

THE PAINT HORSE ASSOCIATION OF AUSTRALIA LTD

ABN: 43 003 155 691

Financial Statements Including Auditor Review Report

For the year ended 31 December 2016

The Paint Horse Association of Australia Ltd

ABN: 43 003 155 691

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For the Year Ended 31 December 2016

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The Paint Horse Association of Australia Ltd

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Directors' Report For the Year Ended 31 December 2016

The directors present their report on The Paint Horse Association of Australia Ltd for the financial year ended 31 December 2016.

1. General information

Information on directors

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

Malcolm Hume

Period as Director	From April 2013
Qualifications and experience	Retired, previous naval experience.
Special responsibilities	President

Jeffrey Hall

Period as Director	From May 2015
Qualifications and experience	Small Business owner over 20 years, Paint Breeder/Show, include AI Certification, AQHA and HSAA Judge (over 20 years), USA World Show Steward.
Special responsibilities	Vice President

Frederick Burton

Period as Director	From April 2014
Qualifications and experience	Previous Director, served 1983-1998, Paint Breeder since 1970.
Special responsibilities	Futurities, Registrations

Kerri-Ann Hobbs

Period as Director	From May 2015
Qualifications and experience	Public Relations, Corporate Communications, Show Paint Horse
Special responsibilities	Amateur, Journal

David Egan

Period as Director	From May 2015 - June 2016
Qualifications and experience	Paint Breeder/Show over 15 years, Family Business Owner
Special responsibilities	Youth Chaperone

Nicole Steinberger

Period as Director	From May 2015
Qualifications and experience	Bookkeeper, Small Business Owner, Breeder/Show Paint Horses
Special responsibilities	Finance, Promotion, Non Traditional

Steven Conn

Period as Director	From April 2016
Qualifications and experience	Technician, Breeder/Show Paint Horses
Special responsibilities	Youth, National Show

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

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Directors' Report For the Year Ended 31 December 2016

1. General information continued

Principal activities

The principal activity of The Paint Horse Association of Australia Ltd during the financial year were to do all such things and take all such steps as may from time to time be considered necessary for the research, breeding, competitions, protection, advancement, development, promotions or furtherance of the paint horse breeding industry in Australia.

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

Short term objectives

The Company's short term objectives are to:

- to sustain the current level of member service and financial profit;
- oversee the roll out of the new database and make corrections as required;
- maintain the administration of members requirements to the current high standard.

Long term objectives

The Company's long term objectives are to:

- to implement processes that will see the growth of the Company while continuing to provide quality member services;
- the Company is now operating from its own premises to provide a greater service to the members.

Strategies for achieving the objectives

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

- The Company strives to attract and retain quality staff and volunteers who are committed to working with horses and members. The directors consider that attracting and retaining quality staff and volunteers is essential for the Company to continue providing the services that it does, and is critical to it achieving all of its short and long term objectives.
- The Company establishes and fosters working partnerships with a range of community stakeholders. By actively encouraging and facilitating stakeholders' involvement in the entity's activities, the Company will be able to achieve its short term and long term objectives.
- supporting members by engaging sectors of the community and being a recognised leader in the provision of members services; and
- establishing and maintaining relationships that foster social inclusion and community recognition.

The Company is committed to maintaining existing programs and creating new programs that:

- support and empower underprivileged and at risk members; and

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Directors' Report For the Year Ended 31 December 2016

1. General information continued

- develop and inspire staff and volunteers.

In doing so the Company will be able to achieve its short term objective of providing mentoring and specialist member service that benefit its clients; and long term objectives of sustainability and continuous improvement in programs it provides.

The Company sets its staff and volunteers consistent standards of best practice and provides clear expectations of their accountabilities and responsibilities to all stakeholders. These actions substantially contribute towards the Company's short term objectives of engaging all sectors of the community in ongoing partnership and support program; and being recognised as a leader in the provisions of specialist member's services.

Members guarantee

The Paint Horse Association of Australia Ltd is a Company limited by guarantee. In the event of, and for the purpose of winding up of the Company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 20 for members that are corporations and \$ 20 for all other members, subject to the provisions of the Company's constitution.

