

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Financial Statements

For the Year Ended 31 December 2017

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

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For the Year Ended 31 December 2017

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Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Directors' Report For the Year Ended 31 December 2017

The Directors present their report on Mosman Returned Servicemen's Club Limited for the financial year ended 31 December 2017.

Directors

The names of the Directors in office at any time during, or since the end of, the year are:

Name

James Anthony Malloch
Andrew Bernard Clancy
Robert Armand Maul
Jeanette Anne Bruce
Malcom Munday
Roy David Bendall
Ian Chisholm (appointed 3 May 2017)

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

Company secretary

The following person held the position of Club secretary at the end of the financial year:

Gerard Boyle has over 20 years' Club Industry experience and holds a Master of Business Administration and numerous industry qualifications. Gerard has been the company secretary since 6 July 2015, and continued to hold the position of Secretary at the end of the reporting period.

Principal activities

The principal activities of the Club during the financial year were those of a licensed Club, providing:

- Social facilities; and
- Food, beverage, entertainment, event and gaming facilities.

Strategic objectives

The Club's strategic objectives are:

- Leadership and Culture – we are leading and delivering within our community by developing an exceptional customer service culture and focusing on core competencies and innovation, so our key stakeholders are engaged with our vision to be the happiest community destination for everyone.
- Community – we are recognised as an outstanding contributor and are integral to our community.
- People – Our people are delivering our vision through ownership of our culture driven by professional development.
- Operations – our areas of operation will be driven by innovation to provide leading competitive edge and unique customer experience by aligning our offering to our market needs and diversifying to minimise the gaming concentration risk of our business. We are effectively utilising technology within our available resources to add value to our business.
- Financial management – is transparent, precise, measureable and timely to ensure the Club will remain profitable, and secure its long term viability to continue its primary objectives as enumerated in the Club's Constitution. Our assets are generating an appropriate commercial rate of return.

Mosman Returned Servicemen's Club Limited

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Directors' Report For the Year Ended 31 December 2017

Strategic objectives

- Governance – our governance will exceed industry best practice by continually reviewing our strategic plan and aligned annual business plan. We also ensure mandatory and voluntary industry training is undertaken by our Directors and management so our Board is fully conversant with the financial and compliance related obligations under the legislation, and we have an effective succession plan in place.

Members guarantee

Mosman Returned Servicemen's Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the constitution states that each members and any person or association who ceased to be a member in the year prior to the winding up is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the Club.

At 31 December 2017 the collective liability of members was \$ 13,602 (2016: \$ 10,222).

Information on directors

James Anthony Malloch	President
Qualifications	Facilities Management
Experience	5 years
Andrew Bernard Clancy	Vice President
Qualifications	Supervisor/Cellarman
Experience	5 years
Robert Armand Maul	Treasurer
Qualifications	Company Secretary/ Director
Experience	10 years
Jeanette Anne Bruce	Director
Qualifications	Manager/ Funeral Director
Experience	5 years
Malcom Munday	Director
Qualifications	Sheriff's Officer
Experience	3 years
Roy David Bendall	Director
Qualifications	Lawyer
Experience	5 years
Ian Chisholm	Director (appointed 3 May 2017)
Qualifications	Taronga Zoo Manager (retired)
Experience	1 year

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

Mosman Returned Servicemen's Club Limited

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Directors' Report For the Year Ended 31 December 2017

Meetings of directors

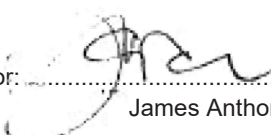
During the financial year, 13 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:


	Directors' Meetings	
	Number eligible to attend	Number attended
James Anthony Malloch	13	13
Andrew Bernard Clancy	13	11
Robert Armand Maul	13	13
Jeanette Anne Bruce	13	13
Malcom Munday	13	13
Roy David Bendall	13	13
Ian Chisholm	9	9

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2017 has been received and can be found on page 4 of the financial report.

