

# **Mosman Returned Servicemen's Club Limited**

**ABN: 15 000 613 785**

## **Financial Statements**

**For the Year Ended 31 December 2018**

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

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For the Year Ended 31 December 2018

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# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Directors' Report For the Year Ended 31 December 2018

The Directors present their report on Mosman Returned Servicemen's Club Limited for the financial year ended 31 December 2018.

### 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  
Roy David Bendall  
Jeanette Anne Bruce  
Ian Cameron Chisholm  
Malcom John Munday

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 MAICD, ACCM

Gerard Boyle is a Member of the Australian Institute of Company Directors (MAICD), the Club Directors Institute and the Club Managers Association Australia where he is an Active Certified Club Manager. Gerard has over 20 years' management experience in the Club Industry and holds a Master of Business Administration, along with numerous industry related qualifications. Gerard completed the Club Secretary Manager's Course on 23 March 2010, the ClubsNSW Governance Program for Club Directors on 25 September 2015 and the AICD Company Directors Course on 29 March 2019. Gerard has been Chief Executive Officer and Company Secretary since 6 July 2015 and continued to hold those positions 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 are 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, measurable 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 2018

### Strategic objectives

- Governance – our governance exceeds 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 2018 the collective liability of members was \$ 20,974 (2017: \$ 13,602).

### Information on directors

James Anthony Malloch

Qualifications

Experience

President

Retired Stock Market Analyst, MAICD

6 years

Jim Malloch is a Member of the Australian Institute of Company Directors (MAICD) and the Club Directors Institute. Jim completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 1 July 2015 and completed the AICD Company Directors Course on 29 March 2019. Jim is a retired Stock Market Analyst with the ASX and has served as President of the Club since 2013.

Andrew Bernard Clancy

Qualifications

Experience

Vice President

Hospitality Manager

6 years

Andrew Clancy is a member of the Club Directors Institute and completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 27 June 2018. Andrew is a Hospitality Manager and has served as Vice President of the Club since 2012.

Robert Armand Maul

Qualifications

Experience

Treasurer

Company Secretary/ Director, LFAIES, JP

11 years

Bob Maul is a member of the Club Directors Institute and completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 10 March 2013. Bob has served in the Emergency Services and Police Force, as well as acting as a Director on several Boards over 50 years. Bob continues to serve on several for-purpose Boards and has served as Treasurer of the Club since 2008.

# Mosman Returned Servicemen's Club Limited

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## Directors' Report For the Year Ended 31 December 2018

### Information on directors

Roy David Bendall

Director

Qualifications

Lawyer, Councillor, MAICD

Experience

6 years

Roy Bendall is a Member of the Australian Institute of Company Directors (MAICD) and the Club Directors Institute. Roy completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 19 February 2014 and completed the AICD Company Directors Course on 29 March 2019. Roy is a Lawyer and Mosman Councillor, with expertise in international finance and project management, trade and maritime issues. Roy serves on several Boards as a Director, both in the for-profit and for-purpose sectors, and has served as a Director of the Club since 2013.

Jeanette Anne Bruce

Director

Qualifications

Manager/ Funeral Director, JP

Experience

6 years

Jeanette Bruce is a member of the Club Directors Institute and completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 9 February 2018. Jeanette is the Location Manager for White Lady Funerals Mosman, and has served as a Director of the Club since 2013.

Ian Cameron Chisholm

Director

Qualifications

Taronga Zoo Manager (retired)

Experience

2 years

Ian Chisholm is a member of the Club Directors Institute and completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 14 October 2017. Ian is a retired Manager of Taronga Zoo, a Life Member of the Club and has served as a Director since 2017.

Malcom John Munday

Director

Qualifications

Company Director, JP

Experience

4 years

Malcolm Munday is a member of the Club Directors Institute and completed the mandatory training requirement for the ClubsNSW Governance Program for Club Directors on 20 July 2015. Malcolm is a retired Sheriff's Officer in the Attorney General's Department and has served as a Director since 2015.

