



Mr John Davis  
Secretary  
The Showmen's Guild of Australasia  
PO Box 690  
BEENLEIGH QLD 4207

Dear Mr Davis,

**The Showmen's Guild of Australasia**  
**Financial Reports for Years Ended: 31 December 2004 (FR2004/658)**  
**31 December 2005 (FR2005/631)**  
**31 December 2006 (FR2006/549)**  
**31 December 2007 (FR2007/604)**  
**Schedule 1 of the Workplace Relations Act 1996 (RAO Schedule)**

I refer to the Registry's letter dated 1 April 2008 acknowledging receipt of financial reports of The Showmen's Guild of Australasia for the financial years ending 31 December 2005, 31 December 2006 and 31 December 2007. The 2005 report was lodged in the Registry on 3 March 2008 and the reports for the 2006 and 2007 years were both lodged on 26 March 2008

As foreshadowed in that letter, a comprehensive review of the Guild's financial reports for the four financial years up to 31 December 2007 has now been undertaken in light of continuing problems presented by reports, including qualified audit opinions for each report.

The Guild's Committee of Management is responsible for the preparation and fair presentation of financial reports in accordance with Australian Accounting Standards (which include the Australian Accounting Interpretations) (see section 253 of the RAO Schedule). This responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial report so that the financial report 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.

The financial reports for the four financial years ended 31 December 2004, 2005, 2006 and 2007 were qualified by the auditor due to non-compliance with reporting requirements of the Australian Accounting Standards. In addition, significant deficiencies in the internal control environment caused the auditor to issue various qualifications for each of these years. The internal control weaknesses associated with collecting monies from Poker Machines, and Function and Bar Collection and Cash Floats have resulted in frauds and inhibited the reporting of reliable financial information. Given the various breakdowns in internal controls that have occurred over an extended period of time, there is also a concern that the Committee of Management has not complied with its obligations under the RAO Schedule to prepare proper financial records in accordance with the requirements of section 252.

The fact that the audit reports have been qualified indicates that the Committee of Management have failed to comply with key financial reporting obligations of the RAO Schedule including the requirement to prepare annual financial reports in accordance with Australian Accounting Standards (section 253(1)) and to prepare financial reports that reflect a true and fair view of the financial position and performance of the Guild (section 253(3)) as required by declarations under the Committee of Management Statement.

A significant improvement in relation to internal controls and the reporting process is required to ensure that the Committee of Management complies with its obligations under the Act. The Guild must review its financial reporting processes to ensure that it can comply with the RAO Schedule in future financial years. Further, the Committee must review its internal control environment to ensure that appropriate standards for financial management are implemented, resulting in an effective management reporting system and internal control system. This

includes internal controls to deal with both the effectiveness and the efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

Included as Attachment A to this letter is a detailed analysis of our concerns regarding compliance by the Guild with the requirements of the RAO Schedule with respect to the financial documents for 2004 through to 2007.

### **Possible Consequences of Continued Failure to Comply with the RAO Schedule**

I am concerned that, despite assistance from the Registry, the Guild has consistently failed over a number of years to meet its obligations under the RAO Schedule.

I now expect the Guild to implement all of the necessary and appropriate procedures to remedy past deficiencies.

I draw your attention to the power of the Registrar, under section 331 of the RAO Schedule, to conduct an investigation into a possible contravention of the financial reporting requirements of the RAO Schedule, the RAO Regulations or the Reporting Guidelines. The Registrar has power to require the participation of a designated officer or employee of an organisation and of the organisation's auditor(s). Such persons can be required to provide the Registrar with information, records or other documents or to attend before the Registrar to answer questions relating to the investigation (see section 335 of the RAO Schedule). If, at the conclusion of the investigation, the Registrar is satisfied that a contravention has occurred, he may issue a notice requiring rectification of the matter or he may apply to the Federal Court of Australia for an order imposing a civil (financial) penalty upon the organisation or, if appropriate, refer the matter to the Director of Public Prosecutions for action in relation to possible criminal offences.

The Federal Court of Australia has the power to impose a civil (financial) penalty for failure to comply with the RAO Schedule under section 305 of the RAO Schedule. In particular, I draw your attention to subsection 305(2)(w), which provides for the imposition of penalties for breaches of sections 253 and 254 of the RAO Schedule. Section 253 of the RAO Schedule states as follows (emphasis added):

#### **253 Reporting unit to prepare general purpose financial report**

(1) As soon as practicable after the end of each financial year, a reporting unit must cause a general purpose financial report to be prepared, in accordance with the Australian Accounting Standards, from the financial records kept under subsection 252(1) in relation to the financial year.

(2) The general purpose financial report must consist of:

(a) financial statements containing:

- (i) a profit and loss statement, or other operating statement; and
- (ii) a balance sheet; and
- (iii) a statement of cash flows; and
- (iv) any other statements required by the Australian Accounting Standards; and

(b) notes to the financial statements containing:

- (i) notes required by the Australian Accounting Standards; and
- (ii) information required by the reporting guidelines (see section 255); and

(c) any other reports or statements required by the reporting guidelines (see section 255).

(3) The financial statements and notes for a financial year must give a true and fair view of the financial position and performance of the reporting unit. This subsection does not affect the obligation for a financial report to comply with the Australian Accounting Standards.

*Note 1: This section is a civil penalty provision (see section 305).*

*Note 2: The Australian Accounting Standards may be modified for the purposes of this Schedule by the regulations.*

*Note 3: If the financial statements and notes prepared in compliance with the Australian Accounting Standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph (2)(b).*

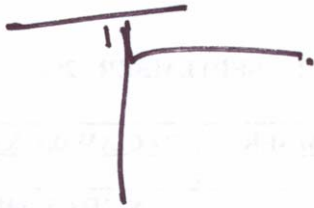
I note that any investigation that may be launched could relate to all of the financial years in question, not just the latest financial year.

In light of the above, your urgent attention to these issues is required. Some recommendations regarding improvements that the Guild may wish to implement are contained in the analysis included as Attachment A. You are urged to seriously consider the observations and recommendations in Attachment A and to immediately introduce appropriate measures.

I recognise that, even if strategies are introduced immediately, it will take some time for the financial accounts to be free of the types of deficiencies that have arisen in the past. While I require remedial measures to be introduced immediately, the financial report for the year ended 31 December 2008 may contain some (albeit fewer) deficiencies than previous years. My firm expectation, however, is that the auditor will be able to report for the year ended 31 December 2008 that steps have been implemented to remedy any such deficiencies or qualifications to the audit report.

If you have any questions in relation to this matter, please contact Ailsa Carruthers on (03) 8661 7767 (except Wednesdays) or by email at [ailsa.carruthers@air.gov.au](mailto:ailsa.carruthers@air.gov.au).

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'Terry Nassios', written over a faint, light-colored background that looks like a watermark or a very light stamp.

Terry Nassios  
Deputy Industrial Registrar

7 August 2008

cc: Mr Errol Allan  
KP Business Accountants

**The Showmen's Guild of Australasia  
Detailed Analysis of Compliance of Financial Reports  
– Years Ended 31 December 2004, 2005, 2006 and 2007**

<b>Comment</b>	<b>Key Observations and Recommendations</b>
<p>Financial reports lodged were not in compliance with Australian Accounting Standards as the audit report was qualified for the four financial years ended 31 December 2004 - 2007</p>	<p><b>Key Observations</b></p> <ul style="list-style-type: none"> <li>• Financial reports for the four financial years ended 31 December 2004-2007 were qualified as a result of not complying with various accounting measurement requirements set out in the Australian Accounting Standards. A weak internal control environment has also caused non-compliance with Accounting Standards to continue for the four financial years ended 31 December 2007. Accounting issues that have led to the audit qualifications are discussed below.</li> <li>• The external auditor's management improvement recommendations stated that the Showmen's Guild has difficulty retaining adequate experienced staff to monitor compliance requirements in relation to the RAO Schedule to the Workplace Relations Act 1996 (the Act); the Gaming Machine Act 1991; and the requirement to prepare general purpose financial reports required by Australian Accounting Standards and the additional reporting requirements of the Act. Non-compliance with the Australian Accounting Standards is the major cause for continuing audit qualification for the four financial years ended 31 December 2007.</li> </ul> <p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• We recommend that the Committee of Management of the Showmen's Guild reviews the entity's financial reporting process, the audit process and the processes for monitoring compliance with applicable laws and regulations.</li> <li>• We recommend that the Committee of Management review its risk management and internal control environment. Risk management and internal control refers to the processes, structures and culture established to identify, assess, treat and monitor risk affecting the financial performance and financial reporting of Showmen's Guild.</li> </ul>
<p>Accounting measurements in relation to valuation and depreciation of Property, Plant and Equipment for the four financial years ended 31 December 2007 did not comply with Australian</p>	<p><b>Key Observations</b></p> <ul style="list-style-type: none"> <li>• It is the policy of Showmen's Guild to revalue its land and building, and plant and equipment every two years. Whilst the land and buildings and plant and equipment are stated in the financial report at fair value, no recent valuations have been undertaken to verify that assets are stated at the correct fair value and these assets are also not being depreciated as required by Australian Accounting Standards.</li> </ul>