The Director's report is signed in accordance with a resolution of the Board of Directors:

Director: .....
James Anthony Malloch

Director: .....
Andrew Bernard Clancy

Dated: 16/04/2018

Mosman Returned Servicemen's Club Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017, there have been:

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



PKF



SCOTT TOBUTT
PARTNER

16 APRIL 2018
SYDNEY, NSW

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2017

		2017	2016
	Note	\$	\$
Revenue	4	6,027,106	5,287,760
Other income	4	44,326	39,014
Cost of sales		(1,627,714)	(1,059,013)
Advertising, promotions and prizes		(208,719)	(200,010)
Consulting and professional fees		(153,094)	(163,209)
Cleaning		(164,683)	(174,376)
Security		(37,660)	(36,373)
Employee benefits expense		(1,649,031)	(2,017,009)
Entertainment		(33,798)	(33,663)
Insurance		(60,946)	(49,187)
Poker machine duty		(483,429)	(463,526)
Rates and utilities		(179,273)	(161,739)
Repairs and maintenance		(130,708)	(111,645)
Other operating expenses	5	(521,533)	(430,337)
Profit before income tax, interest, depreciation and community development		820,844	426,687
Interest expense		(97,845)	(62,178)
Depreciation		(638,788)	(339,963)
Community development and support expenditure		(76,563)	(73,498)
Profit / (loss) before income tax		7,648	(48,952)
Income tax (expense) / benefit	6	(24,544)	151,591
Profit / (loss) from continuing operations		(16,896)	102,639
Fair value movements on the revaluation of property		-	543,738
Other comprehensive income:		-	543,738
Total comprehensive income/ (loss) for the year		(16,896)	646,377

The accompanying notes form part of these financial statements.

Mosman Returned Servicemen's Club Limited

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Statement of Financial Position As At 31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	599,885	607,397
Trade and other receivables	8	4,531	6,081
Inventories	9	50,006	66,064
Other assets	10	26,898	41,766
TOTAL CURRENT ASSETS		<u>681,320</u>	<u>721,308</u>
NON-CURRENT ASSETS			
Property, plant and equipment	12	16,255,985	13,861,070
TOTAL NON-CURRENT ASSETS		<u>16,255,985</u>	<u>13,861,070</u>
TOTAL ASSETS		<u>16,937,305</u>	<u>14,582,378</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	617,232	305,254
Memberships in advance	14	34,123	25,443
Borrowings	15	2,060,563	1,889,437
Short-term provisions	16	168,651	132,328
TOTAL CURRENT LIABILITIES		<u>2,880,569</u>	<u>2,352,462</u>
NON-CURRENT LIABILITIES			
Borrowings	15	2,829,455	995,139
Deferred tax liabilities	11	591,863	567,319
Long-term provisions	16	-	15,144
TOTAL NON-CURRENT LIABILITIES		<u>3,421,318</u>	<u>1,577,602</u>
TOTAL LIABILITIES		<u>6,301,887</u>	<u>3,930,064</u>
NET ASSETS		<u>10,635,418</u>	<u>10,652,314</u>
EQUITY			
Reserves	18	7,508,074	7,508,074
Retained earnings		3,127,344	3,144,240
TOTAL EQUITY		<u>10,635,418</u>	<u>10,652,314</u>

The accompanying notes form part of these financial statements.

Mosman Returned Servicemen's Club Limited

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Statement of Changes in Equity

For the Year Ended 31 December 2017

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 January 2017	3,144,240	7,508,074	10,652,314
Loss for the year	(16,896)	-	(16,896)
Balance at 31 December 2017	3,127,344	7,508,074	10,635,418

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 January 2016	3,041,601	6,964,336	10,005,937
Profit for the year	102,639	-	102,639
Total other comprehensive income for the year	-	543,738	543,738
Balance at 31 December 2016	3,144,240	7,508,074	10,652,314

The accompanying notes form part of these financial statements.

Mosman Returned Servicemen's Club Limited

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Statement of Cash Flows For the Year Ended 31 December 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from members and customers	6,689,663	5,866,313
Payments to suppliers and employees	(5,669,064)	(5,611,082)
Finance costs	(97,695)	(41,490)
Net cash provided by operating activities	<u>922,904</u>	<u>213,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,033,703)	(1,262,310)
Net cash used in investing activities	<u>(3,033,703)</u>	<u>(1,262,310)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	<u>2,103,287</u>	895,805
Net cash provided by financing activities	<u>2,103,287</u>	895,805
Net increase/(decrease) in cash and cash equivalents held	(7,512)	(152,764)
Cash and cash equivalents at beginning of year	<u>607,397</u>	760,161
Cash and cash equivalents at end of financial year	<u>7</u> <u>599,885</u>	<u>607,397</u>

The accompanying notes form part of these financial statements.

Mosman Returned Servicemen's Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

The financial report covers the financial statements and notes of Mosman Returned Servicemen's Club Limited as an individual entity, incorporated and domiciled in Australia. Mosman Returned Servicemen's Club Limited is a company limited by guarantee.