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 2018

### Meetings of directors

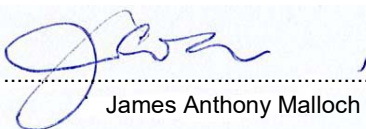
During the financial year, 13 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Directors' Meetings		
	Number eligible to attend	Number attended
James Anthony Malloch	13	13
Andrew Bernard Clancy	13	10
Robert Armand Maul	13	12
Jeanette Anne Bruce	13	13
Malcom John Munday	13	13
Roy David Bendall	13	13
Ian Chisholm	13	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 2018 has been received and can be found on page 5 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: 12 April 2019

## Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mosman Returned Servicemen's Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018, 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**  
Chartered Accountants



**SCOTT TOBUTT**  
Partner

Date: 12 April 2019

Sydney

# Mosman Returned Servicemen's Club Limited

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

		2018	2017
	Note	\$	\$
Revenue	4	6,264,739	5,229,196
Other income	4	295,427	106,316
Cost of sales		(1,146,355)	(891,794)
Advertising, promotions and prizes		(253,760)	(208,719)
Consulting and professional fees		(190,523)	(153,094)
Cleaning		(197,983)	(164,683)
Security		(84,454)	(37,660)
Employee benefits expense		(2,303,537)	(1,649,031)
Entertainment		(87,779)	(33,798)
Insurance		(79,954)	(60,946)
Poker machine duty		(460,981)	(483,429)
Rates and utilities		(256,424)	(179,273)
Repairs and maintenance		(109,759)	(130,708)
Other operating expenses		(409,379)	(521,533)
<b>Profit before income tax, interest, depreciation and community development</b>		<b>979,278</b>	<b>820,844</b>
Interest expense		(188,885)	(97,845)
Depreciation		(639,657)	(638,788)
Community development and support expenditure		(63,535)	(76,563)
<b>Profit / (loss) before income tax</b>		<b>87,201</b>	<b>7,648</b>
Income tax (expense) / benefit	5	151,517	(24,544)
<b>Profit / (loss) from continuing operations</b>		<b>238,718</b>	<b>(16,896)</b>
<b>Other comprehensive income:</b>		-	-
<b>Total comprehensive income/ (loss) for the year</b>		<b>238,718</b>	<b>(16,896)</b>

The accompanying notes form part of these financial statements.



# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Statement of Financial Position As At 31 December 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	6	357,844	599,885
Trade and other receivables	7	11,855	4,531
Inventories	8	92,618	50,006
Other assets	9	108,096	26,898
TOTAL CURRENT ASSETS		<u>570,413</u>	681,320
NON-CURRENT ASSETS			
Property, plant and equipment	10	16,162,372	16,255,985
TOTAL NON-CURRENT ASSETS		<u>16,162,372</u>	16,255,985
TOTAL ASSETS		<u>16,732,785</u>	16,937,305
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	12	567,805	617,232
Memberships in advance	13	49,519	34,123
Borrowings	14	2,035,134	2,060,563
Short-term provisions	15	94,551	168,651
TOTAL CURRENT LIABILITIES		<u>2,747,009</u>	2,880,569
NON-CURRENT LIABILITIES			
Borrowings	14	2,671,294	2,829,455
Deferred tax liabilities	11	440,346	591,863
TOTAL NON-CURRENT LIABILITIES		<u>3,111,640</u>	3,421,318
TOTAL LIABILITIES		<u>5,858,649</u>	6,301,887
NET ASSETS		<u>10,874,136</u>	10,635,418
<b>EQUITY</b>			
Reserves	17	7,508,074	7,508,074
Retained earnings		3,366,062	3,127,344
TOTAL EQUITY		<u>10,874,136</u>	10,635,418

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 2018

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 January 2018	3,127,344	7,508,074	10,635,418
Profit for the year	238,718	-	238,718
<b>Balance at 31 December 2018</b>	<b>3,366,062</b>	<b>7,508,074</b>	<b>10,874,136</b>

	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)
<b>Balance at 31 December 2017</b>	<b>3,127,344</b>	<b>7,508,074</b>	<b>10,635,418</b>