Comment	Key Observations and Recommendations
Accounting Standards.	<p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• In accordance with paragraph 31 of AASB 116 “Property, Plant and Equipment”, assets that are carried at fair value amount shall be subject to revaluation regularly to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Paragraph 34 of AASB 116 provides guidance on frequency of revaluations. The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. For items of property, plant and equipment with only insignificant changes in fair value, it may be necessary to revalue the item only every three or five years; otherwise annual revaluations are required. We recommend that that management reassess its accounting policy on Property, Plant and Equipment to determine the frequency of revaluations for the items of assets stated at fair value.</li> <li>• Assets at fair value are required to be stated in the financial statements at fair value less any subsequent accumulated depreciation and impairment losses. Depreciation begins when it is available for use.</li> <li>• Buildings have a limited useful life and therefore are depreciable assets in accordance with paragraph 51 of AASB 116.</li> <li>• Given that the Guild has not depreciated all its assets in the past, we recommend that the Committee of Management determine the depreciation method for all its assets and commence depreciation. The depreciation method used shall reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity.</li> </ul>
Litigation settlements with ACCC were incorrectly disclosed as legal fees for the financial year ended 31 December 2006.	<p><b>Key Observations</b></p> <ul style="list-style-type: none"> <li>• The audit qualification indicated that the Guild has disclosed litigation settlements with ACCC as a legal expense.</li> <li>• This accounting treatment does not comply with the requirement of paragraph 98 of AASB 101 “Presentation of Financial Statements”.</li> <li>• Paragraph 97 of AASB 101 states that when items of income or expense are material; the Guild shall disclose their nature and amount separately</li> </ul> <p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• A litigation settlement is a type of transaction that requires separate disclosure in accordance with paragraph 98 of AASB 101 “Presentation of Financial Statements”. We recommend that the Guild present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant. Also, we recommend that the Committee of Management separately disclose the nature and amount</li> </ul>

Comment	Key Observations and Recommendations
	of any items of income or expense that are material in the Income Statement.
<p>The 2005 audit report was qualified due to the auditor being unable to obtain sufficient appropriate audit evidence after examining the records underlying the opening balances. In accordance with the Australian Auditing Standard AUS 510, the auditor is required to obtain sufficient and appropriate audit evidence regarding opening balances.</p>	<p><b>Key Observation</b></p> <ul style="list-style-type: none"> <li>• The prior year financial report was not audited. The financial year ended 31 December 2005 audit report was qualified due to the auditor being unable to obtain sufficient appropriate audit evidence after examining the records underlying the opening balances.</li> <li>• It appears that the lack of sufficient records could be due to poor management reporting systems. Internal control reconciliation processes relate to the regular (i.e. weekly, monthly) reconciliation of Balance Sheet general ledger accounts and key Income Statement general ledger accounts. General ledger control accounts should be reconciled to supporting reports (e.g. accounts receivables aged trial balance) or external documentation. Reconciliation of general ledger accounts is an important internal control process for ensuring the accurate and timely processing of transactions. If reconciliations are not performed on a regular basis there is an increased risk of transaction errors occurring.</li> </ul> <p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• Implementation of an effective management reporting system should be a priority. We recommend that General ledger reconciliations should be prepared on a regular basis and appropriately reviewed and authorised by management if this has not already occurred.</li> </ul>
<p>Internal controls weakness and insufficient inventory records maintained have resulted in audit qualification for the financial year ended 31 December 2005</p>	<p><b>Key Observation</b></p> <ul style="list-style-type: none"> <li>• Retaining a copy of important accounting records, such as the year end inventory ledger, is an important control process. This observation indicates a control weakness surrounding inventory management.</li> <li>• The breakdown in control surrounding inventory management processes was due to insufficient documentation being maintained in relation to inventory records. Furthermore, it was highlighted by the external auditor that the Guild did not perform yearly inventory physical counts soon after year end. Also, no reconciliation of inventory physical count results to perpetual records is performed. If reconciliations are not performed on a regular basis there is an increased risk of transaction errors occurring. This could result in cost of inventories being incorrectly stated in the financial report.</li> </ul> <p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>• Inventory physical count should be completed once a year at a minimum. Regular inventory physical count is an important control process for ensuring that computer systems are accurately recording inventory, sales and purchases. Regular inventory physical count identifies major discrepancies between perpetual records and physical inventory and can so highlight any system</li> </ul>

Comment	Key Observations and Recommendations
	problems
<p>Poor safeguarding of cash assets at the Poker Machine; Function and Bar Collection and Cash Floats has led to misappropriation of funds, which has resulted in audit qualifications for the three financial years ended 31 December 2007</p>	<p><b>Key Observations</b></p> <ul style="list-style-type: none"> <li>The Guild has poor internal control surrounding safeguarding cash assets, which has resulted in misappropriation of funds. Also, pre-signed cheques increase the risk of fraudulent activity occurring during the normal course of business which may not be detected in a timely manner.</li> </ul> <p><b>Key Recommendations</b></p> <ul style="list-style-type: none"> <li>We recommend that the practice of pre-signing cheques should be stopped as it could result in potential misappropriation of funds, and increases the risk of fraudulent activity occurring during the normal course of business which may not be detected in a timely manner.</li> <li>Cash assets have high susceptibility to misappropriation. Failure to ensure the record keeping and appropriate cash collection procedures are established compromises security of cash assets handled by employees. We recommend that an appropriate person review bank and daily income collection reconciliations and investigate and resolve unusual transactions in a timely manner.</li> <li>Cash assets and related bank accounts should be reconciled at least weekly to general ledger accounts. Cash count at all poker machines should be carried out daily. Reconciliation of cash count results to the general ledger may assist in identifying any unusual transactions.</li> <li>The effective operation of the accounting functions should be a key objective for areas that are more susceptible to misappropriation of funds, so as to ensure the integrity and completeness of all transactions and the protection of its cash assets. While in circumstances where it is impractical to reduce substantially the control risk due to small numbers of employees, an effort should be made where possible to segregate incompatible functions (e.g. the authorisation and processing of transactions).</li> </ul>
<p>Other breaches of Australian Accounting Standards in addition to those identified above for the four financial years ended</p>	<p><b>Key Observations – 31 December 2007</b></p> <ul style="list-style-type: none"> <li>The 31 December 2007 financial report includes both consolidated accounts and accounts for the Guild 2007 and Club 2007. In the financial years ended 31 December 2005 and 31 December 2006, consolidated financial reports have not been prepared. The financial statements that have been prepared for 2007 are confusing and the purpose of preparing consolidated financial</li> </ul>

Comment	Key Observations and Recommendations
31 December 2004-2007	<p>statements when this has not occurred in prior financial years is unclear.</p> <ul style="list-style-type: none"> <li>• The financial statements generally for the 31 December 2007 financial year do not appear to be in accordance with Australian Accounting Standards including the requirement to prepare a Statement of Recognised Income and Expense or a Statement of Changes in Equity and the use of the term Profit and Loss Statement is not in accordance with Australian Accounting Standards.</li> <li>• The accounting policy notes for the 31 December 2007 financial year are completely inadequate and fail to meet reporting and disclosure obligations under various Australian Accounting Standards.</li> <li>• The notes to the financial statements are also inadequate and lack disclosures in relation to related parties, segment reporting and financial instruments.</li> <li>• Whilst the auditor has issued various qualifications in relation to the financial report for the financial year ended 31 December 2007, the auditor has nevertheless issued an opinion that states “except for the matters raised in the qualifications paragraph: the financial statements of the Showmen’s Guild of Australasia Incorporated present a true and fair view...[and] the financial statements are properly drawn up complying with Accounting Standards..”. It is our view that the various deficiencies in the financial report are so numerous that the external auditor of the Showmen’s Guild should have reached the conclusion that a Disclaimer of Opinion was warranted.</li> </ul> <p><b>Key Observations – 31 December 2006</b></p> <ul style="list-style-type: none"> <li>• The 31 December 2006 financial report includes both consolidated accounts and accounts for the Guild 2007 and Club 2007. In the financial years ended 31 December 2005 and 31 December 2006, consolidated financial reports have not been prepared. The financial statements that have been prepared for 2007 are confusing and the purpose of preparing consolidated financial statements when this has not occurred in prior financial years is unclear.</li> <li>• The financial statements generally for the 31 December 2006 financial year do not appear to be in accordance with Australian Accounting Standards including the requirement to prepare a Statement of Recognised Income and Expense or a Statement of Changes in Equity and the use of the term Profit and Loss Statement is not in accordance with Australian Accounting Standards.</li> <li>• There are no accounting policy notes for the 31 December 2006 financial year and the financial statement notes generally are completely inadequate and fail to meet reporting and disclosure obligations under various Australian Accounting Standards.</li> </ul>