1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards - Reduced Disclosure Requirements, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements have been prepared on an accrual basis and are based on historic costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2 Summary of Significant Accounting Policies

(a) Revenue and other income

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

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Gaming machine revenue is recognised on an accrual basis calculated as net of gaming machine collections and payouts, less any costs associate with future jackpot contributions.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as the percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

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

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

Mosman Returned Servicemen's Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Summary of Significant Accounting Policies

(b) Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Club incurred a Net loss of \$16,896 (2016 profit: \$646,377) during the year ended 31 December 2017, and at that date had net current liabilities of \$2,199,249 (2016: \$1,631,154), of which \$1,650,000 is in relation to a secured loan from Mosman ANZAC Memorial Hall Trust. This loan is due to expire in June 2018 and has therefore been classified as current, however the Trust has provided an undertaking that, unless there are exceptional circumstances, the loan will not be called upon for repayment within the next 12 months.

The ability of the Club to continue as a going concern is dependent upon the achieving the projected trading budget and cashflow forecasts and the continued support of the Mosman ANZAC Memorial Hall Trust. These conditions therefore indicate the existence of an uncertainty which potentially casts doubt on the company's ability to continue as a going concern. Therefore the Club may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(c) Income Tax

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. The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rebates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

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.

(d) Property, plant and equipment

Classes of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuer's, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against this reserve directly in equity; all other decreases are charged to the statement of profit and loss and other comprehensive income.

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.

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Summary of Significant Accounting Policies

(d) Property, plant and equipment

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on either a straight-line basis or diminishing value basis over the asset's useful life to the Club commencing from the time the asset is held ready for use. Land is not depreciated.

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

Fixed asset class	Depreciation rate
Buildings	2.0 - 2.5%
Building improvements	2.5 - 10%
Plant and Equipment	7.5% - 40%
Leased plant and equipment	20%

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

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Club commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

Mosman Returned Servicemen's Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Summary of Significant Accounting Policies

(e) Financial instruments

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

(i) Loans and receivables

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

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

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Club assess whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Mosman Returned Servicemen's Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Summary of Significant Accounting Policies

(e) Financial instruments

Impairment

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of noncash assets or liabilities assumed is recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held-at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

(h) Impairment of Assets

At each reporting date, the Club reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Value in use is either the discounted cash flows relating to the asset or depreciated replacement cost if the criteria in AASB 136 'Impairment of Assets' are met. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the Club would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined on the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Club estimates the recoverable amount of the cash generating unit to which the asset belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

(i) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Club during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Mosman Returned Servicemen's Club Limited

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Notes to the Financial Statements For the Year Ended 31 December 2017

2 Summary of Significant Accounting Policies

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Club are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Club will obtain ownership of the asset or over the term of the lease.

(k) Provisions

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

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

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

(l) Goods and Services Tax (GST)

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

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

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

(m) Comparative Amounts

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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Notes to the Financial Statements For the Year Ended 31 December 2017

3 Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the Club.

Key estimates - fair value of land and buildings

The Club carries its land and buildings at fair value with changes in the fair value recognised in the revaluation reserve. Independent valuations are obtained at least triennially and at the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent valuations and movements in the market. An independent external valuation has been completed during the year to 31 December 2016 and the directors have made an assessment at year end and have concluded the valuation at 31 December 2016 is still appropriate.

4 Revenue and Other Income

	2017	2016
	\$	\$
Operating activities		
- Sale of goods and gaming revenue	5,480,301	4,946,872
- Other income	546,805	340,888
	<u>6,027,106</u>	<u>5,287,760</u>
Other revenue		
- Rental income	40,426	31,314
- Recoveries	3,900	7,700
	<u>44,326</u>	<u>39,014</u>

5 Other expenses

- Poker machine rental	112,431	70,719
- TAB expenses	71,403	54,334
- Member benefits	114,140	94,766
- Directors expenses	48,511	53,022
- Affiliation expenses	10,725	11,617
- Utilities	28,481	29,890
- Bank charges	32,634	29,388
- Printing and stationery	18,726	15,925
- Computer expenses	16,643	8,160
- Other expenses	57,877	54,420
- Telephone and fax	9,962	8,096
	<u>521,533</u>	<u>430,337</u>

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Notes to the Financial Statements For the Year Ended 31 December 2017

