Penshurst RSL Club Limited

ABN 56 430 538 750

Annual Financial Report
31 December 2018

Penshurst RSL Club Limited
Directors' Report

The directors present their report, together with the financial statements of Penshurst RSL Club Limited for the year ended 31 December 2018.

Directors

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

John Hoban
Kim Thompson
Kevin Kelly
Susie Bourke
Albert Annesley
Graham Grant
Michael Korfias
Trevor James
Therese Gardner

Information on directors

John Hoban	Retired Army Officer Appointed President 20 March 2016 Director 13 years
Kim Thompson	Retired Public Servant Appointed Vice President 25 March 2018
Kevin Kelly	Retired National Sales Manager Appointed Director 25 March 2018
Susie Bourke	Medical Receptionist Director 7 years
Albert Annesley	Retired Businessman Director 5 years
Graham Grant	Retired Petro-Chemical Workshop Manager Director 3 years
Michael Korfias	Airport Shift Manager Director 3 years
Trevor James	Machinist Director 5 years Resigned as Vice-President 25 March 2018
Therese Gardner	Bookkeeper Director 8 years Resigned as Director 25 March 2018

Directors' meetings

The number of meetings of the company's Board of Directors (the Board) held during the year ended 31 December 2018 and the number of meetings attended by each director were:

	BOARD MEETINGS	
Director	**Number of Meetings Held ***	**Number of Meetings Attended**
John Hoban	12	12
Kim Thompson	9	8
Kevin Kelly	9	9
Susie Bourke	12	11
Albert Annesley	12	11
Graham Grant	12	12
Michael Korfias	12	11
Trevor James	3	2
Therese Gardner	3	3

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

Principal activities

The principal activity of the company during the course of the financial year was to trade as a Licensed Club, and there has been no significant change in the nature of this activity since the last report.

The company changed from a co-operative body to a company limited by guarantee in February 2018. This changed the company from Penshurst RSL Club Co-operative, registered under the Co-operative Act 1992, to Penshurst RSL Club Limited, registered as a company limited by guarantee under the *Corporations Act 2001*.

Membership

The Company is a company limited by guarantee and is without share capital. The number of members as at 31 December 2018 and the comparison with last year is as follows:

	2018	**2017**
Ordinary	6263	6164
Life	9	9
	6272	6173

Members' limited liability

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to $2 per member in the event of the winding up of the company during the time that they are a member or within one year thereafter. The total amount that the members of the company are liable to contribute if the company is wound up is $12,544 (2017: $12,346).

Operating result

The trading profit for the year (before tax) amounted to $308,966 compared with $546,670 for the prior year. This result is after charging $716,939 (2017: $651,065) for depreciation.

Objectives

Short term

The club's main short term objective is to provide a safe and friendly club environment, where everyone is welcome. The club must ensure its' ongoing focus on efficient operational performance whilst supporting local sporting clubs and the local community.

Long term

To secure the long term future of the Penshurst RSL Club by ensuring optimum operational efficiencies in order to strengthen the club's financial position.

The overall vision is to ensure that the Club is able to provide an outstanding facility and services to its members and the local community to enjoy.

Strategy for achieving the objectives

All Board members must attend the Compulsory Directors training which incorporates the two courses entitled "Director Foundation and Management Collaboration" and "Finance for Club Boards".

The Directors have a liability under the Corporations Act.

Annually the Board sets and/or reviews the club's Strategic Plan.

The Board have identified the following six core strategic objectives from the club's Strategic Plan:

1. Sustainable Future
2. Operational Excellence
3. Outstanding Facilities
4. Strong Identity
5. Community Cornerstone
6. Masterplan

The following four key documents are also in place in order to assist with achieving the club's Strategic Plan:

- Operational Plan – A plan prepared by the senior management that clearly defines the actions that it will take to support the strategic objectives and plans set by the Board.
- Capital Investment Plan – A plan prepared by the senior management that details all potential capital investment projects for the club's strategic objectives.
- Master Plan – A plan approved by the Board that describes the overall land use for the club's operations which includes both present property uses as well as future land development plans.
- Financial Forecasts – An estimated financial report approved by the Board which include profit and loss, balance sheet and cash-flow statements and reflect both the strategic plan and operational plan objectives.

How these activities assist in achieving the objectives

The principal activities assist in achieving the objectives as they are our core revenues and foundations to be able to achieve the objectives. The strategies are reviewed on a monthly basis by the Board to ensure that they are aligned in assisting the club to achieve optimum performance and to enhance and improve the club facility as a whole.