At 31 December 2016 the collective liability of members was \$ 27,860 (2015: \$ NIL).

Operating results and review of operations for the year

Operating results

The loss of the Company after providing for income tax amounted to \$ (68,997) (2015: \$ 28,367).

Meetings of directors

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Malcolm Hume	6	6
Jeffrey Hall	6	5
Frederick Burton	6	6
Kerri-Ann Hobbs	6	2
David Egan	6	3
Nicole Steinberger	6	6
Steven Conn	3	3

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Directors' Report

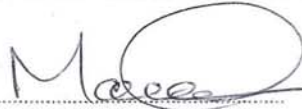
For the Year Ended 31 December 2016

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2016 has been received and can be found on page 5 of the financial report.

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

Director:



Malcolm Hume

Director:



Nicole Steinberger

Dated this

11th

day of

APRIL

2016

**Crowe Horwath
Central West**

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**Auditors Independence Declaration under Section 307C of the
Corporations Act 2001 to the Directors of The Paint Horse
Association of Australia Ltd**

I declare that, to the best of my knowledge and belief, during the year ended 31 December, 2016, there have been:

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



Crowe Horwath Central West



**Chang Chow
Audit Partner**

Registered Company Auditor No. 486069

Dated at Dubbo on the 11th day of April 2017

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2016

		2016	2015
	Note	\$	\$
Revenue	4	544,737	566,215
Employee benefits expense		(153,537)	(149,945)
Depreciation expense		(18,726)	(14,112)
Other operating expenses	5	(430,162)	(368,095)
Finance costs		(11,309)	(5,696)
Surplus/(Deficit) from continuing operations		(68,997)	28,367
Other comprehensive income			
Total comprehensive income for the year		(68,997)	28,367

The accompanying notes form part of these financial statements.

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Statement of Financial Position As At 31 December 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	136,697	245,855
Trade and other receivables	7	7,088	5,290
Inventories	8	935	3,387
Other assets	9	1,394	5,225
TOTAL CURRENT ASSETS		<u>146,114</u>	<u>259,757</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	346,444	337,753
TOTAL NON-CURRENT ASSETS		<u>346,444</u>	<u>337,753</u>
TOTAL ASSETS		<u>492,558</u>	<u>597,510</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	9,549	11,195
Borrowings	12	20,067	20,067
Short-term provisions	13	7,297	5,554
Other financial liabilities	14	1,390	9,300
TOTAL CURRENT LIABILITIES		<u>38,303</u>	<u>46,116</u>
NON-CURRENT LIABILITIES			
Borrowings	12	149,714	177,856
TOTAL NON-CURRENT LIABILITIES		<u>149,714</u>	<u>177,856</u>
TOTAL LIABILITIES		<u>188,017</u>	<u>223,972</u>
NET ASSETS		<u>304,541</u>	<u>373,538</u>
EQUITY			
Retained earnings		<u>304,541</u>	<u>373,538</u>
TOTAL EQUITY		<u>304,541</u>	<u>373,538</u>

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity For the Year Ended 31 December 2016

2016

	Retained Earnings	Total
	\$	\$
Balance at 1 January 2016	373,538	373,538
Surplus/(Deficit) for the year	(68,997)	(68,997)
Balance at 31 December 2016	<u>304,541</u>	<u>304,541</u>

2015

	Retained Earnings	Total
	\$	\$
Balance at 1 January 2015	237,363	237,363
Surplus for the year	28,367	28,367
Building Funds used	107,808	107,808
Balance at 31 December 2015	<u>373,538</u>	<u>373,538</u>

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 31 December 2016

	2016	2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	583,337	598,671
Payments to suppliers and employees	(625,963)	(576,425)
Interest received	337	3,453
Interest paid	(11,309)	(5,696)
Net cash provided by/(used in) operating activities	17 <u>(53,598)</u>	<u>20,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	<u>(27,418)</u>	<u>(325,733)</u>
Net cash used by investing activities	<u>(27,418)</u>	<u>(325,733)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	200,000
Repayment of borrowings	<u>(28,142)</u>	<u>(2,077)</u>
Net cash used by financing activities	<u>(28,142)</u>	<u>197,923</u>
Net increase/(decrease) in cash and cash equivalents held	(109,158)	(107,807)
Cash and cash equivalents at beginning of year	<u>245,855</u>	<u>353,662</u>
Cash and cash equivalents at end of financial year	6 <u><u>136,697</u></u>	<u><u>245,855</u></u>