Comment	Key Observations and Recommendations
	<ul style="list-style-type: none"> <li>• The notes to the financial statements are also inadequate and lack disclosures in relation to related parties, segment reporting and financial instruments.</li> <li>• Whilst the auditor has issued various qualifications in relation to the financial report for the financial year ended 31 December 2007, the auditor has nevertheless issued an opinion that states “except for the matters raised in the qualifications paragraph: the financial statements of the Showmen’s Guild of Australasia Incorporated present a true and fair view...[and] the financial statements are properly drawn up in accordance with Acceptable Accounting Standards..”. It is our view that the various deficiencies in the financial report of the Showmen’s Guild should have caused the auditor to reach the conclusion that a Disclaimer of Opinion was warranted.</li> </ul> <p><b>Key Observations – 31 December 2005</b></p> <ul style="list-style-type: none"> <li>• The notes to the financial statements are inadequate and lack disclosures in relation to related parties, segment reporting and financial instruments.</li> <li>• Whilst the auditor has issued various qualifications in relation to the financial report for the financial year ended 31 December 2007, the auditor has nevertheless issued an opinion that states “except for the effects of the financial report of the matter referred to in the qualifications paragraphs, the financial report presents fairly in accordance with applicable Accounting Standards..”. It is our view that the various deficiencies in the financial report are so numerous that the external auditor of the Showmen’s Guild should have reached the conclusion that a Disclaimer of Opinion was warranted.</li> </ul> <p><b>Key Observations – 31 December 2004</b></p> <ul style="list-style-type: none"> <li>• The accounting policy notes for the 31 December 2004 financial year are completely inadequate and fail to meet reporting and disclosure obligations under various Australian Accounting Standards.</li> <li>• The notes to the financial statements are also inadequate and lack disclosures in relation to related parties, segment reporting and financial instruments.</li> <li>• As discussed above, the external auditor has issued various qualifications including failure to comply with the Accounting Standards on measurement and disclosure of Accounting Standards.</li> <li>• It appears that the Guild has issued a separate audit report on the Cash Flow Statement and a separate audit report on the balance of the financial statements. This is also inconsistent with Australian Accounting Standards, and the Cash Flow Statement should form part of the financial statements.</li> <li>• Whilst the auditor has issued various qualifications in relation to the financial report for the financial year ended 31 December</li> </ul>

Comment	Key Observations and Recommendations
	<p>2004 the auditor has nevertheless issued an opinion that states “except for the matters raised in the qualifications paragraph: the financial statements of the Showmen’s Guild of Australasia Incorporated present a true and fair view... [and] the financial statements are properly drawn up complying with Accounting Standards”. It is our view that the various deficiencies in the financial report are so numerous that the external auditor of the Showmen’s Guild should have reached the conclusion that a Disclaimer of Opinion was warranted.</p>



Ken Magoffin - Director  
B.COM, ACIS, AAMM, INTAA, CPA  
Registered Tax Agent

# MAGOFFIN BUSINESS SERVICES PTY LTD

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## INDEPENDENT AUDIT REPORT

### ADDENDUM TO ORIGINAL AUDIT REPORT DATED 25TH FEBRUARY 2005

#### Scope

I have audited the financial statements of The Showmen's Guild of Australasia Incorporated for the year ended December 31st 2004. The Guild's management committee is responsible for the financial statements and have determined that the accounting policies used and described in notes to the financial statements are appropriate to meet the needs of the members. No opinion is expressed as to whether the accounting policies used are appropriate to meet the needs of the members.

I have conducted an independent audit of the financial statements in order to prepare a Statement of Cash Flows and to express an opinion on that statement to the members of the Guild.

My audit has been based on the final financial statements of the Guild and was conducted in accordance with Australian Auditing Standards. As audit procedures are of a test nature complete assurance cannot be given that all individual transactions have been classified correctly.

These procedures have been undertaken to form an opinion as to whether, in all material aspects, the Cash Flow Statement presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Consensus Views) the results of its operations and cash flows.

#### Qualifications

1. During the course of the audit staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt charge has appeared in the Profit and Loss Accounts as submitted for audit.
2. Staff have advised that a stock take was made of goods and raw materials held in the club premises at December 2004. However, there have been no changes made to the cash flow statement reflecting any changes in the stock on hand.
3. A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.

4. Income and Receipts

Failures in this regard were to be attended to by the existing external accountants, but they have since been replaced. Accordingly I am unable to advise if remedial action has been taken in this matter. Failure to follow up in this regard would be considered a serious breach of internal controls

5. Unknown expenditure items \$22,462

This was considered a serious deficiency and although assurance was given that the matter would be followed up no confirmation was ever received that such action had taken place.

6. GST Liabilities

The control accounts related to GST matters were considered inadequate, particularly in the first three months of the year, and again in the last quarter. The external accountants were unable to assist in reconciling the accounts. Failure to follow up in this regard would be considered a serious breach of internal controls

With respect to Part 4 of the RAO S.332 (2) and (3), I am unable to advise if the Registrar should proceed with an investigation of this organisation. As a result of the appointments of a new committee, new external accountants and new auditor, I am unable to confirm if the qualifications in my audit report for 2004 were remedied in 2005. I therefore recommend that you contact the current committee, external accountants and auditor to determine if an investigation under S.332 (3) should be undertaken.

Yours faithfully,

  
Ken Magoffin



ABN 75 134 664 816

## **The Showmen's Guild of Australasia**

● Guild House ● 4 Turner Avenue ● Yatala Q. 4207 ●

FR 2004/658

29 September 2005

Deputy Industrial Registrar  
Australian Industrial Registry  
GPO Box 19945  
MELBOURNE VIC 3001

Dear Sir/Madam,

We are writing in response to correspondence received from your office on 15<sup>th</sup> September, 2005.

Two independent firms (Ferrari Warner – Beenleigh and Magoffin Business Services) were engaged to attend to the reporting requirements of our organisation. Once the 2004 Financial Accounts and Audit were completed we engaged a new firm to attend to all the reporting requirements of our organisation.

The engagement of both Ferrari Warner and Magoffin Business Services was terminated due to the lack of ability of both firms to work together to prepare the required reports together with an issue of timelines. It should be noted that whilst the Financial Accounts were originally audited on 25<sup>th</sup> February, 2005, the auditor then amended the original Audit Report on 5<sup>th</sup> May, 2005. As Magoffin Business Services has been sent correspondence in relation to this issue – we believe that a copy of the Amended reports will be provided to your office. If not – please contact their office and request copies.

We have now engaged the services of Dickenson's Accountants located at Loganholme to prepare the Financial Accounts as well as audit the Financial Accounts.

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● P.O. Box 690 ● Beenleigh Q. 4207 ●  
● Telephone: (07) 3807 0011 ● Facsimile: (07) 3807 0730 ●

The following responses are provided in relation to each qualification identified in the Auditor's report:

1. *Buildings are not depreciated. It is the belief of the Guild's Committee to depreciate the buildings would not provide an accurate representation of the value of the buildings. The Guild has adopted a policy of valuing buildings every two years. The effect of the non-adoption of this accounting standard is that depreciation expenses is understated. As a result of the recent independent valuation the asset revaluation reserve has been increased to \$414,000 with respect to the buildings.*

This qualification was not included in the Addendum to Original Audit Report dated 25<sup>th</sup> February 2005 issued by the Auditor – Kenneth D Magoffin (Magoffin Business Services) on 5<sup>th</sup> May 2005.

2. *There has been no general depreciation charge for the 2004 year. If the general depreciation charge for 2004 was similar to 2003, then the profit realised would have been reduced by approximately \$18,000.*

The Committee engaged the professional services of an accounting firm to prepare the Financial Accounts for the Guild – however the accounting firm did not provide for any depreciation expense in the accounts. The committee is of the understanding that Ferrari Warner could not locate the prior years' depreciation schedule to calculate the depreciation expense for the 2004 Financial Year.

