             | 3,035                           | 31,587,177        |
| Additions                     | -                | -                 | 212,112                      | 565,787             | 3,642,616                           | -                               | 4,420,515         |
| Revaluations                  | -                | -                 | -                            | -                   | -                                   | -                               | -                 |
| Internal transfers            | -                | 3,152,146         | 350,546                      | 756,268             | (4,258,962)                         | -                               | -                 |
| Disposals                     | -                | -                 | (94,013)                     | (861)               | (103,568)                           | -                               | (198,442)         |
| Depreciation                  | -                | (645,959)         | (831,478)                    | -                   | -                                   | (100)                           | (1,477,537)       |
| Amortisation                  | -                | -                 | -                            | (782,559)           | -                                   | -                               | (782,559)         |
| <b>Balance at 31 May 2008</b> | <b>7,700,000</b> | <b>20,749,191</b> | <b>2,933,731</b>             | <b>2,132,440</b>    | <b>30,855</b>                       | <b>2,935</b>                    | <b>33,549,151</b> |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 14 PROPERTY, PLANT & EQUIPMENT (CONTINUED)

### b) Leased Plant and Equipment

The Club leases poker machines and other plant and equipment under a number of finance lease agreements. At the end of each of these leases the Club has the option to purchase the asset at a beneficial price. At 31 May 2008 the net carrying amount of leased plant and equipment was \$2,132,440 (2007: \$1,593,805). The leased poker machines secure the lease obligations.

### c) Security

At 31 May 2008, properties with a carrying amount of \$28,449,191 (2007: \$25,943,004) are subject to a registered debenture to secure bank loans.

### d) Core and Non-Core Real Property

In accordance with section 41J(2) of the Registered Clubs Act 1976, all of the Club's real property is classified as core, with the exception of Lot 2 in Deposited Plan 1090460 (i.e. the land comprising the Olive Street car park) which was modified to non-core by ordinary resolution at a General Meeting of members held 7 May 2008.

## 15 INTANGIBLE ASSETS

|   | Brand<br>\$ | Software<br>\$ | Venue<br>Licence<br>\$ | Total<br>\$ |
|---|-------------|----------------|------------------------|-------------|
| <b>Cost</b>                               |             |                |                        |             |
| Balance at 1 June 2006                    | -           | -              | -                      | -           |
| Acquisitions                              | -           | -              | -                      | -           |
| Disposals                                 | -           | -              | -                      | -           |
| Balance at 31 May 2007                    | -           | -              | -                      | -           |
| Balance at 1 June 2007                    | -           | -              | -                      | -           |
| Additions                                 | 124,687     | 27,963         | 49,647                 | 202,297     |
| Disposals                                 | -           | -              | -                      | -           |
| Balance at 31 May 2008                    | 124,687     | 27,963         | 49,647                 | 202,297     |
| <b>Amortisation and impairment losses</b> |             |                |                        |             |
| Balance at 1 June 2006                    | -           | -              | -                      | -           |
| Amortisation for the year                 | -           | -              | -                      | -           |
| Impairment loss                           | -           | -              | -                      | -           |
| Balance at 31 May 2007                    | -           | -              | -                      | -           |
| Balance at 1 June 2007                    | -           | -              | -                      | -           |
| Amortisation for the year                 | 5,714       | 1,515          | 4,344                  | 11,573      |
| Impairment loss                           | -           | -              | -                      | -           |
| Balance at 31 May 2008                    | 5,714       | 1,515          | 4,344                  | 11,573      |
| <b>Carrying amounts</b>                   |             |                |                        |             |
| At 1 June 2006                            | -           | -              | -                      | -           |
| At 31 May 2007                            | -           | -              | -                      | -           |
| At 1 June 2007                            | -           | -              | -                      | -           |
| At 31 May 2008                            | 118,973     | 26,448         | 45,303                 | 190,724     |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 16 TRADE AND OTHER PAYABLES

|                | Note | 2008<br>\$ | 2007<br>\$ |
|----------------|------|------------|------------|
| <b>Current</b> |      |            |            |
| Trade payables |      | 824,937    | 1,035,669  |
| Accruals       |      | 1,206,203  | 1,559,579  |
| Other payables |      | 215,642    | 136,520    |
|                |      | 2,246,782  | 2,731,768  |