	2017	2016
	\$	\$
6 Income Tax Expense		
(a) The major components of tax expense/ (income) comprise:		
Current tax expense	-	-
Deferred tax expense/ (income)	24,544	(151,591)
	<u>24,544</u>	<u>(151,591)</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%)	(2,294)	(14,686)
Add / (less):		
- Net income and expenditure items relating to member activity	26,405	36,953
- Tax losses not brought to account in the current year	(24,112)	(22,267)
- Under/ (over) provision for income tax in prior year	11,985	(12,027)
- Tax effect due to change in proportion of non-members	12,560	(139,564)
	<u>24,544</u>	<u>(151,591)</u>
The Income Tax Assessment Act 1997 (amended) provides that under the concept of mutuality, Clubs are only liable for income derived from non-members and from outside entities. In view of these special circumstances, it is not appropriate to compare income tax payable with the net profit disclosed in the Statement of Profit or Loss and Other Comprehensive Income.		
7 Cash and Cash Equivalents		
Cash on hand	211,941	87,698
Bank balances	340,107	321,862
Short-term deposits	47,837	197,837
	<u>599,885</u>	<u>607,397</u>
8 Trade and Other Receivables		
CURRENT		
Trade receivables	4,531	6,081
	<u>4,531</u>	<u>6,081</u>
9 Inventories		
CURRENT		
At cost:		
Liquor stock	46,238	38,133
Uniform and merchandise stock	3,768	3,768
Catering stock	-	24,163
	<u>50,006</u>	<u>66,064</u>

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Notes to the Financial Statements For the Year Ended 31 December 2017

	2017	2016
	\$	\$
10 Other Assets		
CURRENT		
Prepayments	<u>26,898</u>	<u>41,766</u>
11 Tax		
NON-CURRENT		
Deferred tax liabilities	<u>591,863</u>	<u>567,319</u>
12 Property, plant and equipment		
LAND AND BUILDINGS		
Freehold land		
At independent valuation	<u>4,000,000</u>	<u>4,000,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>
Buildings		
Buildings at valuation	7,869,916	8,299,793
Building improvements at cost	3,392,079	800,849
Accumulated depreciation	<u>(842,619)</u>	<u>(600,642)</u>
	<u>10,419,376</u>	<u>8,500,000</u>
Total land and buildings	<u>14,419,376</u>	<u>12,500,000</u>
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	7,672,815	6,804,585
Accumulated depreciation	<u>(6,366,779)</u>	<u>(5,997,084)</u>
	<u>1,306,036</u>	<u>807,501</u>
Leased plant and equipment		
Under lease	1,128,039	1,128,039
Accumulated depreciation	<u>(597,466)</u>	<u>(574,470)</u>
	<u>530,573</u>	<u>553,569</u>
Total plant and equipment	<u>1,836,609</u>	<u>1,361,070</u>
Total property, plant and equipment	<u>16,255,985</u>	<u>13,861,070</u>

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Notes to the Financial Statements For the Year Ended 31 December 2017

2017
\$

2016
\$

12 Property, plant and equipment

Pursuant to Section 41J of the Registered Clubs Act 1976 ("the Act"), the Board has approved the classification of the following property as core or non-core as defined by the Act.

Core property: Specified as the land and buildings situated at 719 Military Road, Mosman. They are classified as property, plant and equipment in the balance sheet. The loan from Mosman ANZAC memorial trust is secured by a first registered mortgage over the land and buildings at 719 Military Road, Mosman NSW.

Non-core property: The Club does not hold non-core property.

(a) Movements in carrying amounts of property, plant and equipment

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

	Land \$	Buildings \$	Plant and Equipment \$	Leased assets \$	Total \$
	-	-	-	-	-
Balance at the beginning of year	4,000,000	8,500,000	807,501	553,569	13,861,070
Additions	-	2,161,353	872,350	-	3,033,703
Depreciation	-	(241,977)	(373,815)	(22,996)	(638,788)
Balance at 31 December 2017	<u>4,000,000</u>	<u>10,419,376</u>	<u>1,306,036</u>	<u>530,573</u>	<u>16,255,985</u>

During the year to 31 December 2016 the Club's land and buildings were revalued by independent valuers. The valuation was based on the market value, the critical assumptions adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties.

The directors have made an assessment at year end and have concluded the valuation at 31 December 2016 is still appropriate.

13 Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables

Other creditors and accruals

239,945

76,522

377,287

228,732

617,232

305,254

14 Other liabilities

CURRENT

Memberships in advance

34,123

25,443

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Notes to the Financial Statements For the Year Ended 31 December 2017

		2017	2016
		\$	\$
15 Borrowings			
CURRENT			
Secured liabilities:			
Finance lease obligation	17	368,896	239,437
Bank loans		41,667	-
Loan from ANZAC memorial trust		1,650,000	1,650,000
		<u>2,060,563</u>	<u>1,889,437</u>
NON-CURRENT			
Secured liabilities:			
Lease liability secured	17	207,789	193,139
Bank loans		2,621,666	802,000
Total non-current borrowings		<u>2,829,455</u>	<u>995,139</u>

The loan from Mosman ANZAC Memorial Hall Trust is secured by a first registered mortgage over 719- 729 Military Road, Mosman NSW.