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 2018

	2018	2017
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from members and customers	7,224,325	5,891,753
Payments to suppliers and employees	<b>(6,548,517)</b>	(4,871,154)
Finance costs	<b>(188,215)</b>	(97,695)
Net cash provided by operating activities	<b>487,593</b>	922,904
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<b>(546,044)</b>	(3,033,703)
Net cash used in investing activities	<b>(546,044)</b>	(3,033,703)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from/ (repayment of) borrowings	<b>(183,590)</b>	2,103,287
Net cash provided by financing activities	<b>(183,590)</b>	2,103,287
Net increase/(decrease) in cash and cash equivalents held	<b>(242,041)</b>	(7,512)
Cash and cash equivalents at beginning of year	<b>599,885</b>	607,397
Cash and cash equivalents at end of financial year	<b>357,844</b>	599,885

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 2018

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 from contracts with customers - from 1 January 2018

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

- 1). Identify the contract with the customer
- 2). Identify the performance obligations
- 3). Determine the transaction price
- 4). Allocate the transaction price to the performance obligations
- 5). Recognise revenue as and when control of the performance obligations is transferred

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.

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 2018

### 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.

At 31 December 2018 the Club had net current liabilities of \$2,176,596 (2017: \$2,199,249), of which \$1,650,000 was in relation to a secured loan from Mosman ANZAC Memorial Hall Trust. This loan has a maturity date of 23 December 2019 and has therefore been classified as current. The ANZAC Memorial Hall Trust has however 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 a potential uncertainty which may cast doubt on the Club's ability to continue as a going concern. If these conditions are not met 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.

# Mosman Returned Servicemen's Club Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2018

### 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

Financial instruments are recognised initially on the date that the Club becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

##### Classification

On initial recognition, the Club classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL

Financial assets are not reclassified subsequent to their initial recognition unless the Club changes its business model for managing financial assets.

##### Amortised cost

Assets measured at amortised cost are financial assets where:

# Mosman Returned Servicemen's Club Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (e) Financial instruments

##### Financial assets

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Club's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

##### *Financial assets through profit or loss*

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

##### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost
- debt investments measured at FVOCI

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Club considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Club's historical experience and informed credit assessment and including forward looking information.

The Club uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Club uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Club in full, without recourse to the Club to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Club in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

##### *Trade receivables*

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Club has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

# Mosman Returned Servicemen's Club Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (e) Financial instruments

##### Financial assets

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Club renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

##### *Other financial assets measured at amortised cost*

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

##### Financial liabilities

The Club measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Club comprise trade payables, bank and other loans and finance lease liabilities.

#### (f) Impairment of Assets

##### Impairment of non-financial 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.



# Mosman Returned Servicemen's Club Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (f) Impairment of Assets

##### Impairment of financial assets

In relation to the impairment of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, AASB 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Trade receivables.

In particular, AASB 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. AASB 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances

#### (g) 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.

#### (h) 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.

#### (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.

#### (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.

# Mosman Returned Servicemen's Club Limited

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## Notes to the Financial Statements For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (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) Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2018.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group are:

- AASB 9 Financial Instruments and related amending Standards; and
- AASB 15 Revenue from Contracts with Customers and related amending Standards.

#### **AASB 9 Financial Instruments and related amending Standards**

In the current year, the Group has applied AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments as there is no impact on the current or comparative period.

Additionally, the Group adopted consequential amendments to AASB 7 Financial Instruments: Disclosures that were applied to the disclosures about 2018 and to the comparative period. AASB 9 introduced new requirements for:

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of AASB 9 has had no impact on the Group's financial instruments as regards their classification and measurement.

#### **AASB 15 Revenue from Contracts with Customers and related amending Standards**

In the current year, the Group has applied AASB 15 Revenue from Contracts with Customers (as amended) which is effective for an annual period that begins on or after 1 January 2018. AASB 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 1(a) below. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Group.