## 17 LOANS AND BORROWINGS

|                                |  |           |           |
|--------------------------------|--|-----------|-----------|
| <b>Current Liabilities</b>     |  |           |           |
| Discounted bills – secured     |  | 740,000   | 540,000   |
| Lease liabilities              |  | 474,067   | 764,687   |
| Hire purchase liabilities      |  | 549,656   | 66,969    |
|                                |  | 1,763,723 | 1,371,656 |
| <b>Non Current Liabilities</b> |  |           |           |
| Discounted bills - secured     |  | 7,755,000 | 3,792,000 |
| Lease liabilities              |  | 227,738   | 677,998   |
| Hire purchase liabilities      |  | 761,368   | 77,793    |
|                                |  | 8,744,106 | 4,547,791 |

## 18 FINANCING ARRANGEMENTS

The Club has access to the following lines of credit:

### **Total Facilities Available**

|                               |            |           |
|-------------------------------|------------|-----------|
| Bank overdraft                | 500,000    | 500,000   |
| Bill acceptance facility      | 8,540,000  | 6,260,000 |
| Business mastercard facility  | 120,000    | 120,000   |
| Master lease finance facility | 3,500,000  | 3,000,000 |
|                               | 12,660,000 | 9,880,000 |

### **Facilities Utilised at Reporting Date**

|                               |            |           |
|-------------------------------|------------|-----------|
| Bank overdraft                | 76,399     | 356,455   |
| Bill acceptance facility      | 8,495,000  | 4,332,000 |
| Business mastercard facility  | 2,706      | 12,103    |
| Master lease finance facility | 2,067,138  | 1,587,447 |
|                               | 10,641,243 | 6,288,005 |

### **Facilities Not Utilised at Reporting Date**

|                               |           |           |
|-------------------------------|-----------|-----------|
| Bank overdraft                | 423,601   | 143,545   |
| Bill acceptance facility      | 45,000    | 1,928,000 |
| Business mastercard facility  | 117,294   | 107,897   |
| Master lease finance facility | 1,432,862 | 1,412,553 |
|                               | 2,018,757 | 3,591,995 |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 18 FINANCING ARRANGEMENTS (CONTINUED)

### **Bank Overdraft**

The bank overdraft is secured by way of registered mortgage debenture over the assets and income of the Club and transfer of the liquor licence. Interest on the bank overdraft is charged at prevailing market rates plus a margin of 0.5% per annum. The interest rate for the overdraft as at 31 May 2008 is 12.63% (2007: 10.6%).

### **Bill Acceptance Facilities**

The Club's bill acceptance facility is secured by registered mortgage debenture over the assets and income of the Club and transfer of the liquor licence. The facility which expires 30 November 2013, is characterised by a combination of the following:

Fixed - the Club had been provided with a fixed rate bill. The bill rolls monthly with the face value of the amount financed reducing by \$45,000 per month. The effective interest rate for the fixed rate facility as at 31 May 2008 is 6.957% (2007: 6.39%).

Floating - the Club has been provided with a floating rate facility of \$3,000,000. The bill bears interest at the bank's rate on the day of discounting.

### **General**

During the year there was a technical breach of a reporting covenant by the Club on the above Bill facility. The covenant requires the Club to maintain a better than 15% unfavorable variance to budgeted EBITDA. The breach occurred due to a timing difference in the actual opening of SS&A Wodonga compared to budget. The Club's banker sent correspondence at the end of the 3rd quarter confirming the covenant breach. At that time and since, there has been no immediate impact on the facility's charges, rates, or repayment requirements and there have been no changes to the facility's terms and conditions.