The loan facility from the Commonwealth Bank of Australia is also secured over 719- 729 Military Road Mosman, NSW along with a registered equitable mortgage over whole of its assets and undertakings including uncalled capital.

Hire purchase liabilities are effectively secured as the rights to the financed assets recognised in the financial statement revert to the financier in the event of default.

16 Provisions

	Annual Leave	Long Service Leave	Rostered Day Off	Total
	\$	\$	\$	\$
Opening balance at 1 January 2017	109,453	37,836	183	147,472
Additional provisions	88,056	1,947	-	90,003
Provisions used	(63,806)	(5,028)	-	(68,834)
Balance at 31 December 2017	<u>133,703</u>	<u>34,755</u>	<u>183</u>	<u>168,641</u>

Analysis of total provisions

Current	168,651	132,328
Non-current	-	15,144
	<u>168,651</u>	<u>147,472</u>

Provision for Long-Term Employee Entitlements

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Notes to the Financial Statements For the Year Ended 31 December 2017

	2017	2016
	\$	\$
17 Capital and Leasing Commitments		
Hire Purchase and Finance Lease Commitments		
Minimum lease payments:		
- not later than one year	410,563	239,437
- between one year and five years	207,789	193,139
	<u>618,352</u>	<u>432,576</u>
(a) Contracted Commitments		
Contracted commitments for:		
Equipment rental		
- not later than one year	71,624	5,076
- between one year and five years	361,362	4,653
	<u>432,986</u>	<u>9,729</u>
18 Reserves		
Asset revaluation reserve		
The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.		
19 Financial Risk Management		
The main risks Mosman Returned Servicemen's Club Limited are exposed to through its financial instruments are credit risk, liquidity risk and market risk, consisting of interest rate risk.		
The Club's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bank loans and overdrafts and leases. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:		
Financial Assets		
Cash and cash equivalents	599,885	607,397
Trade and other receivables	4,531	6,081
Total financial assets	<u>604,416</u>	613,478
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	617,232	305,254
Borrowings	4,890,018	2,884,576
Total financial liabilities	<u>5,507,250</u>	<u>3,189,830</u>

Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

Notes to the Financial Statements For the Year Ended 31 December 2017

2017	2016
\$	\$

20 Contingent liabilities

(a) Mortality Scheme

The Club operates a Mortality Scheme which provides a mortality payment of \$200 on behalf of certain members. The current class of membership entitled to make such applications under the scheme is all members registered prior to 28 August 1965.

The total number of eligible members as at 31 December 2017 was 1 (2016: 2). The estimated maximum liability as at 31 December 2017 is \$200 (2016: \$400).

(b) Security deposit

The Club has a security deposit of \$200 held with the Commonwealth Bank of Australia with respect to their TAB Limited account.

21 Interests Key Management Personnel

The totals of remuneration paid to the key management personnel of Mosman Returned Servicemen's Club Limited during the year are as follows:

Key management personnel compensation	<u>385,171</u>	<u>363,724</u>
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22 Related Parties

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

23 Events Occurring After the Reporting Date

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

24 Club Details

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

Mosman Returned Servicemen's Club Limited
719-729 Military Road
Mosman NSW 2088

Mosman Returned Servicemen's Club Limited

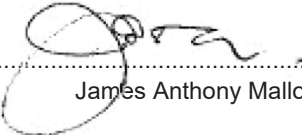
ABN: 15 000 613 785

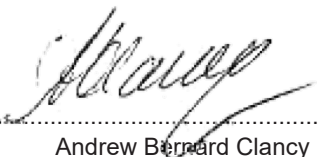
Directors' Declaration

The Directors of the Club declare that:

1. The financial statements and notes, as set out on pages 5 to 21 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirement; and
 - b. give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the Club
2. In the Directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

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

Director

James Anthony Malloch

Director

Andrew Bernard Clancy

Dated 16/04/2018

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF MOSMAN RETURNED SERVICEMEN'S CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mosman Returned Servicemen's Club Limited (the Company), which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Responsibilities of Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.



PKF



SCOTT TOBUTT
PARTNER

16 APRIL 2018
SYDNEY, NSW