Once again,; this qualification was not included in the Addendum to Original Audit Report dated 25<sup>th</sup> February 2005 issued by the Auditor – Kenneth D Magoffin (Magoffin Business Services) on 5<sup>th</sup> May 2005.

3. *During the course of the audit, staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt change has appeared in the Profit and Loss Accounts as submitter for audit.*

As stated above in the qualification – the staff from the Association did advise that receivables were written off as bad debts during the year. As the Guild member's (of which the executive members are volunteers) do not possess the specialist knowledge or skill to be able to prepare or analyse the Financial Accounts; professional firms were engaged in good faith to advise the club in relation to accounting and auditing matters.

4. *Staff have advised that a stock take was made of goods and materials held in the club premises at December 2004. However, there have been no changes made to the cash flow statement reflecting any changes in the stock on hand.*

The Committee believes that they provided the details required to Ferrari Warner to account for the Stock on Hand in the correct manner. As mentioned in the previous paragraphs; the Guild member's do not possess the specialist knowledge or skill to be able to prepare or analyse the Financial Accounts; professional firms were engaged in good faith to advise the club in relation to accounting and auditing matters.

5. *A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.*

The above qualification reflects the reality that incorporated associations do not have perfect internal controls. To ensure all third parties and stakeholders placing any reliance on this report are appropriately informed of this fact; this standard professional qualification was included to maintain the transparency of the accounts.

6. *Unknown expenditure to the value of \$22,462 has been recorded in the books of the Club operations. This amount represents numerous transactions over the year, which appears to cover matters which indicate that internal cash controls are sometimes inadequate. Management has given verbal assurance that internal control systems have been considerably tightened since December 2004 and any future discrepancies will be fully investigated.*

During the 2004 Financial Year – it became apparent that some employees of the Guild were not reliable and trustworthy in relation to cash collection and retention. Management has since tried to rectify this matter by tightening internal control systems.

7. *The relevant provisions as at December 2004 have been amended numerous times over the period of the audit. This was primarily due to the opening balances of all accounts from the 2003-year, not being entered in the accounting system until February 2005 by the Association's external accountants. These changes indicated an increase in GST liability of \$15,209. It was not possible to verify the revised calculations by the date of this report. As the due date for the December BAS is February 28<sup>th</sup>. I have recommended to the Association that the original calculations by the external accountants be submitted for the December BAS.*

Once again, the engagement of external accounts to prepare the Financial Accounts was not performed to the standard expected by the Guild – hence the engagement of another firm.

*Another matter noted in the financial reports was the inclusion of "Club" in the income and expenditure statement and balance sheet. But not in the statement of cash flows. I am unable to ascertain how the "Club" came into being since the previous financial reports, and whether it should have been disclosed in the Operating report.*

There has been no change in the past financial year as to the structure of the Guild. The club operates as part of the Guild. It appears that the accounts have been dissected to provide a better overall picture of the operations of the Guild. Therefore there is no requirement for disclosure in the Operating Report.

As the Auditor prepared the Statement of Cash flows – the consistency in the preparation of the Financial Accounts has not been maintained due to the preparation of the Profit and Loss and Balance sheet etc. by the external accountants.

In relation to the Notes to Financial Statements commencing at Note 3 – this is a matter to be discussed with the previous external accountants – Ferrari Warner. It once again was the opinion of the Guild that the accounts were full and complete and this matter wasn't even raised by the auditor.

With the engagement of the new accountants and auditors – it is expected that the accounts will be prepared and audited within the accounting and auditing standards prescribed within the relevant legislation and that the above qualifications will be rectified by the end of the 2005 Financial Year.

Should you have any further queries in relation to this matter, please do not hesitate to contact the Guild office.

Yours faithfully,

A handwritten signature in cursive script, appearing to read "John Davis".

John Davis  
Secretary  
Showmen's Guild of Australasia





**Australian Government**  
**Australian Industrial Registry**

Level 35,  
80 Collins Street, Melbourne, VIC 3000  
GPO Box 1994S, Melbourne, VIC 3001  
Telephone: (03) 8661 7777  
Fax: (03) 9654 6672

Mr Lesley Davis  
Secretary  
The Showmen's Guild of Australasia

By facsimile: (07) 3807 0730

Dear Mr Davis,

**Re: The Showmen's Guild of Australasia  
Schedule 1B of the Workplace Relations Act 1996 (RAO Schedule)  
Financial reports for year ended 31 December 2004 - FR2004/658**

I have received the financial reports of The Showmen's Guild of Australasia for year ended 31 December 2004. The documents were lodged in the Industrial Registry on 17 June 2005.

***The following matters, concerning the financial reporting requirements of the RAO Schedule, require your further attention.***

**Qualified Audit Report**

I note the auditor has included in his report of 25 February 2005 a number of qualifications, which read:

*“ Qualifications*

- 1. Buildings are not depreciated. It is the belief of the Guild's Committee that to depreciate buildings would not provide an accurate representation of the value of the buildings. The Guild has adopted a policy of valuing the buildings every two years. The effect of the non adoption of this accounting standard is that depreciation expense is understated. As a result of the recent independent valuation the asset revaluation reserve has been increased by \$414,000 with respect to the building.*
- 2. There has been no general depreciation charge for the 2004 year. If the general depreciation charge for 2004 was similar to 2003, then the profit realised would have been reduced by approximately \$18,000.*
- 3. During the course of the audit staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt charge has appeared in the Profit and Loss Accounts as submitted for audit.*
- 4. Staff have advised that a stock take was made of goods and materials held in the club premises at December 2004. However, there have been no changes made to the cash flow statement reflecting any changes in the stock on hand.*
- 5. A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.*
- 6. Unknown expenditure to the value of \$22,462 has been recorded in the books of the Club operations. This amount represents numerous transactions over the year which appear to*

*cover a number of matters which indicate that internal cash controls are sometimes inadequate. Management has given verbal assurance that internal control systems have been considerably tightened since December 2004 and any future discrepancies will be fully investigated.*

7. *Accrued outstanding GST liabilities*

*The relevant provisions as at December 2004 have been amended numerous times over the period of the audit. This was primarily due to the opening balances of all accounts from the 2003 year not being entered in the accounting system until February 2005. Changes to the December 2004 BAS liability were being made up to February 23rd 2005 by the Association's external accountants. These changes indicated an increase in GST liability of \$15,209. It was not possible to verify the revised calculations by the date of this report. As the due date for the December BAS is February 28th I have recommended to the Association that the original calculations by the external accountants be submitted for the December BAS."*

Under s332 of the RAO Schedule, where documents lodged in the Industrial Registry under s268 include a report of an auditor setting out any defect, irregularity, deficiency, failure or shortcoming, a Registrar is obliged to investigate the matter. However, the Registrar is not required to investigate the matter raised in the report of the auditor if, after consultation with the reporting unit and the auditor, the Registrar is satisfied that it is trivial or will be remedied in the following financial year.

Having in mind the provisions of s332 of the RAO Schedule, the Registrar seeks your views as well as those of the auditor in relation to:

- (i) whether the matters subject to the qualifications by the auditor are a defect, irregularity, deficiency, failure or shortcoming as referred to in s332; and
- (ii) whether any defect, irregularity, deficiency, failure or shortcoming disclosed in the auditor's report is a trivial matter or will be remedied during financial year ending 31 December 2005.

The Registrar seeks your written response and that of the auditor at the earliest convenience.

In your response you should indicate your view of where each qualification identified in the report of the auditor falls in respect to s332 of the RAO Schedule.

Your response should also indicate what steps are being taken to remedy the qualification or if the qualification has been subsequently remedied you should indicate how that has been achieved.

I note that some of the qualifications are similar to qualifications that have appeared in previous reports of the auditor and a Registrar has previously decided not to conduct an investigation under former s280 of the *Workplace Relations Act 1996*. The legislation has changed since that time, organisations are now required to prepare reports in accordance with Australian Accounting Standards, your response should address the qualifications in light of these new requirements.

A copy of this letter has been forwarded to your auditor, Magoffin Business Services Pty Ltd.

**Club**

Another matter noted in the financial reports was the inclusion of 'Club' in the income and expenditure statement and balance sheet, but not the statement of cash flows. I am unable to ascertain how the 'Club' came into being since the previous financial reports, and whether it should

have been disclosed in the Operating report. Your response to this matter would also be appreciated.