### **Business Mastercard Facility**

The Club's mastercard facility has a limit of \$120,000. Cards are held by various senior staff as approved by the board. The mastercards are paid via a monthly sweep of the individual card balances from the working account.

### **Master Lease Finance Facility**

The Club has a three year lease facility. At 31 May 2008 the weighted average effective interest rate was 8.83% (2007: 8.07%).

## 19 PROVISIONS

|   | <b>Bonus Points</b> | <b>Restructuring</b> | <b>Total</b> |
|---|---------------------|----------------------|--------------|
|   | \$                  | \$                   | \$           |
| Balance at 1 June 2007                    | 153,365             | -                    | 153,365      |
| Net provision made/(used) during the year | 56,465              | 120,000              | 176,465      |
| Balance at 31 May 2008                    | 209,830             | 120,000              | 329,830      |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 20 EMPLOYEE BENEFITS

|                                  | Note | 2008<br>\$ | 2007<br>\$ |
|----------------------------------|------|------------|------------|
| <b>Current</b>                   |      |            |            |
| Liability for long service leave | 3(k) | 71,802     | 30,000     |
| Liability for annual leave       | 3(k) | 565,672    | 563,008    |
|                                  |      | 637,474    | 593,008    |
| <b>Non-Current</b>               |      |            |            |
| Liability for long service leave | 3(k) | 179,609    | 206,642    |

The number of employees at year end including full time and part time employees on a full time equivalent basis was 116 (2007: 126).

## 21 COMMITMENTS

### a) General Commitments

The estimated maximum amount of commitments not provided for are as follows:

|                                    | Note | 2008<br>\$ | 2007<br>\$ |
|------------------------------------|------|------------|------------|
| Bank guarantee re LAB / TAB        |      | 116,500    | 116,500    |
| Building development & consultants |      | 118,300    | 3,446,534  |
| Hume Veterans Centre               |      | 122,500    | 245,000    |
| Hire purchase transaction          |      | 347,794    | -          |
|                                    |      | 705,094    | 3,808,034  |

### b) Finance Lease Commitments

Finance lease rentals are payable in the normal course of events as follows:

|   | Note | 2008<br>\$ | 2007<br>\$ |
|---|------|------------|------------|
| Not later than 1 year   |      | 524,649    | 781,509    |
| Later than 1 year but not later than 5 years                          |      | 254,553    | 863,042    |
|   |      | 779,202    | 1,644,551  |
| Less amounts provided for in the financial report:                    |      |            |            |
| Current   |      | 474,067    | 764,687    |
| Non-current   |      | 227,738    | 677,998    |
|   |      | 701,805    | 1,442,685  |
| Future lease finance charges not provided for in the financial report |      | 77,397     | 201,866    |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 21 COMMITMENTS (CONTINUED)

### c) Hire Purchase Commitments

Hire purchase commitments are payable in the normal course of events as follows:

|   | Note | 2008<br>\$ | 2007<br>\$ |
|---|------|------------|------------|
| Less than one year  |      | 629,931    | 69,518     |
| Between one and five years                                      |      | 870,981    | 105,834    |
|   |      | 1,500,912  | 175,352    |
| less amounts provided for in the financial report:              |      |            |            |
| Current   |      | 549,656    | 66,969     |
| Non-Current   |      | 761,368    | 77,793     |
|   |      | 1,311,024  | 144,762    |
| Future finance charges not provided for in the financial report |      | 189,888    | 30,590     |

## 22 KEY MANAGEMENT PERSONNEL

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

### *Non Executive Directors*

The names of each person holding the position of Director of The Albury Sailors, Soldiers and Airmen's Club Ltd during the financial year are Messrs P Packham, G Holt, L Poy, M Jolly, G Little, R Cummins, E McPhee, W Matsinos and R Unsworth.