#### (n) Comparative Amounts

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

In particular the profit and loss statement for the year to 31 December 2017 has been adjusted due to reclassification of external catering contract revenue. This retrospective adjustment has resulted in overall decrease in previously reported Revenue and Cost of Sales to the value of \$797,910 respectively with \$nil effect on previously reported loss for the year to 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.

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

	2018	2017
	\$	\$
<b>4 Revenue and Other Income</b>		
<b>Operating activities</b>		
- Gaming revenue	2,861,791	2,886,484
- Sale of goods - food and beverages	3,014,106	1,795,907
- Sale of goods - other income	388,842	546,805
	<u>6,264,739</u>	<u>5,229,196</u>
<b>Other revenue</b>		
- Rental income	273,909	102,416
- Recoveries	21,518	3,900
	<u>295,427</u>	<u>106,316</u>
<b>5 Income Tax Expense</b>		
(a) The major components of tax expense/ (income) comprise:		
Current tax expense	-	-
Deferred tax expense/ (income)	(151,517)	24,544
	<u>(151,517)</u>	<u>24,544</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 27.5% (2017: 30%)	23,980	(2,294)
Add / (less):		
- Net income and expenditure items relating to member activity	820	26,405
- Tax losses not brought to account in the current year	(24,800)	(24,112)
- Under/ (over) provision for income tax in prior year	(50,824)	11,985
- Tax effect due to change in proportion of non-members	(100,693)	12,560
	<u>(151,517)</u>	<u>24,544</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.		
<b>6 Cash and Cash Equivalents</b>		
Cash on hand	149,046	211,941
Bank balances	208,798	340,107
Short-term deposits	-	47,837
	<u>357,844</u>	<u>599,885</u>

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

	2018	2017
	\$	\$
<b>7 Trade and Other Receivables</b>		
CURRENT		
Trade receivables	<u>11,855</u>	4,531
<b>8 Inventories</b>		
CURRENT		
Inventories at cost	<u>92,618</u>	50,006
<b>9 Other Assets</b>		
CURRENT		
Prepayments	66,986	26,898
Other assets	<u>41,110</u>	-
	<u>108,096</u>	26,898
<b>10 Property, plant and equipment</b>		
LAND AND BUILDINGS		
Freehold land		
At independent valuation	<u>4,000,000</u>	4,000,000
	<u>4,000,000</u>	4,000,000
Buildings		
Buildings at valuation	7,869,916	7,869,916
Building improvements at cost	3,413,871	3,392,079
Accumulated depreciation	<u>(1,074,953)</u>	(842,619)
	<u>10,208,834</u>	10,419,376
Total land and buildings	<u>14,208,834</u>	14,419,376
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	8,134,297	7,672,815
Accumulated depreciation	<u>(6,749,869)</u>	(6,366,779)
	<u>1,384,428</u>	1,306,036
Leased plant and equipment		
Under lease	1,188,489	1,128,039
Accumulated depreciation	<u>(619,379)</u>	(597,466)
	<u>569,110</u>	530,573
Total plant and equipment	<u>1,953,538</u>	1,836,609
<b>Total property, plant and equipment</b>	<u>16,162,372</u>	16,255,985

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

2018  
\$

2017  
\$

### 10 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 land and buildings 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
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2018</b>	<b>4,000,000</b>	<b>10,419,376</b>	<b>1,306,036</b>	<b>530,573</b>	<b>16,255,985</b>
Additions	-	21,792	463,802	60,450	546,044
Depreciation	-	(232,334)	(385,410)	(21,913)	(639,657)
<b>Balance at 31 December 2018</b>	<b>4,000,000</b>	<b>10,208,834</b>	<b>1,384,428</b>	<b>569,110</b>	<b>16,162,372</b>
	-	-	-	-	-

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.