**Notes to the Financial Statements**

I also notice that the Notes to the Financial Statements commence at Note 3. Should there be other notes forming part of the financial statements, they should be forwarded to this office as soon as possible.

***The following matters are raised to assist you when you next prepare your financial reports:***

**General Purpose Financial Report**

Among the number of items reported in a General Purpose Financial Report (GPFR), there must be a notice drawing attention to provisions of the RAO Schedule that prescribed information is available to members on request. There should be set out in the GPFR, word for word, subsections 272(1), (2) and (3). Would you please ensure those subsections are included in the next GPFR.

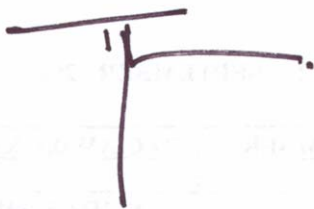
The item "Wages" shown in the income and expenditure statement as totals of \$36,098 for the Guild and \$182,931 for the Club should have been identified as having been paid to either of "holders of office" or "employees" - refer items 11(g) and (h) of the Reporting Guidelines.

**Timescale Requirements**

Financial reports should be prepared, audited, circulated to members, presented to a meeting and lodged in the Industrial Registry within certain timescale requirements. For example, the GPFR and the Committee of Management Statement must be prepared before the date of the auditor's report - this was not done. A copy of a timeline/planner is attached for your assistance.

Should you wish to discuss any of the issues raised in this letter, please contact Shane Ellard of the Industrial Registry on (03) 8661 7811 or by email at: [shane.ellard@air.gov.au](mailto:shane.ellard@air.gov.au).

Yours sincerely,



T. Nassios  
Deputy Industrial Registrar

15 September 2005

cc: Mr Kenneth Magoffin  
Director  
Magoffin Business Services Pty Ltd  
Email: [ken\\_magoffin@bigpond.com.au](mailto:ken_magoffin@bigpond.com.au)



ABN 75 134 664 816

## The Showmen's Guild of Australasia

• Guild House • 4 Turner Avenue • Yatala Q. 4207 •

FR2004/658

14 June 2005

*Rec'd 17/6/05*

Australian Industrial Registry  
GPO Box 1994S  
MELBOURNE VIC 3001

**ATTENTION: ROBERT PFEIFFER**

Dear Robert,

Please find enclosed the 2005 Annual Report for the Showmen's Guild of Australasia.

Yours Sincerely

Gail Flaherty  
TRUSTEE

Enc.



ABN 75 134 664 816

## The Showmen's Guild of Australasia

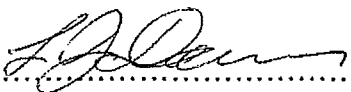
● Guild House ● 4 Turner Avenue ● Yatala Q. 4207 ●

### Attachment D

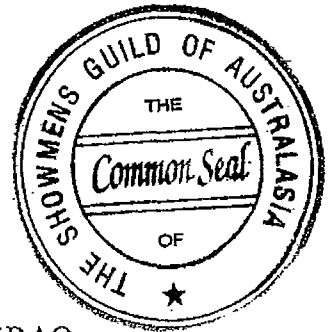
#### Certificate of Secretary or other Authorised Officer S268 of Schedule 1B Workplace Relations Act 1996

I Lesley John Davis being the Secretary of the Showmen's Guild of Australasia.

- That the documents lodged herewith are copies of the full report, (and the concise report), referred to in s268 of the RAO Schedule; and
- That the full report, was provided to members on 1<sup>st</sup> & 2nd March 2005; and
- That the full report was presented to a general meeting of members on 2nd March 2005 and on 31st May 2005 and a meeting of the executive committee of management on 1st March and 30<sup>th</sup> May 2005 in accordance with section 266 of the RAO Schedule.

Signature:   
.....  
Lesley John Davis - SECRETARY

Date:



RAO regulation 162 prescribes the designated officer for the purpose of RAO schedule s268 as:

- (a) the secretary; or
- (b) an officer of the organisation other than the secretary who is authorised by the organisation or by the rules of the organisation to sign the certificate mentioned in that paragraph.

Only applicable where a concise report is provided to members  
Insert whichever is applicable

---

● P.O. Box 690 ● Beenleigh Q. 4207 ●  
● Telephone: (07) 3807 0011 ● Facsimile: (07) 3807 0730 ●



ABN 75 134 664 816

## **The Showmen's Guild of Australasia**

● Guild House ● 4 Turner Avenue ● Yatala Q. 4207 ●

### **THE SHOWMEN'S GUILD OF AUSTRALASIA**

**OPERATING REPORT** for year ended 31 December 2004- s254

#### Principal activities

The **principal activities** of the Association during the reporting period were to provide industrial and organising services to the members consistent with the objects of the Association and particularly the object of protecting and improving the interests of the members. S254(2)(a)

The Associations' principal activities **resulted** in maintaining and improving the wages and conditions of employment of the membership, particularly for those members in collective enterprise agreements negotiated by the Association. S254(2)(a)

There were no **significant changes** in the nature of the Association's principal activities during the reporting period. S254(2)(a)

The Association has taken on a new Accountant to manage their **financial affairs**, the details are; **Kirsten Fowler of Dickensons Certified Practising Accountants, Tax Agents & Auditors, 54 Bryants Rd, Loganholme Qld 4129, Ph: 3209 7700.**

#### Manner of resignation

Members may resign from the Association in accordance with rule 41, which reads as follow: s254(2) (c)

41. A member may resign his or her membership of the Guild by notice in writing addressed to the Secretary if the notice is given not less than three months before the resignation is to take effect and all subscriptions, fines, fees, levies and dues payable by him or her are paid up to date on which the resignation is to take effect.

Trustee or director of trustee company of superannuation entity or exempt public sector superannuation scheme s254(2)(d) - **None**

---

● P.O. Box 690 ● Beenleigh Q. 4207 ●  
● Telephone: (07) 3807 0011 ● Facsimile: (07) 3807 0730 ●



Ken Magoffin - Director  
B.COM, ACIS, AAMM, INTAA, CPA  
Registered Tax Agent

# MAGOFFIN BUSINESS SERVICES PTY LTD

Office: 2/51 Cinderella Drive,  
Springwood QLD 4127

Postal Address: P O Box 950,  
Springwood QLD 4127

Phone: 07 3299 4800

Fax: 07 3299 4700

Email: KEN\_MAGOFFIN@bigpond.com.au

## INDEPENDENT AUDIT REPORT

### ADDENDUM TO ORIGINAL AUDIT REPORT DATED 25TH FEBRUARY 2005

#### Scope

I have audited the financial statements of The Showmen's Guild of Australasia Incorporated for the year ended December 31st 2004. The Guild's management committee is responsible for the financial statements and have determined that the accounting policies used and described in notes to the financial statements are appropriate to meet the needs of the members. No opinion is expressed as to whether the accounting policies used are appropriate to meet the needs of the members.

I have conducted an independent audit of the financial statements in order to prepare a Statement of Cash Flows and to express an opinion on that statement to the members of the Guild.

My audit has been based on the final financial statements of the Guild and was conducted in accordance with Australian Auditing Standards As audit procedures are of a test nature complete assurance cannot be given that all individual transactions have been classified correctly.

These procedures have been undertaken to form an opinion as to whether, in all material aspects, the Cash Flow Statement presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Consensus Views) the results of its operations and cash flows.

#### Qualifications

1. During the course of the audit staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt charge has appeared in the Profit and Loss Accounts as submitted for audit.
2. Staff have advised that a stock take was made of goods and raw materials held in the club premises at December 2004. However, there have been no changes made to the cash flow statement reflecting any changes in the stock on hand.
3. A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.

The following officers of the Association held preserved positions in the following entities. - **None**

Number of members RAO reg 159(a)

The number of persons who, at the end of the reporting period, were recorded on the Register of Members of the Association was: - **see attachment (i)**

Number of employees RAO reg 159(b)

The number of persons who were, at the end of the reporting period, employees of the Association during the reporting period are: - **One**

Members of Committee of Management RAO reg 159(c)

The persons who held office as members of the Committee of Management of the Association during the reporting period are: - **see attachment (ii)**

Signed... *L.J. Davis* .....  
Lesley John Davis – SECRETARY

Date: 7/6/05





ABN 75 134 664 816

## **The Showmen's Guild of Australasia**

● Guild House ● 4 Turner Avenue ● Yatala Q. 4207 ●

### **Attachment C**

#### **Committee of Management Statement**

On 1<sup>st</sup> & 2<sup>nd</sup> March 2005 the Committee of Management of The Showmen's Guild of Australasia passed the following resolution in relation to the general purpose financial report (GPFR) of the reporting unit for the financial year ended 31<sup>st</sup> December 2004.