The key management personnel compensation relating to Non-Executive Directors included in personnel expenses is as follows:

|                              | Note | 2008<br>\$ | 2007<br>\$ |
|------------------------------|------|------------|------------|
| Short-term employee benefits |      | 105,916    | 129,667    |

Apart from the details disclosed in this note, no Director has entered into a material contract with the Club since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 22 KEY MANAGEMENT PERSONNEL (CONTINUED)

### *Executives*

Andrew Terry – Chief Executive Officer

Paul Lappin – Chief Operating Officer (departed the Club 30 June 2008)

Gerard Darmody – Operations Manager (introduced as a key management personnel in the 2008 year, and is not included within the 2007 comparatives)

The key management personnel compensation relating to Executives included in personnel expenses is as follows:

|                                   | Note | 2008<br>\$ | 2007<br>\$ |
|-----------------------------------|------|------------|------------|
| Short-term employee benefits      |      | 553,607    | 419,791    |
| Other long-term employee benefits |      | 16,569     | 6,710      |
| Post employment benefits          |      | 249,699    | 37,755     |
|                                   |      | 819,875    | 464,256    |

### *Other Transactions with the Club*

A Director of the Club, Mr Max Jolly, proprietor of Jolly's Pest Control Pty Ltd, provided pest control services to the Club on normal terms and conditions. During the year payments for these services amounted to \$9,105 (2007: \$7,735). As at 31 May 2008 the amount payable to Jolly's Pest Control Pty Ltd was \$1,903 (2007: \$1,529).

A Director of the Club, Mr Gary Little, is an office holder of Arnolds CFD Pty Ltd. Arnolds CFD Pty Ltd provided food based raw materials to the Club on normal terms and conditions. During the financial year payments in relation to these goods amounted to \$186,993 (2007: \$176,010) and as at 31 May 2008 the amount payable to Arnolds CFD Pty Ltd was \$32,324 (2007: \$11,039).

A Director of the Club, Mr Lindsay Poy, is a Board member of the Ovens and Murray Football Netball League Ltd (the "O&M"), which is a public company limited by guarantee. The Club is a major sponsor of the O&M and during the 2008 year paid a total of \$31,818 in this regard.

Other than outlined above, the terms and conditions of the transactions with Directors and their Director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

From time to time the Directors of the Club may make purchases from the Club. These purchases are on the same terms and conditions as those entered into by other employees or customers.

## 23 STATUTORY STATUS

The Club is incorporated as a Company limited by guarantee. In accordance with the Memorandum of Association of the Club, every member of the Club undertakes to contribute an amount limited to \$1 per member in the event of winding up the Club during the time he or she is a member or within one year thereafter.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 23 STATUTORY STATUS (CONTINUED)

The Club has a number of associated sporting entities that operate in accordance with the Club's By-Laws. These entities have not been consolidated into the accounts on the grounds that the effect is not material.

## 24 SUPERANNUATION

The Club contributes to 17 accumulation superannuation funds (2007: 13).

## 25 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

### a) Cash Flows From Operating Activities

|   | Note | 2008<br>\$  | 2007<br>\$  |
|---|------|-------------|-------------|
| Profit/(loss) for the period                                      |      | (1,318,044) | 2,024,188   |
| Adjustment for:   |      |             |             |
| - Loss on sale of property, plant and equipment                   |      | -           | 37,325      |
| - Impairment of assets  |      | 198,442     | 331,400     |
| - Amortisation of leased assets                                   |      | 782,559     | 711,520     |
| - Depreciation  |      | 1,477,689   | 1,551,696   |
| - Amortisation of intangible assets                               |      | 11,573      | -           |
| - Gain on amalgamation with Wodonga Country Club                  |      | -           | (2,707,079) |
| (Decrease)/Increase in income tax payable                         |      | -           | (28,410)    |
| Operating profit before changes in working capital and provisions |      | 1,152,219   | 1,920,640   |
| Change in assets and liabilities during the financial year:       |      |             |             |
| (Increase)/Decrease in trade and other receivables                |      | (36,954)    | (713,701)   |
| (Increase)/Decrease in inventories                                |      | (14,892)    | 22,528      |
| (Increase)/Decrease in prepayments                                |      | 96,478      | (31,658)    |
| Increase/(Decrease) in trade and other payables                   |      | (484,986)   | 473,546     |
| Increase/(Decrease) in provisions                                 |      | 254,637     | 144,164     |
| Net cash from operating activities                                |      | 966,502     | 1,815,519   |