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements For the Year Ended 31 December 2016

The financial report covers The Paint Horse Association of Australia Ltd as an individual entity. The Paint Horse Association of Australia Ltd is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of The Paint Horse Association of Australia Ltd is Australian dollars.

Comparatives are consistent with prior years, unless otherwise stated. Comparatives were audited in the prior year.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*. The Company is a not-for-profit entity for financial reporting purpose under Australian Accounting Standards.

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values or except where stated current valuation of non-current assets. Cost is based on the fair value of the consideration given in exchange applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

2 Summary of Significant Accounting Policies

(a) Income Tax

The Company is exempt from income tax under Division 50-50 of the *Income Tax Assessment Act 1997* since it is classified as a not-for-profit entity established for the purpose promotion and encouragement of the sport of Paint Horse breeding and competition.

(b) Revenue and other income

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

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

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

Interest revenue

Interest is recognised using the effective interest method.

Rendering of services

Revenue in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably estimated then revenue is recognised to the extent of expenses recognised that are recoverable.

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Notes to the Financial Statements For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies continued

(b) Revenue and other income continued

Membership fees

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

(c) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

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

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(e) Property, plant and equipment

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

Impairment losses are recognised as a line item in the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on depreciation of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year it is recognised.

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

Land and buildings

Land and buildings are measured using the cost model.

Notes to the Financial Statements For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies continued

(e) Property, plant and equipment continued

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

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

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	5% - 40%

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

(f) Cash and cash equivalents

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

(g) Employee benefits

Provision is made for the benefit accruing to employee in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provision made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to the reporting date.

Contributions are made by the Company to employees superannuation funds and are charged as expenses when incurred.

3 Critical Accounting Estimates and Judgments

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

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

The significant estimates and judgements made have been described below.

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Notes to the Financial Statements For the Year Ended 31 December 2016

3 Critical Accounting Estimates and Judgments continued

Key estimates - impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions specific to the Company that may be indicative of impairment triggers.

Key estimates - receivables

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

4 Revenue and Other Income

	2016	2015
	\$	\$
Service revenue		
- General revenue	369,510	396,079
- National show revenue	108,003	121,745
- Futurity revenue	33,496	37,570
Total service revenue	511,008	555,393
Finance income		
- Interest received	337	3,453
Total interest income	337	3,453
Other revenue		
- Other revenue	33,392	7,369
Total other revenue	33,392	7,369
Total Revenue	544,737	566,215

5 Result for the Year

(a) Expenses

	2016	2015
	\$	\$
Expenses - Other		
Advertising	4,786	2,038
Accounting & Auditing expenses	11,315	8,700
Bad debts	3,910	451
Equipment lease	11,912	11,506
Futurity expenses	26,612	33,812
National show expenses	121,221	116,201
Office rent expenses	-	19,651
Youth activities expenses	25,275	10,265
Other expenses	225,131	165,473
Total other expenses	430,162	368,097

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Notes to the Financial Statements For the Year Ended 31 December 2016

6 Cash and Cash Equivalents

	2016	2015
	\$	\$
Cash at bank and in hand	136,697	245,855
	<u>136,697</u>	<u>245,855</u>

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2016	2015
	\$	\$
Cash and cash equivalents	136,697	245,855
Balance as per statement of cash flows	<u>136,697</u>	<u>245,855</u>

7 Trade and Other Receivables

	2016	2015
	\$	\$
CURRENT		
Trade and other receivables	11,652	5,741
Provision for impairment	(4,564)	(451)
Total current trade and other receivables	<u>7,088</u>	<u>5,290</u>

8 Inventories

	2016	2015
	\$	\$
CURRENT		
At cost:		
Inventories	935	3,387
	<u>935</u>	<u>3,387</u>