The Committee of Management declares in relation to the GPFR that in its opinion:

- (a) the financial statements and notes comply\* with the Australian Accounting Standards;
- (b) the financial statements and notes comply\* with the reporting guidelines of the Industrial Registrar;
- (c) the financial statements and notes give a true and fair view\* of the financial performance, financial position and cash flows of the reporting unit for the financial year to which they relate;
- (d) there are reasonable grounds\* to believe that the reporting unit will be able to pay its debts as and when they become due and payable;
- (e) during the financial year to which the GPFR relates and since the end of that year:
  - (i) meetings of the committee of management were held\* in accordance with the rules of the organisation including the rules of a branch concerned; and
  - (ii) the financial affairs of the reporting unit have been \* managed in accordance with the rules of the organisation including the rules of a branch concerned; and

- (iii) the financial records of the reporting unit have been\* kept and maintained in accordance with the RAO Schedule and the RAO Regulations; and
- (iv) the information sought in any request of a member of the reporting unit or a Registrar duly made under section 272 of the RAO Schedule has been\* furnished to the member or Registrar; and
- (v) there has been\* no orders for inspection of financial records made by the Commission under section 273 of the RAO Schedule

For Committee of Management: Lesley John Davis & Lewis Osborne

Title of Office Held: Secretary & President

Signatures: *L.J. Davis* ..... *L. Osborne* .....  
L.J. Davis - SECRETARY      L. Osborne - PRESIDENT

Date: 7/6/05

Date: 12/6/05



ABN 75 134 664 816

## **The Showmen's Guild of Australasia**

● Guild House ● 4 Turner Avenue ● Yatala Q. 4207 ●

### **STATEMENT OF GUILD MEMBERS**

**AS AT 31<sup>ST</sup> DECEMBER 2004**

<b><u>TYPE OF MEMBER RIGHTS</u></b>	<b><u>NUMBER OF MEMBERS</u></b>	<b><u>VOTING</u></b>
Full Members	394	YES
Fifty Year Members	12	YES
Life Members	18	YES
Pioneer Members	6	YES
Honorary Members	67	YES

THE SHOWMEN'S GUILD OF AUSTRALASIA  
EXECUTIVE COMMITTEE 2005

<u>POSITION</u>	<u>NAME</u>	<u>ADDRESS</u>	<u>PHONE NO.</u>
<b>President:</b>	Mr Lew Osborne	C/O PO Box 690 Beenleigh QLD 4207	██████████
<b>Secretary:</b>	Mr John Davis	C/O PO Box 690 Beenleigh QLD 4207	██████████
<b>Treasurer:</b>	Mr George Pink	C/O PO Box 690 Beenleigh QLD 4207	██████████
<b>Trustees:</b>	Mrs Doreen Brown	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Ms Gail Flaherty	C/O PO Box 690 Beenleigh QLD 4207	██████████
<b>Vice Presidents:</b>	Mr Paul Hennessy	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Gary Johnson	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Noel McGregor	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr William (Bill) Wood	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Shane Blades	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Thomas Baker	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr William Davis	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Broderick Pavier	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Clayton Taylor	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Emile Verfurth 111	C/O PO Box 690 Beenleigh QLD 4207	██████████
<b>Committee:</b>	Mr Anthony Laurie	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Richard Miller	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Terry Nilon	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Dave Allan	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Stewart Watkins	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Charles Pink	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Frank A Laurie	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Michael Wood	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr Luke Chambers	C/O PO Box 690 Beenleigh QLD 4207	██████████
	Mr John Roberts Jnr	C/O PO Box 690 Beenleigh QLD 4207	██████████



Ken Magoffin - Director  
B.COM, ACIS, AAMM, INTAA, CPA  
Registered Tax Agent

# MAGOFFIN BUSINESS SERVICES PTY LTD

Office: 2/51 Cinderella Drive,  
Springwood QLD 4127

Postal Address: P O Box 950,  
Springwood QLD 4127

Phone: 07 3299 4800

Fax: 07 3299 4700

Email: KEN\_MAGOFFIN@bigpond.com.au

## INDEPENDENT AUDIT REPORT

### ADDENDUM TO ORIGINAL AUDIT REPORT DATED 25TH FEBRUARY 2005

#### Scope

I have audited the financial statements of The Showmen's Guild of Australasia Incorporated for the year ended December 31st 2004. The Guild's management committee is responsible for the financial statements and have determined that the accounting policies used and described in notes to the financial statements are appropriate to meet the needs of the members. No opinion is expressed as to whether the accounting policies used are appropriate to meet the needs of the members.

I have conducted an independent audit of the financial statements in order to prepare a Statement of Cash Flows and to express an opinion on that statement to the members of the Guild.

My audit has been based on the final financial statements of the Guild and was conducted in accordance with Australian Auditing Standards. As audit procedures are of a test nature complete assurance cannot be given that all individual transactions have been classified correctly.

These procedures have been undertaken to form an opinion as to whether, in all material aspects, the Cash Flow Statement presents fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Consensus Views) the results of its operations and cash flows.

#### Qualifications

1. During the course of the audit staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt charge has appeared in the Profit and Loss Accounts as submitted for audit.
2. Staff have advised that a stock take was made of goods and raw materials held in the club premises at December 2004. However, there have been no changes made to the cash flow statement reflecting any changes in the stock on hand.
3. A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.

4. Unknown expenditure to the value of \$22,462 has been recorded in the books of the Club operations. This amount represents numerous transactions over the year which appear to cover a number of matters which indicate that internal cash controls are sometimes inadequate. Management has given verbal assurance that internal control systems have been considerably tightened since December 2004 and any future discrepancies will be fully investigated.

5. Accrued outstanding GST liabilities.

The relevant provisions as at December 2004 have been amended numerous times over the period of the audit. This was primarily due to the opening balances of all accounts from the 2003 year not being entered in the accounting system until February 2005. Changes to the December 2004 BAS liability were being made up to February 23rd 2005 by the Association's external accountants. These changes indicated an increase in GST liability of \$15,209. It was not possible to verify the revised calculations by the date of this report. As the due date for the December BAS is February 28th I have recommended to the Association that the original calculations by the external accountants be submitted for the December BAS.

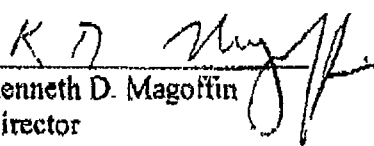
The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, except for the effects, if any, of any matters raised in the qualification paragraphs :

The Cash Flow Statement of The Showmen's Guild of Australasia Incorporated presents fairly, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Guild as at December 31st 2004 and the results of its operations and cash flows for the year ended on that date.

Signed at Logan City, this 5th day of May 2005.

  
Kenneth D. Magoffin  
Director

## SHOWMANS GUILD OF AUSTRALASIA

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31ST 2004

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from operations	1,038,333	884,535
Payments to suppliers and employees and Other Commitments	(1,090,895)	(884,559)
Interest Received	324	
<b><u>Net Cash Inflow from Operating Activities</u></b>	<u>(\$52,238)</u>	<u>(\$24)</u>
<b>Cash Flows from Borrowing Activities</b>	<u>\$32,500</u>	<u>\$109,001</u>
<b><u>Net Increase (Decrease) in Cash Held</u></b>	<b><u>(\$19,738)</u></b>	<b><u>\$108,977</u></b>
<b>Cash at the Beginning of the Financial Year</b>	<b>\$28,437</b>	<b>(\$80,540)</b>
<b>Cash at the end of the Financial Year</b>	<b><u>\$8,699</u></b>	<b><u>\$28,437</u></b>
<b><u>Reconciliation of Surplus (Deficit) to Net Cash Inflow from Operating Activities</u></b>		
Surplus (Deficit)	\$134,821	\$43,399
<b>Plus (Minus) Non cash items</b>		
Depreciation	0	18,286
Write Offs & Adjustments	23,751	
<b>Changes in assets and Liabilities</b>		
(Increase) Decrease in Receivables	(35,532)	(51,421)
(Increase) Decrease in Inventories	0	134
(Increase) Decrease in Other Current Assets	3,581	(40,124)
(Increase) Decrease in Fixed Assets	(85,395)	(476,187)
(Increase) Decrease in Fixed Assets - Revaluations		481,038
Increase (Decrease) in Payables	(120,360)	50,510
Increase (Decrease) in Subscriptions in advance		(11,766)
Increase (Decrease) in Borrowings	59,396	(11,195)
Increase (Decrease) in Provisions		(2,698)
<b><u>Net Cash Flow from Operating Activities</u></b>	<b><u>(\$19,738)</u></b>	<b><u>(\$24)</u></b>
	<u>0</u>	<u>0</u>