### b) Non Cash Financing and Investing Activities

During the financial year the Club acquired property, plant and equipment with an aggregate fair value of \$1,564,670 (2007: \$1,131,430) by means of finance leases and hire purchase agreements. These acquisitions are not reflected in the statement of cash flows.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 26 RETAINED EARNINGS

|  | Note | 2008<br>\$  | 2007<br>\$ |
|--|------|-------------|------------|
| Retained earnings at the beginning of period |      | 23,046,678  | 21,022,490 |
| Profit/(loss) for the period                 |      | (1,318,044) | 2,024,188  |
| Retained earnings at end of period           |      | 21,728,634  | 23,046,678 |

## 27 FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Management Policies

The Club's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills, leases and hire purchase facilities.

The main purpose of non-derivative financial instruments is to raise finance for the Club's operations.

The Club does not have any derivative instruments at 31 May 2008.

#### (i) Treasury Risk Management

An audit committee consisting of Board members and senior executives of the Club meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the Club in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The audit committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

#### (ii) Financial Risk Exposures & Management

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

### Credit risk

Credit risk is the risk of loss to the Club if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Club's receivables from customers and investment securities.

#### Trade and receivables

The Club's exposure to credit risk is influenced mainly by the characteristics of the individual customer. A substantial portion of the total revenue is generated on a cash basis. Those streams of revenue which are on credit terms, individually do not expose the Club to credit risk.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Club has a policy of assessing each new customer's credit worthiness prior to credit and prior to services being provided. Losses have occurred infrequently. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Board; these limits are reviewed quarterly. Customers that fail to meet the Club's benchmark creditworthiness may transact with the Club on a prepayment basis.

The Club has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments.

### ***Investments***

The Club limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

### **Liquidity risk**

Liquidity risk is the risk that the Club will not be able to meet its financial obligations as they fall due. The Club's approach to managing liquidity risk is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Club's reputation.

The Club maintains the following lines of credit:

- Overdraft limit \$500,000 with an interest rate of 12.63%.

### **Market risk**

Market risk is the risk that the changes in market prices, such as interest rates and equity prices will affect the Club's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimising the return.

### ***Interest rate risk***

Approximately 19% (2007: 24%) of the Club's exposure to changes in interest rates on borrowings are on a fixed rate basis.

### ***Currency risk***

The Club is not exposed to any currency risk on sales, purchases or borrowings that are denominated in a currency other than the Australian dollar (AUD).

### **Capital Management**

The Board's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The board of Directors' monitors the return on capital. The Board seeks to maintain a balance between the higher returns that might be possible from higher levels of borrowings and the advantages and security afforded by a sound capital position.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

There were no changes to the Club's approach to capital management during the year.

Neither the Club nor any of its subsidiaries are subject to externally imposed capital requirements.

### (b) Financial Instrument Composition & Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

The Club believes that for all financial assets and liabilities book value equates to market value.

### Credit Risk

#### Exposure to credit risk

The carrying amount of the Club's financial assets represents the maximum credit exposure.

The Club's maximum credit exposure at 31 May 2008 was:

|  | Note | Carrying Amount  |                  |
|--|------|------------------|------------------|
|  |      | 2008<br>\$       | 2007<br>\$       |
| Available for sale                                   |      | -                | -                |
| Held to maturity                                     |      | -                | -                |
| Financial assets at fair value through profit & loss |      | 4,206            | 2,706            |
| Loans & receivables                                  |      | 339,496          | 302,542          |
| Cash & cash equivalents                              |      | 1,518,322        | 788,948          |
|  |      | <u>1,862,024</u> | <u>1,094,196</u> |

The Club's maximum exposure to credit risk for trade receivables at reporting date was solely focused on the immediate geographic region.