Performance measurement and key performance indicators

The club has detailed budgets and cash-flows which are approved by the Board for the ensuing year. The performance of the club is monitored by the Board on a monthly basis in line with a number of industry Key Performance Indicators (KPIs) such as:

- Gross Profit Margins
- Wages to Sales analysis
- Profit and Loss accounts
- Balance Sheet analysis
- Earnings Before Tax, Depreciation and Amortisation (EBITDA)
- Cash-flow

Key Performance Indicators

	2018	**2017**
Employee benefits expense to sales percentage	28.3%	26.4%
Wages and salaries - percentage of total revenue		
EBITDA - percentage of revenue	20.3%	23.1%

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the directors.

Dated at Penshurst 19th day of February 2019

Vice President

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE MEMBERS OF PENSHURST RSL CLUB LIMITED

I declare that, to the best of my knowledge and belief during the year ended 31 December 2018 there have been:

— No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— No contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

Domenic Molluso
Director

Sydney, 19 February 2019

CHARTERED ACCOUNTANTS & ADVISORS

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Penshurst RSL Club Limited

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2018

	Note	2018 $	2017 $
Revenue			
Sale of goods		1,073,356	1,133,576
Rendering of services		4,498,400	4,570,242
Other revenue		64,226	61,130
Total revenue	1	5,635,982	5,764,948
Expenses			
Raw materials and consumables used		309,601	367,165
Employee benefits expense		1,594,960	1,519,716
Depreciation	2	716,939	651,065
Finance costs	2	116,157	131,916
Marketing and promotional expenses		743,279	724,235
Poker machine licences and taxes		804,981	824,459
Occupancy expenses		672,408	632,311
Other expenses		368,691	367,411
		5,327,016	5,218,278
Profit before income tax		308,966	546,670
Income tax expense	3	-	-
Net profit after income tax expense attributable to members		308,966	546,670
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to members		308,966	546,670

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 10 to 27.

Penshurst RSL Club Limited

Statement of Financial Position
As at 31 December 2018

	Note	2018 $	2017 $
ASSETS			
Current Assets			
Cash and cash equivalents		609,615	751,571
Trade and other receivables		9,467	7,188
Inventories		58,043	47,843
Prepayments		96,043	82,159
Total Current Assets		773,168	888,761
Non-Current Assets			
Property, plant and equipment	4	15,520,392	15,282,790
Investment property	5	1,406,171	1,414,114
Total Non-Current Assets		16,926,563	16,696,904
Total Assets		17,699,731	17,585,665
LIABILITIES			
Current liabilities			
Trade and other payables	6	552,392	654,618
Financial liabilities	7	593,840	527,476
Employee benefits	8	207,966	180,248
Income received in advance		14,828	15,214
Total Current Liabilities		1,369,026	1,377,556
Non-Current Liabilities			
Financial liabilities	7	1,702,402	1,886,100
Employee benefits	8	31,982	34,276
Income received in advance		9,669	10,047
Deferred tax liability	3	1,157,358	1,157,358
Total Non-Current Liabilities		2,901,411	3,087,781
Total Liabilities		4,270,437	4,465,337
Net Assets		13,429,294	13,120,328
Members' Funds			
Reserves	9	3,106,067	3,106,067
Retained profits		10,323,227	10,014,261
Total Members' Funds		13,429,294	13,120,328

The Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 10 to 27.

Penshurst RSL Club Limited

Statement of Changes in Members' Funds
For the Year Ended 31 December 2018

	Reserves $	Retained Earnings $	Total Equity $
Balance at 31 December 2016	3,106,067	9,467,591	12,573,658
Net profit after income tax expense for the year	-	546,670	546,670
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	546,670	546,670
Balance at 31 December 2017	3,106,067	10,014,261	13,120,328
Net profit after income tax expense for the year	-	308,966	308,966
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	308,966	308,966
Balance at 31 December 2018	3,106,067	10,323,227	13,429,294

The Statement of Changes in Members' Funds should be read in conjunction with the accompanying notes set out on pages 10 to 27.