9 Other Assets

	2016	2015
	\$	\$
CURRENT		
Prepayments	1,394	5,225
	<u>1,394</u>	<u>5,225</u>

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Notes to the Financial Statements For the Year Ended 31 December 2016

10 Property, plant and equipment

	2016	2015
	\$	\$
Buildings		
At cost	321,741	321,741
Accumulated depreciation	(12,914)	(4,870)
Total buildings	308,827	316,871
Plant and equipment		
At cost	94,312	66,895
Accumulated depreciation	(56,695)	(46,013)
Total plant and equipment	37,617	20,882
Total property, plant and equipment	346,444	337,753

(a) Movements in Carrying Amounts

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

	Buildings	Plant and Equipment	Total
	\$	\$	\$
Year ended 31 December, 2016			
Balance at the beginning of year	316,871	20,882	337,753
Additions	-	27,417	27,417
Depreciation expense	(8,044)	(10,682)	(18,726)
Balance at the end of the year	308,827	37,617	346,444

11 Trade and other payables

	2016	2015
	\$	\$
CURRENT		
Trade payables	1,461	7,712
GST payables	1,223	(3,316)
PAYG withholding payables	3,668	5,807
Superannuation payables	3,197	992
	9,549	11,195

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Notes to the Financial Statements For the Year Ended 31 December 2016

12 Borrowings

	2016	2015
	\$	\$
CURRENT		
Secured liabilities:		
Bank loans	20,067	20,067
Total current borrowings	20,067	20,067
NON-CURRENT		
Secured liabilities:		
Bank loans	149,714	177,856
Total non-current borrowings	149,714	177,856

13 Employee benefits

	2016	2015
	\$	\$
CURRENT		
Annual leave	7,297	5,554
	7,297	5,554

14 Other liabilities

	2016	2015
	\$	\$
Income in advance	1,390	9,300
	1,390	9,300

15 Key Management Personnel Disclosures

The totals of remuneration paid to the key management personnel of The Paint Horse Association of Australia Ltd during the year are as follows:

	2016	2015
	\$	\$
Short-term employee benefits	66,966	-
	66,966	-

There were no disclosures of key management personal in the prior year financial statements.

16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2016 (31 December 2015: None).

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Notes to the Financial Statements For the Year Ended 31 December 2016

17 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016	2015
	\$	\$
Surplus/(deficit) for the year	(68,997)	28,367
Cashflows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation	18,726	14,112
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(2,198)	(5,290)
- (increase)/decrease in other assets	3,831	308
- (increase)/decrease in inventories	2,452	121
- increase/(decrease) in trade and other payables	(5,850)	(16,117)
- increase/(decrease) in unearned income	(7,910)	(4,900)
- increase/(decrease) in other liabilities	4,605	3,402
- increase/(decrease) in provisions	1,743	-
Cashflow from operations	<u>(53,598)</u>	<u>20,003</u>

18 Events after the end of the Reporting Period

The financial report was authorised for issue on 11 April, 2017 by the Board of Directors.

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

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Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 31 December 2016 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 
Malcolm Hume

Director 
Nicole Steinberger

Dated this 11th day of APRIL 2017

**Crowe Horwath
Central West**

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The Paint Horse Association of Australia Ltd

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**Independent Auditor's Review Report to the
members of
The Paint Horse Association of Australia Ltd**

Report on the Financial Report

We have reviewed the accompanying financial report of The Paint Horse Association of Australia Ltd, which comprises the statement of financial position as at 31 December 2016, and the statement of profit and loss and other comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Australian Accounting Standards. As the auditor of The Paint Horse Association of Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial report of The Paint Horse Association of Australia Ltd does not present fairly, in all material respects, give a true and fair view of the financial position of the entity as at 31 December 2016, and of its financial performance and its cash flows for the year ended on that date, in accordance with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Crowe Horwath Central West

Crowe Horwath Central West

Chang Chow

Chang Chow

Audit Partner

Registered Company Auditor No. 486069

Dated at Dubbo on the 11th day of April 2017