The Club's maximum exposure to credit risk for trade receivables at reporting date by customer type was:

|                  | Note | Carrying Amount |                |
|------------------|------|-----------------|----------------|
|                  |      | 2008<br>\$      | 2007<br>\$     |
| Club customers   |      | 60,133          | 88,349         |
| Travel customers |      | 244,574         | 195,915        |
| Sundry debtors   |      | 34,789          | 18,278         |
|                  |      | <u>339,496</u>  | <u>302,542</u> |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Impairment Losses

The aging of the Club's receivables at reporting date was as follows:

|                      | <b>Gross<br/>2008<br/>\$</b> | <b>Impairment<br/>allowance<br/>2008<br/>\$</b> | <b>Gross<br/>2007<br/>\$</b> | <b>Impairment allow-<br/>ance<br/>2007<br/>\$</b> |
|----------------------|------------------------------|---|------------------------------|---|
| Not past due         | 29,289                       | -   | 18,278                       | -   |
| Past due 0-30 days   | 75,555                       | -   | 81,761                       | -   |
| Past due 31-120 days | 224,271                      | 4,000   | 176,957                      | 4,000   |
| More than 120 days   | 14,381                       | -   | 29,547                       | -   |
|                      | <b>343,496</b>               | <b>4,000</b>                                    | <b>306,543</b>               | <b>4,000</b>                                      |

The movement in the allowance for impairment in respect of trade receivables through the year was as follows:

|                              | <b>2008<br/>\$</b> | <b>2007<br/>\$</b> |
|------------------------------|--------------------|--------------------|
| Balance at beginning of year | 4,000              | 4,000              |
| Impairment loss recognised   | -                  | -                  |
| Balance at end of year       | <b>4,000</b>       | <b>4,000</b>       |

Based on historic default rates, the Club believes that no impairment allowance is necessary in respect of receivables except for those within the past due 31-120 days category.

### Liquidity Risk

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

| <b>31 May 2008</b>           | <b>Carrying<br/>amount<br/>\$</b> | <b>Contractual<br/>cash flows<br/>\$</b> | <b>&lt;12 mths<br/>\$</b> | <b>1-2 years<br/>\$</b> | <b>2-5 years<br/>\$</b> | <b>&gt;5 years<br/>\$</b> |
|------------------------------|-----------------------------------|--|---------------------------|-------------------------|-------------------------|---------------------------|
| <b>Financial Liabilities</b> |                                   |  |                           |                         |                         |                           |
| Secured bank bills           | 8,495,000                         | 8,495,000                                | 740,000                   | 1,140,000               | 5,700,000               | 915,000                   |
| Finance lease liabilities    | 701,805                           | 701,805                                  | 474,067                   | 227,738                 | -                       | -                         |
| Hire purchase liabilities    | 1,311,024                         | 1,311,024                                | 549,656                   | 506,724                 | 254,644                 | -                         |
| Trade and other payables     | 2,246,782                         | 2,246,782                                | 2,246,782                 | -                       | -                       | -                         |
| Bank overdraft               | 82,320                            | 82,320                                   | 82,320                    | -                       | -                       | -                         |
|                              | <b>12,836,931</b>                 | <b>12,836,931</b>                        | <b>4,092,825</b>          | <b>1,874,462</b>        | <b>5,954,644</b>        | <b>915,000</b>            |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity Risk (continued)

| 31 May 2008                 | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | <12<br>months<br>\$ | 1-2<br>years<br>\$ | 2-5<br>years<br>\$ | >5<br>years<br>\$ |
|-----------------------------|--------------------------|---------------------------------|---------------------|--------------------|--------------------|-------------------|
| <b>Financial Assets</b>     |                          |                                 |                     |                    |                    |                   |
| Cash and cash equivalents   | 1,518,322                | 1,518,322                       | 1,518,322           | -                  | -                  | -                 |
| Trade and other receivables | 339,496                  | 339,496                         | 339,496             | -                  | -                  | -                 |
|                             | <u>1,857,818</u>         | <u>1,857,818</u>                | <u>1,857,818</u>    | <u>-</u>           | <u>-</u>           | <u>-</u>          |