Penshurst RSL Club Limited

Statement of Cash Flows
For the Year Ended 31 December 2018

	2018 $	2017 $
Cash Flows From Operating Activities		
Receipts from customers	6,126,652	6,274,493
Payments to suppliers and employees	(5,150,292)	(4,724,026)
Interest received	337	395
Rent received	61,889	60,735
Finance costs paid	(116,157)	(131,916)
Net cash inflow from operating activities	922,430	1,479,681
Cash Flows From Investing Activities		
Proceeds from sale of plant and equipment	4,946	6,670
Payment for property, plant and equipment	(951,998)	(706,500)
Net cash outflow from investing activities	(947,052)	(699,830)
Cash Flows From Financing Activities		
Proceeds from borrowings	386,274	45,591
Repayment of borrowings	(374,600)	(333,900)
Hire purchase lease repayments	(129,008)	(90,475)
Net cash inflow/(outflow) from financing activities	(117,334)	(378,784)
Net (decrease)/increase in cash and cash equivalents	(141,956)	401,067
Cash and cash equivalents at the beginning of the financial year	751,571	350,504
Cash and cash equivalents at the end of the financial year	609,615	751,571

The Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 10 to 27.

About this report

Penshurst RSL Club Limited is a company limited by guarantee, incorporated and domiciled in Australia and is a not-for-profit entity for the purposes of preparing the financial statements. The financial statements are for Penshurst RSL Club Limited as a standalone legal entity.

The financial statements were approved for issue by the Directors on 19 February 2019.

The financial statements are general purposes financial statements which:

- Have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australia Accounting Standards – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board ('AASB');
- Have been prepared under the historical cost convention;
- Are presented in Australian dollars;
- Have had comparative information restated to conform with changes in presentation in the current year, where necessary;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Club and effective for reporting periods beginning on or after 1 January 2018; and
- Have been prepared on a going concern basis.

The Notes to the Financial Statements

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

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

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

Critical Accounting Judgements, Estimates and Assumptions

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

Impairment of non-financial assets	Note 4
Estimation of useful lives of assets	Note 4
Long service leaves liability	Note 8
Fair value of property	Notes 4 and 5

1 Revenue and Other Income

	2018 $	2017 $
Sale of Goods Revenue		
Bar sales	1,073,356	1,133,576
Rendering of Services Revenue		
Poker machines – net clearances	4,301,207	4,372,792
Keno commission received	48,204	53,673
Members' subscriptions	24,046	21,434
Entertainment and promotions	5,708	7,550
TAB commission received	13,918	13,701
Room hire	44,377	40,659
Brassiere utilities recovery	36,000	39,969
Sundry income	24,940	20,464
	4,498,400	4,570,242
Other Revenues		
Interest received	337	395
Rent received	61,889	60,735
Gain on disposal of non-current assets	2,000	-
Total other revenue	64,226	61,130
Total Revenue	5,635,982	5,764,948

Recognition and Measurement

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

Sale of Goods

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

1 Revenue and Other Income (continued)

Rendering of Services

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

Interest Revenue

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

Rent Revenue

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

2 Expenses

Profit before income tax includes the following specific expenses:

	2018 $	2017 $
Cost of sales		
Raw materials and consumables used	309,601	367,165
Finance costs		
Bank loans	108,240	120,911
Finance lease charges	7,917	11,005
	116,157	131,916
Depreciation		
Buildings, improvements and investment property	120,134	121,308
Plant and equipment	596,805	529,757
Total depreciation	716,939	651,065
Defined contribution superannuation expense	127,079	126,101
Net (gain)/expense from movement in provisions for employee entitlements	25,424	(50,160)
Loss on disposal of non-current assets	2,454	315

2 Expenses (continued)

Recognition and Measurement

Finance Costs

Finance costs include interest, premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of finance costs capitalised are those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

Impairment of Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

3 Income Tax

(a) Income Tax Expense

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

(b) Deferred Tax Liability

	2018 $	2017 $
Unrealised gain on revaluation of land and buildings	1,157,358	1,157,358

Recognition and Measurement

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

4 Property, Plant and Equipment

	2018 $	2017 $
Freehold land		
At independent valuation 2015	7,500,000	7,500,000
Buildings and improvements		
At independent valuation 2015	4,947,588	4,850,000
Gaming floor renovation – at cost	1,303,177	1,303,177
Accumulated depreciation	(308,424)	(196,234)
	13,442,341	13,456,943
Plant and equipment		
At cost	6,142,607	5,845,528
Accumulated depreciation	(4,208,306)	(4,045,281)
	1,934,301	1,800,247
Capital WIP – *at cost*	143,750	25,600
Total property, plant and equipment net book value	15,520,392	15,282,790

Refer to Note 7 for details of security over property, plant and equipment.

Recognition and Measurement

Freehold land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same class of land and buildings recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to that class of land and buildings.