Note : This statement should be read in conjunction with the audit report

**SHOWMENS GUILD OF AUSTRALASIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31ST 2004**



**THE SHOWMENS GUILD OF AUSTRALASIA**  
**INCOME AND EXPENDITURE STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2004**

	GUILD	CLUB	Consolidated 2004 \$	2003 \$
<b>Income</b>				
Function Centre Income		318,282	318,282	316,080
Cost of Goods Sold		(174,093)	(174,093)	(189,065)
Gross Margin	50.00	\$144,169.00	\$144,169.00	\$127,015.00
		45.3%	45.3%	40.4%
Subscriptions	149,388		149,388	103,721
Employers First	1,781		1,781	
Joining fees	1,286		1,286	8,900
Interest Received	324		324	0
Cittings and fines	1,583		1,583	14,875
Ground Admin Fee	247,450		247,450	68,411
Reserve fund	10,850		10,850	
Legal fighting fund			0	80,272
Special Projects	12,488		12,488	55,714
Vehicle & Gate Passes	7,818		7,818	
Commissions			0	153
Sundry Income	1,535		1,535	
Cleveland Show			0	0
Hunter Valley Show			0	0
			0	
<b>Poker Machines</b>				
Net Income		276,894	276,894	219,176
Less Expenses			0	
Operating Costs		(41,129)	(41,129)	(31,078)
Govt Levy + Tax		(44,030)	(44,030)	(14,603)
Net Poker Machines	0	191,735	191,735	173,495
Keno Income		7,002	7,002	
Sundry Income	0	2,038	2,038	20,533
<b>Total Income</b>	<b>\$434,481</b>	<b>\$344,844</b>	<b>\$779,405</b>	<b>\$649,789</b>
				480,724
<b>Operating Expenses</b>				
Accountancy Fees	19,595	3,449	23,044	17,699
Advertising and Promotion	412	19,138	19,548	28,799
Auditors' remuneration			0	6,521
Bank Charges	2,392	5,537	7,929	5,967
Borrowing Costs		505	505	
Cleaning and Refuse disposal	11,516	13,897	25,413	12,003
Clubhouse Supplies		516	516	
Computer Expenses	2,478	578	3,056	1,497
Depreciation and amortization of fixed assets			0	18,288
Entertainment		13,370	13,370	27,936
Electricity and Gas	4,810	17,817	22,627	20,458
Fees and permits			0	1,683
Fines			0	0
Freight and Cartage	(115)	82	(53)	1,485
Fuel and Oil			0	4,620
Funerals and Flowers	987		987	877
Hire of plant & equipment	1,440	13,862	15,302	25,294
Insurance	7,056	4,585	11,641	182
Interest Paid	1,926	7,484	9,410	9,505
Interest Paid ATO	20,177		20,177	11,141
Jupiters Casino Pays		134	134	
Lease Expenses		5,668	5,668	
Legal expenses	126,945	506	127,451	24,222
Licenses & Fees		1,033	1,033	
Meeting expenses	4,178	452	4,630	2,975
Carried forward	<b>\$703,797</b>	<b>\$108,560</b>	<b>\$312,387</b>	<b>\$221,150</b>

Note : This statement should be read in conjunction with the audit report

**THE SHOWMENS GUILD OF AUSTRALASIA**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2004**

	GUILD	CLUB	2004 \$	2003 \$
<b>Brought forward</b>	\$203,797	\$108,590	\$312,387	\$221,150
Postage	1,682	280	1,962	1,989
Printing and stationery	7,455	1,944	9,399	13,754
Rates and taxes	963		963	3,928
Rent		252	252	
Repairs, maintenance	5,581	12,105	17,686	18,250
Security	2,110	1,127	3,237	988
Shows:	5,475		5,475	
Cleveland Show			0	0
Hunter Valley Show			0	0
Special Project Expenses	3,361		3,361	62,771
Sponsorships	1,443	80	1,523	1,077
Subscriptions	3,953	4,556	8,509	1,384
Sundries	4,161	365	4,526	
Superannuation	1,503	14,062	15,565	14,912
Telephone	8,552		8,552	12,306
Travel and accommodation	5,086	628	5,714	5,130
Wages	36,096	182,931	219,027	257,119
Workers Compensation		2,695	2,695	1,625
			0	
Losses & Write Offs Not Accounted For		22,462	22,462	
Till & Float Variances		1,289	1,289	
			0	
<b>Total Expenses</b>	<b>\$291,218</b>	<b>\$353,366</b>	<b>\$644,584</b>	<b>\$606,391</b>
				<b>\$417,326</b>
<b>Net Surplus/(Deficit)</b>	<b>\$143,243</b>	<b>(\$8,422)</b>	<b>\$134,821</b>	<b>\$43,398</b>

Note : This statement should be read in conjunction with the audit report

## THE SHOWMENS GUILD OF AUSTRALASIA

BALANCE SHEET  
FOR THE YEAR ENDED 31ST DECEMBER 2004

	Note		2004	2003
	GUILD	CLUB	\$	\$
<b>Members' Funds</b>				
Accumulated Funds brought forward	655,158	(157,332)	497,826	459,813
Asset Revaluation Reserve	660,170		660,170	680,170
Net Surplus (deficit) for year	143,243	(8,422)	134,821	43,398
Adjustment of balance			0	(218)
	<u>\$1,458,571</u>	<u>(\$165,754)</u>	<u>\$1,292,817</u>	<u>\$1,163,163</u>
<b>Non-Current Assets</b>				
Land and Buildings	1,345,805	10,748	1,356,351	1,345,805
Plant, fittings & equipment	223,403	70,285	293,688	219,039
<b>Total Non-Current Assets</b>	<u>\$1,569,008</u>	<u>\$81,031</u>	<u>\$1,650,039</u>	<u>\$1,564,844</u>
<b>Current Assets</b>				
Cash	32,069	29,962	62,031	13,472
Other Debtors and Prepayments	98,438		98,438	62,904
Less Prov Bad debts	(10,000)		(10,000)	(10,000)
Stock on Hand	0	13,850	13,850	13,850
Members Account Loan Funds	10,726		10,726	99,001
<b>Total Current Assets</b>	<u>\$131,231</u>	<u>\$43,812</u>	<u>\$175,043</u>	<u>\$179,227</u>
<b>Total Assets</b>	<u>\$1,700,239</u>	<u>\$124,843</u>	<u>\$1,825,082</u>	<u>\$1,743,871</u>
<b>Current Liabilities</b>				
Payables	118,467	137,563	256,030	376,390
Subscriptions and joining fees in advance			0	0
Related Party Loans	(44,357)	44,357	0	0
Provisions			0	0
Interest Bearing Liabilities	26,055	108,679	134,734	95,316
<b>Total Current Liabilities</b>	<u>\$100,165</u>	<u>\$290,599</u>	<u>\$390,764</u>	<u>\$471,706</u>
<b>Non-Current Liabilities</b>				
Loan SGA Members	141,501	0	141,501	109,001
<b>Total Non-Current Liabilities</b>	<u>\$141,501</u>	<u>\$0</u>	<u>\$141,501</u>	<u>\$109,001</u>
<b>Total Liabilities</b>	<u>\$241,666</u>	<u>\$290,599</u>	<u>\$532,265</u>	<u>\$580,707</u>
<b>Excess of Assets over Liabilities</b>	<u>\$1,458,573</u>	<u>(\$165,756)</u>	<u>\$1,292,817</u>	<u>\$1,163,164</u>
	\$2	(\$2)	(\$0)	\$1