| 31 May 2007                  | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | <12 mths<br>\$   | 1-2 years<br>\$  | 2-5 years<br>\$  | >5 years<br>\$ |
|------------------------------|--------------------------|---------------------------------|------------------|------------------|------------------|----------------|
| <b>Financial Liabilities</b> |                          |                                 |                  |                  |                  |                |
| Secured bank bills           | 4,332,000                | 4,332,000                       | 540,000          | 740,000          | 3,052,000        | -              |
| Finance lease liabilities    | 1,442,685                | 1,442,685                       | 764,687          | 484,770          | 193,228          | -              |
| Hire purchase liabilities    | 144,762                  | 144,762                         | 66,969           | 77,793           | -                | -              |
| Trade and other payables     | 2,731,768                | 2,731,768                       | 2,731,768        | -                | -                | -              |
| Bank overdraft               | 283,366                  | 283,366                         | 283,366          | -                | -                | -              |
|                              | <u>8,934,581</u>         | <u>8,934,581</u>                | <u>4,386,790</u> | <u>1,302,563</u> | <u>3,245,228</u> | <u>-</u>       |

| 31 May 2007                 | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | <12 mths<br>\$   | 1-2 years<br>\$ | 2-5 years<br>\$ | >5 years<br>\$ |
|-----------------------------|--------------------------|---------------------------------|------------------|-----------------|-----------------|----------------|
| <b>Financial Assets</b>     |                          |                                 |                  |                 |                 |                |
| Cash and cash equivalents   | 788,948                  | 788,948                         | 788,948          | -               | -               | -              |
| Trade and other receivables | 302,542                  | 302,542                         | 302,542          | -               | -               | -              |
|                             | <u>1,091,490</u>         | <u>1,091,490</u>                | <u>1,091,490</u> | <u>-</u>        | <u>-</u>        | <u>-</u>       |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Interest Rate Risk

At the reporting date the interest rate profile of the Club's interest bearing financial instruments was:

|                               | Note | Carrying Amount    |                    |
|-------------------------------|------|--------------------|--------------------|
|                               |      | 2008<br>\$         | 2007<br>\$         |
| <b>Fixed rate instruments</b> |      |                    |                    |
| Financial assets              |      | 389,219            | 317,887            |
| Financial liabilities         |      | (2,012,829)        | (1,389,378)        |
|                               |      | <u>(1,623,610)</u> | <u>(1,071,491)</u> |
| <b>Variable instruments</b>   |      |                    |                    |
| Financial assets              |      | 1,129,103          | 471,061            |
| Financial liabilities         |      | (8,577,320)        | (4,615,366)        |
|                               |      | <u>(7,448,217)</u> | <u>(4,144,305)</u> |

### Fair Values

#### *Fair values versus carrying amount*

The fair values of financial assets and liabilities were equal to the carrying amounts shown in the balance sheet as at reporting date.

### Sensitivity Analysis

The Club has performed a sensitivity analysis relating to its exposure to interest rates. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

A change of 1% in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, remain constant. The analysis is performed on the same basis for 2007.

|                           | Profit or loss    |                   | Equity            |                   |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
|                           | 1% Decrease<br>\$ | 1% Increase<br>\$ | 1% Decrease<br>\$ | 1% Increase<br>\$ |
| <b>31 May 2008</b>        |                   |                   |                   |                   |
| Variable rate instruments | (74,482)          | 74,482            | (74,482)          | 74,482            |
| <b>31 May 2007</b>        |                   |                   |                   |                   |
| Variable rate instruments | (41,443)          | 41,443            | (41,443)          | 41,443            |

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 28 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Club to affect significantly the operations of the Club, the results of those operations, or the state of affairs of the Club, in future financial years.