4 Property, Plant and Equipment (continued)

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

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

Buildings and improvements	60 years
Plant and equipment	5 – 10 years

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

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

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

Valuation

An independent valuation of the Club's freehold land and buildings was carried out in December 2015 on the basis of open market value for existing use resulting in a valuation of $12,350,000. Since that date, additions have been $97,588. The directors do not believe that there has been a material movement in the fair value since the valuation date.

Sale of Property, Plant and Equipment

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and is recognised as other income at the date control of the asset passes to the buyer.

4 Property, Plant and Equipment (continued)

Reconciliations	2018 $	2017 $

Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:

	2018 $	2017 $
Freehold Land, Buildings and Improvements		
Carrying amount at beginning of year	13,456,943	13,563,308
Additions	97,588	7,000
Depreciation	(112,190)	(113,365)
Carrying amount at end of year	13,442,341	13,456,943
Plant and Equipment		
Carrying amount at beginning of year	1,800,247	1,662,775
Additions	736,260	673,900
Disposals	(5,401)	(6,671)
Depreciation expense	(596,805)	(529,757)
Carrying amount at end of year	1,934,301	1,800,247
Capital Work-in-progress		
Carrying amount at beginning of year	25,600	-
Additions	118,150	25,600
Carrying amount at end of year	143,750	25,600

Core Properties held by the Club

58A Penshurst Street, Penshurst NSW 2222

Non-core Properties held by the Club

25, 27, 29 and 31 Connelly Street, Penshurst NSW 2222

5 Investment Property

	2018 $	2017 $
Freehold land and buildings at fair value	1,430,000	1,430,000
Accumulated depreciation	(23,829)	(15,886)
	1,406,171	1,414,114

Movements in Carrying Amounts

Carrying amount at beginning of year	1,414,114	1,422,057
Depreciation	(7,943)	(7,943)
Carrying amount at end of year	1,406,171	1,414,114

Valuation

An independent valuation of the company's freehold land and buildings was carried out in December 2015 on the basis of open market value for existing use resulting in a valuation of $1,430,000. The directors do not believe that there has been a material movement in the fair value since the valuation date.

Non-core Property

52 Penshurst Street, Penshurst NSW 2222

Recognition and Measurement

Investment properties principally comprise freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

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

6 Trade and Other Payables

	2018 $	2017 $
Current		
Trade payables	343,576	435,845
Other payables and accrued expenses	208,816	218,773
	552,392	654,618

Recognition and Measurement

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

7 Financial Liabilities

	2018 $	2017 $
Financing Arrangements		
The company has access to the following lines of credit:		
Total facilities available:		
Commercial bills	2,600,000	2,600,000
Asset finance – hire purchase liabilities	500,000	300,000
Credit card	10,000	5,000
	3,110,000	2,905,000
Facilities utilised at reporting date:		
Current Financial Liabilities		
Bank loans	373,200	351,700
Asset finance – hire purchase liabilities	177,312	123,798
Premium funding	43,328	51,978
	593,840	527,476
Non-Current Financial Liabilities		
Bank loans	1,443,800	1,818,400
Asset finance – hire purchase liabilities	258,602	67,700
	1,702,402	1,886,100

7 Financial Liabilities (continued)

Bank Loans

The bank loan is denominated in Australian dollars.

The bank loan's non-current balance represents the portion of the company's bank loan not due within one year.

Security

i) The commercial bill facility is secured by first registered general security agreement over the assets and undertakings of the company and first registered real property mortgage over the property located at 52 and 58a Penshurst Street, Penshurst NSW 2222.

ii) Hire purchase liabilities are secured by first registered specific security agreement over equipment suitable to be financed by St George Bank given by the company.

Recognition and Measurement

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

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

8 Employee Benefits

	2018 $	2017 $
Current Employee Benefits		
Long service leave	88,327	74,500
Annual leave	119,639	105,748
	207,966	180,248
Non-Current Employee Benefits		
Long service leave	31,982	34,276

Superannuation Plans

Contributions

The company is under a legal obligation to contribute 9.5% of each employee's base salary to a superannuation fund.

Recognition and Measurement

Wages and Salaries, Annual Leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables with respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

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

Superannuation Plan

The company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The company has no legal or constructive obligation to fund any deficit.

	2018 $	2017 $

9 Reserves

	2018 $	2017 $
Capital profits reserve	545,000	545,000
Asset revaluation reserve	2,546,664	2,546,664
Members' withdrawn share reserve	14,403	14,403
	3,106,067	3,106,067

10 Commitments

Hire Purchase Commitments

Hire purchase payments are payable as follows:

	2018 $	2017 $
Within one year	198,124	127,500
One year or later and no later than five years	272,861	75,966
	470,985	203,466
Less: Future hire purchase charges	(35,071)	(11,968)
	435,914	191,498

The company hires plant and equipment under hire purchase agreements expiring from one to five years. The hire purchase facility is secured against the assets purchased under this facility in Note 4.