Note : This statement should be read in conjunction with the audit report

## THE SHOWMENS GUILD OF AUSTRALASIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2004

	GUILD	CLUB	2004	2003
<b>Note 3 - Land and Buildings</b>				
Lot 1, Turner Avenue, Yatala			0	
- at independent valuation 2004	609,000		609,000	609,000
Buildings and Improvements	736,605	10,746	747,351	736,605
- at independent valuation 2004			0	
<b>Total Land and Buildings</b>	<b>\$1,345,605</b>	<b>\$10,746</b>	<b>\$1,356,351</b>	<b>\$1,345,605</b>
<b>Note 4 - Plant, Fittings and Equipment</b>				
Plant and equipment - at cost	65,735	67,285	133,020	65,735
Less: Accumulated depreciation	(29,460)		(29,460)	(29,460)
	\$36,275	\$67,285	\$103,560	\$36,275
Motor Vehicles & Cost		3,000	3,000	0
Less: Accumulated depreciation				
	\$0	\$3,000	\$3,000	\$0
Office equipment - at cost	59,037		59,037	54,673
Less: Accumulated depreciation	(42,305)		(42,305)	(42,305)
	\$16,732	\$0	\$16,732	\$12,368
Furniture and fittings - at cost	66,054		66,054	66,054
Less: Accumulated depreciation	(44,545)		(44,545)	(44,545)
	\$21,509	\$0	\$21,509	\$21,509
Poker Machines	75,000		75,000	75,000
Less: Accumulated depreciation				
	\$75,000	\$0	\$75,000	\$75,000
Leased assets - at cost	191,362		191,362	191,362
Less: Accumulated amortisation	(117,475)		(117,475)	(117,475)
	\$73,887	\$0	\$73,887	\$73,887
<b>Total Plant, Fittings and Equipment</b>	<b>\$223,403</b>	<b>\$70,285</b>	<b>\$293,688</b>	<b>\$219,039</b>
<b>Note 5 - Stock on Hand</b>				
Club stock		\$13,850	\$13,850	\$13,850
<b>Note 6 - Cash</b>				
Cash at Bank	32,069		32,069	6,015
Poker machine account		16,290	16,290	
ATM Bank Account		4,226	4,226	
Special account			0	57
Tills & Floats		8,846	8,846	
Cash on hand		600	600	7,400
	\$32,069	\$29,962	\$62,031	\$13,472

Note : This statement should be read in conjunction with the audit report

## THE SHOWMENS GUILD OF AUSTRALASIA

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2004

	2004			2003
<b>Note 7 - Payables</b>				
Trade Creditors	30,426	24,696	56,122	72,009
Other Current Liabilities	392	7,811	8,203	
GST Collected Current	19,820	16,820	36,640	76,305
GST Paid Current	(3,456)	(3,002)	(6,458)	
GST Payable Arrears	97,188	2,570	99,758	
Superannuation Payable - Current	254	993	1,247	82,063
Superannuation Payable - Arrears	(26,740)	36,473	9,733	
PAYG Payable - Current	583	1,977	2,560	138,212
PAYG Payable - Arrears		49,225	49,225	
Loan from Guild			0	
Loan from Guild (Guild Subs)			0	
Accruals			0	7,811
	<u>\$118,467</u>	<u>\$137,563</u>	<u>\$256,030</u>	<u>\$376,390</u>

**Note 8 - Interest Bearing Liabilities****Current**

Bank overdraft - secured	14,775	49,283	64,058	84,036
Lease liability	11,280	59,396	70,678	11,280
	<u>\$26,055</u>	<u>\$108,679</u>	<u>\$134,734</u>	<u>\$95,316</u>

**Non-Current**

Loan SGA Members	141,501		141,501	109,001
	<u>\$141,501</u>	<u>\$0</u>	<u>\$141,501</u>	<u>\$109,001</u>

The Guild has a \$100,000 overdraft facility with Westpac Banking Corporation who holds a registered mortgage over the land and buildings. The facilities are subject to yearly review by the bank with the next review to commence 30 September 2004.

**Note 9 - Provisions**

Provision for annual leave	0	0	0	0
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**Note 10 - Commitments**

Commitments in relation to finance lease liabilities are payable as follows:

Not later than one year				11,280
Later than 1 year but not later than 5 years		59,396		
Minimum lease payments				
Less: Future finance charges				
	<u>\$0</u>	<u>\$59,396</u>		<u>\$11,280</u>

**Representing lease liabilities:**

Current				11,280
Non-Current	0	0		0
	<u>\$0</u>	<u>\$0</u>		<u>\$11,280</u>

# **M** AGOFFIN BUSINESS SERVICES PTY LTD

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## **INDEPENDENT AUDIT REPORT**

### Scope

I have audited the financial statements of The Showmen's Guild of Australasia Incorporated for the year ended December 31st 2004. The Guild's management committee is responsible for the financial statements and have determined that the accounting policies used and described in notes to the financial statements are appropriate to meet the needs of the members. No opinion is expressed as to whether the accounting policies used are appropriate to meet the needs of the members.

I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Guild.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. As audit procedures are of a test nature complete assurance cannot be given that all individual transactions have been classified correctly.

These procedures have been undertaken to form an opinion as to whether, in all material aspects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Consensus Views) and statutory requirements so as to present a view which is consistent with my understanding of the Association's financial position and the results of its operations and cash flows.

### Qualifications

1. Buildings are not depreciated. It is the belief of the Guild's Committee that to depreciate buildings would not provide an accurate representation of the value of the buildings. The Guild has adopted a policy of valuing the buildings every two years. The effect of the non adoption of this accounting standard is that depreciation expense is understated. As a result of the recent independent valuation the asset revaluation reserve has been increased by \$414,000 with respect to the buildings.

2. There has been no general depreciation charge for the 2004 year. If the general depreciation charge for 2004 was similar to 2003, then the profit realised would have been reduced by approximately \$18,000.

3. During the course of the audit staff from the Association have advised that certain receivables were written off as bad debts during the year. However, there was no change in the provision for bad debts set aside in 2003 and no bad debt charge has appeared in the Profit and Loss Accounts as submitted for audit.

4. Staff have advised that a stock take was made of goods and raw materials held in the club premises at December 2004. However, there have been no changes made to the profit and loss account or balance sheet reflecting any changes in the stock on hand.

5. A significant component of income derived by the Guild is of such a nature that full control of receipts cannot be maintained until amounts are actually recorded through the Guild's books. As there are no practical audit procedures to quantify the effect of this, I am unable to confirm that all receipts have been properly recorded.

6. Unknown expenditure to the value of \$22,462 has been recorded in the books of the Club operations. This amount represents numerous transactions over the year which appear to cover a number of matters which indicate that internal cash controls are sometimes inadequate. Management has given verbal assurance that internal control systems have been considerably tightened since December 2004 and any future discrepancies will be fully investigated.

7. Accrued outstanding GST liabilities.

The relevant provisions as at December 2004 have been amended numerous times over the period of the audit. This was primarily due to the opening balances of all accounts from the 2003 year not being entered in the accounting system until February 2005. Changes to the December 2004 BAS liability were being made up to February 23rd 2005 by the Association's external accountants. These changes indicated an increase in GST liability of \$15,209. It was not possible to verify the revised calculations by the date of this report. As the due date for the December BAS is February 28th I have recommended to the Association that the original calculations by the external accountants be submitted for the December BAS.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, except for the effects, if any, of any matters raised in the qualification paragraphs;

a) the financial statements of The Showmen's Guild of Australasia Incorporated present fairly, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements, the financial position of the Guild as at December 31st 2004 and the results of its operations and cash flows for the year ended on that date; and

(b) the financial statements are properly drawn up in accordance with the provisions of the Associations Incorporations Act 1981.

c) the Guild has kept satisfactory accounting records for the financial year ended December 31st 2004, including records of the sources and nature of the Guild's income and expenditure.

d) the accounts have been prepared in accordance with the Industrial Relations Act 1999, and the appropriate Australian Accounting Standards and other mandatory reporting requirements to the extent detailed in Note 1.

Without qualification to the above opinion, please note the following comments :

Going Concern Assumption

The audit reports for 2002 and 2003 expressed concern as to the financial viability of the Guild in its continuing operations. Since that time it has now been confirmed that a new management committee has been appointed and new external financial management advice engaged to restructure the Guild's operations. In addition, substantial funds have been raised in the form of unsecured loans from members which funds have been used to substantially reduce debts owed to the Australian Tax Office.

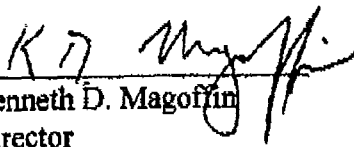
Post Balance Date Events

On February 21st 2005 a loan of \$120,000, unsecured, was provided by a member of the Association to assist in reduction of the debt owing to the Australian Taxation Office. On February 22nd the total debt owing to the ATO was paid out in full. The loan from the member is confirmed by a signed contract which details full repayment over two years at 7.0% interest.

As a result of the above refinancing activities, as well as the current profitability of the association, as at the date of this report, the "Going Concern" conditions will no longer apply.

A reorganisation and redevelopment of the Club's facilities, including additional gaming machines, has been planned which the Guild's committee has advised will continue to increase Guild's profitability.

Signed at Logan City, this 25th day of February 2005.

  
Kenneth D. Magoffin  
Director