## 29 AUDITOR'S REMUNERATION

|  | Note | 2008<br>\$ | 2007<br>\$ |
|--|------|------------|------------|
| For Audit services                           |      |            |            |
| General purpose financial report             |      | 37,500     | 28,000     |
| Summarised financial report                  |      | 500        | 500        |
| For Other services                           |      |            |            |
| ASIC related                                 |      | 1,001      | 1,214      |
| Extended scope visits - WHK                  |      | 3,300      | 5,000      |
| Extended scope visits - KPMG                 |      | 6,600      | 5,000      |
| Travel compensation fund                     |      | 500        | 852        |
| Financial statement disclosures              |      | 2,500      | 2,000      |
| Taxation - compliance and consultancy - WHK  |      | 2,000      | 10,350     |
| Taxation - compliance and consultancy - KPMG |      | 7,575      | 10,350     |
| Other - KPMG                                 |      | 636        | -          |

All services in 2007 were provided by KPMG, Albury. All service in 2008 other than those noted were provided by WHK, Albury.

## 30 CONTINGENCIES

### Contingent Assets

Poker machine licenses are a tradable commodity in the clubs industry. However, as at 31 May 2008 the dollar value of poker machine licenses to the Club in a local, open and unbiased market was not able to be determined.

# Notes to and forming Part of the Financial Report for the Year Ended 31 May 2008

## 31 GROUP ENTITIES

### *Ultimate Parent Company*

The ultimate parent company is The Albury Sailors, Soldiers and Airmen's Club Ltd.

|  | Country of incorporation | Ownership interest |      |
|--|--------------------------|--------------------|------|
|  |                          | 2008               | 2007 |
| Olive Street Management Group Pty Ltd* | Australia                | 100%               | 100% |
| Tourism Information Solutions Pty Ltd* | Australia                | 100%               | 100% |
| SS&A Financial Services Pty Ltd        | Australia                | 50%                | 50%  |
| SS&A Financial Services – Unit Trust   | Australia                | 40%                | 40%  |

\*Dormant companies.

# Director's Declaration

## DIRECTORS' DECLARATION

In the opinion of the Directors of The Albury Sailors, Soldiers & Airmen's Club Ltd (the 'Club'):

a) the financial statements and notes as set out on pages 24 to 58 are in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the financial position of the Club as at 31 May 2008 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
- complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they fall due.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

L Poy

Director

G Holt

Director

Dated at Albury this 30th day of July 2008.

Signed in accordance with a resolution of the Directors.

# Independent Auditor's Report to the Members

## **Report on the financial report**

We have audited the accompanying financial report of The Albury Sailors, Soldiers and Airmen's Club Ltd (the Club), which comprises the balance sheet as at 31 May 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on pages 24 to 59.

## ***Directors' responsibility for the financial report***

The directors of the Club are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## ***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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australia Accounting Interpretations), a view which is consistent with our understanding of the Club's financial position and of their performance.

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

# Independent Auditor's Report to the Members

## ***Auditor's opinion***

In our opinion:

- (a) the financial report of The Albury Sailors, Soldiers and Airmen's Club Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Club's financial position as at 31 May 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

WHK Audit & Risk Assessment

Timothy S Frazer  
Partner

Dated at Albury this 31st day of July 2008.

# THE ALBURY SAILORS, SOLDIERS & AIRMENS CLUB

## Board of Directors 2006 - 2008



Ron Cummins  
VICE PRESIDENT



Lindsay Poy  
PRESIDENT



Paul Packham  
VICE PRESIDENT



Ewen McPhee  
DIRECTOR



Gary Little  
DIRECTOR



Max Jolly  
DIRECTOR



Rob Ursworth  
DIRECTOR



Gary Holt  
DIRECTOR



Wayne Matsinos  
DIRECTOR



Andrew Terry  
CHIEF EXECUTIVE OFFICER



ALBURY SAILORS, SOLDIERS & AIRMENS CLUB LIMITED

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SS&A SPORTS & BOWLS

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Your favourite place.

Club email: [admin@ssaclub.com.au](mailto:admin@ssaclub.com.au)  
[www.ssaclub.com.au](http://www.ssaclub.com.au)