10 Commitments (continued)

Recognition and Measurement

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

Finance Leases

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

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

Operating Leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

11 Key Management Personnel Details

(a) Directors

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

John Hoban
Kim Thompson
Kevin Kelly
Susie Bourke
Albert Annesley
Graham Grant
Michael Korfias
Trevor James
Therese Gardner

(b) Other Key Management Personnel

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

Name	Position
Chris Hendley	Chief Executive Officer

(c) Key Management Personnel Compensation

	2018 $	2017 $
Benefits and payments made to the Directors and Other Key Management Personnel	193,284	170,224

12 Related Parties

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 11.

Transactions with related parties

From time to time the company pays, and is subsequently reimbursed, for various expenses on behalf of the Sub Branch. During the 2018 financial year the company paid $15,693 (2017: $21,634) on behalf of the Sub Branch and the company was reimbursed $18,523 (2017: $21,925).

During the 2018 financial year the company provided funding, through the Club Grants scheme, of $10,900 to the Sub Branch (2017: $1,650).

The shortage of expenses reimbursed by the Branch in 2018, totalling $2,830, and the amount receivable from the Sub Branch at 31 December 2017 ($2,086 as outlined below) reconcile to the payable to the Sub Branch at 31 December 2018 ($744 outlined below).

During the 2018 and 2017 financial years the company made available office space to the Sub Branch at no cost.

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

No director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Receivable from and payable to related parties

As at 31 December 2018, the company recognised a payable of $744 (2017: $2,086 receivable) from the Sub Club.

There were no other receivables from or payables to related parties at the current and previous reporting date.

13 Company Details

The company is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to $2 per member in the event of the winding up of the company during the time that he is a member or within one year thereafter. At 31 December 2018 there were 6,272 members.

The registered office of the company is 58A Penshurst Street, Penshurst NSW 2222.

14 Events Subsequent to Reporting Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

15 Summary of Other Significant Accounting Policies

(a) Goods and Services Tax

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

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

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

(b) Cash and Cash Equivalents

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

(c) Financial Assets

The Club classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired and subsequent reclassification to other categories is restricted to limited circumstances. Management determines the classification of its investments at initial recognition.

All financial assets are recognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Club has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. They arise when the Club provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

15 Summary of Significant Accounting Policies

(d) Inventories

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

(e) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets such as trading and available for sale securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Club is the current bid price.

The carrying value of trade receivables and payables are assumed to approximate their fair value due to their short term nature.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Club for similar liabilities.

(f) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(g) Customer Loyalty Program

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

Points carried forward for level 1 and level 2 patrons were accrued at year end, whilst points for level 3 and level 4 patrons were cleared, as they were forfeited at year end.

15 Summary of Significant Accounting Policies

(h) Critical Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of Useful Lives of Assets

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

Long Service Leave Provision

As discussed in note 8, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect to all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(i) Adjustments to the Comparative Figures

During the 2018 financial year the board of directors identified that an adjustment was required to the statement of financial position presented in prior years. The adjustment relates to the deferred tax implications of historical property revaluation increments and decrements in 2009, 2012 and 2015. The impact of these adjustments is outlined in the table below:

	Reported	Adjustment	Restated
Deferred tax liability	1,379,872	(222,514)	1,157,358
Asset revaluation reserve	2,838,203	(291,539)	2,546,664
Retained profits	8,953,538	514,053	9,467,591

Directors' Declaration

The directors of Penshurst RSL Club Limited declare that:

(a) In the directors' opinion the financial statements and notes set out on pages 6 to 27, are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, for the financial year ended on that date; and

(ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and *Corporations Regulations 2001*.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Dated at Penshurst this 19th day of February 2019.

Vice President

Penshurst RSL Club Limited

Independent Auditor's Report to Members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Penshurst RSL Club Limited (the Club), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Club's financial position as at 31 December 2018 and of its financial performance for the year then ended; and

(ii) Complying with Australian Accounting Standards - Reduced Disclosure Regime and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

CHARTERED ACCOUNTANTS & ADVISORS

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Sydney NSW 2000

Parramatta Office
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Parramatta NSW 2150

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williambuck.com

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Club's annual report and directors' report for the year ended 31 December 2018 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our independent auditor's report.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

Domenic Molluso
Director

Sydney, 19 February 2019