### 11 Tax

#### NON-CURRENT

Deferred tax liabilities

**440,346**      591,863

### 12 Trade and Other Payables

#### CURRENT

Unsecured liabilities

Trade payables

**226,700**      239,945

Other creditors and accruals

**341,105**      377,287

**567,805**      617,232

# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

	2018	2017
	\$	\$
<b>13 Other liabilities</b>		
CURRENT		
Memberships in advance	<u>49,519</u>	<u>34,123</u>
<b>14 Borrowings</b>		
CURRENT		
Secured liabilities:		
Finance lease obligation	16 <b>285,134</b>	368,896
Bank loans	<b>100,000</b>	41,667
Loan from ANZAC memorial trust	<b>1,650,000</b>	1,650,000
	<u><b>2,035,134</b></u>	<u>2,060,563</u>
NON-CURRENT		
Secured liabilities:		
Lease liability secured	16 <b>213,480</b>	207,789
Bank loans	<b>2,457,814</b>	2,621,666
<b>Total non-current borrowings</b>	<u><b>2,671,294</b></u>	<u>2,829,455</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.

### 15 Provisions

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 January 2018	133,896	34,755	168,651
Additional provisions	75,504	9,343	84,847
Provisions used	(125,458)	(33,489)	(158,947)
<b>Balance at 31 December 2018</b>	<u><b>83,942</b></u>	<u><b>10,609</b></u>	<u><b>94,551</b></u>

#### Analysis of total provisions

Current	<u><b>94,551</b></u>	168,651
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#### 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 2018

	2018	2017
	\$	\$
<b>16 Capital and Leasing Commitments</b>		
<b>Hire Purchase and Finance Lease Commitments</b>		
Minimum lease payments:		
- not later than one year	285,134	368,896
- between one year and five years	213,480	207,789
	<u>498,614</u>	<u>576,685</u>
<b>(a) Contracted Commitments</b>		
Contracted commitments for:		
<b>Equipment rental</b>		
- not later than one year	86,555	71,624
- between one year and five years	355,462	361,362
	<u>442,017</u>	<u>432,986</u>
<b>17 Reserves</b>		
<b>Asset revaluation reserve</b>		
The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.		
<b>18 Financial Risk Management</b>		
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 9 as detailed in the accounting policies to these financial statements, are as follows:		
<b>Financial Assets</b>		
Cash and cash equivalents	357,844	599,885
Trade and other receivables	11,855	4,531
Other assets	108,096	26,898
<b>Total financial assets</b>	<u>477,795</u>	631,314
<b>Financial Liabilities</b>		
Financial liabilities at amortised cost		
Trade and other payables	567,805	617,232
Borrowings	4,706,428	4,890,018
<b>Total financial liabilities</b>	<u>5,274,233</u>	<u>5,507,250</u>



# Mosman Returned Servicemen's Club Limited

ABN: 15 000 613 785

## Notes to the Financial Statements For the Year Ended 31 December 2018

2018	2017
\$	\$

### 19 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 2018 was 1 (2017: 1). The estimated maximum liability as at 31 December 2018 is \$200 (2017: \$200).

#### (b) Security deposit

The Club has a security deposit of \$5,000 (2017: \$5,000) held with the Commonwealth Bank of Australia with respect to their TAB Limited account.

### 20 Key Management Personnel

The total 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>526,503</u>	<u>385,171</u>
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### 21 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.

During the year there were no related party transactions.

### 22 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.

### 23 Company 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

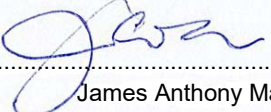
ABN: 15 000 613 785


## Directors' Declaration

The Directors of the Club declare that:

1. The financial statements and notes, as set out on pages 6 to 23 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 2018 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: 12 April 2019

## Mosman Returned Servicemen's Club Limited

# 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 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 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 2018 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.

## **Mosman Returned Servicemen's Club Limited**

# **Independent Audit Report to the members of Mosman Returned Servicemen's Club Limited**

### **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.

**Mosman Returned Servicemen's Club Limited**

**Independent Audit Report to the members of Mosman Returned Servicemen's Club Limited**

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**  
**Chartered Accountants**



**SCOTT TOBUTT**  
**Partner**

Level 8, 1 O'Connell Street, Sydney NSW 2000

Dated: 12 April 2019