

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Financial Statements

For the Year Ended 30 June 2011

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

For the Year Ended 30 June 2011

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Oak Flats Bowling and Recreation Club Limited

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Directors' Report

30 June 2011

Your directors present their report on the Club for the financial year ended 30 June 2011.

Directors

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

Names

John Noble

George Cowling

Phillip Buckley

Stirling Scard

Kevin Grainger

Donald Ryman

Richard Waldron

Resigned 07/12/2010

Wendy Steyer

Elected 17/10/2010

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

Club Secretary

Matthew O'Hara held the position of Club Secretary at the end of the financial year.

Matthew O'Hara has worked in the Club industry for 18 years, nine years of which have been with the Oak Flats Bowling and Recreation Club. Matthew O'Hara is a member of the CMA (Club Managers Association) and is the Illawarra Shoalhaven Zone State Councillor. Matthew O'Hara holds a Bachelor of Business in Club Management from the Southern Cross University, an Executive Certificate in Event Management and an Executive Certificate in Corporate Governance. Matthew O'Hara is also CEO of the Club.

Principal Activities

The principal activity of the entity during the financial year was that of a licensed bowling and recreational Club in accordance with its objective and for the benefit of its members.

The entity's short-term objectives are to:

- Achieve the key company goals in the areas of People, Planet and Profit.
- Ensure the ongoing financial viability of the Club, remaining solvent and complying with the loan covenants required by the Commonwealth Bank.
- Adequately identify and quantify risk and employ appropriate mitigation strategies.

The entity's long-term objectives are to:

- Continued application of the Principles of Good Corporate Governance.
- Maintain relevance and long term sustainability of the Club in the Community.

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

- Education of Board and Management of the Principles of Good Corporate Governance and the active pursuit of implementing strategy derived from these principles.
- Investment and education of key personnel and the Board ensuring the Board is exercising their duties as a Director responsibility, ethically and in the best interests of the Club as a whole.
- Maintaining and nurturing a Club culture focused on our customers our staff and our Community.

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Directors' Report

30 June 2011

Director Information

Information on Directors

John Noble	Chairman Audit, Risk and Finance Committee
Qualifications	Retired Bank Manager.
Experience	Director of Club for 13 years.
George Cowling	Director / Vice Chairman / Chairman Disciplinary Committee
Qualifications	Retired Foreman
Experience	Director of Club for 10 years.
Phillip Buckley	Director / Chairman Sustainability Committee
Qualifications	Retired from Australia Post
Experience	Director of Club for 5 years.
Stirling Scard	Director / Vice Chairman / Chairman Corporate Governance Committee
Qualifications	Retired Caravan Park Manager
Experience	Director of Club for 2 years.
Kevin Grainger	Chairman of the Board
Qualifications	Supervisor, BlueScope Steel
Experience	Director of Club for 4 years.
Donald Ryman	Director / Chairman Mens Bowling Club
Qualifications	Wardsman, Wollongong Hospital
Experience	Director of Club for 3 years.
Richard Waldron	Director
Qualifications	Contracts and Compliance Officer, Railcorp
Experience	Director of Club for 1 year.
Wendy Steyer	Director
Qualifications	Retired Library Technician
Experience	Director of Club for 1 Year.

Oak Flats Bowling and Recreation Club Limited

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Directors' Declaration

Meetings of Directors

During the financial year, 42 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Other Committee Meetings	
	Number attended	Eligible to attend	Number attended	Eligible to attend
John Noble	10	12	24	30
George Cowling	12	12	10	10
Phillip Buckley	11	12	27	29
Stirling Scard	12	12	10	10
Kevin Grainger	11	12	26	28
Donald Ryman	11	12	12	12
Richard Waldron	5	6	4	5
Wendy Steyer	7	8	6	7

The Club is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of \$2 (2010:\$2) towards meeting any outstanding obligations of the entity.

Auditor's Independence Declaration

The lead Auditor's Independence Declaration for the year ended 30 June 2011 has been received and can be found on page 4 of the financial report.

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

Director
John Noble

Director
Phillip Buckley

Dated this 8th day of September 2011

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Auditor's 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 30 June 2011 there have been:

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

LAWLER PARTNERS
Chartered Accountants

CLAYTON HICKEY
Partner

Dated this day of 2011

Sydney

Oak Flats Bowling and Recreation Club Limited

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Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	2	7,724,359	7,502,053
Other income	2	511,686	479,756
Raw materials and consumables used	3	(1,138,940)	(1,069,995)
Net gain/(loss) on disposal of non-current assets	3	30,021	(5,016)
Changes in inventories of stock on hand		-	8,554
Advertising expenditures		(23,311)	(17,722)
Donations		(91,502)	(89,269)
Equipment hire		(21,358)	(42,888)
Security		(92,052)	(89,575)
Repairs and maintenance		(223,776)	(248,319)
Rates and utilities		(178,154)	(173,240)
Postage, printing and stationery		(57,269)	(57,888)
Poker machine duty		(957,760)	(937,173)
Insurance expenditures		(95,186)	(139,467)
Entertainment and promotions		(682,485)	(693,564)
Employee benefits		(2,467,522)	(2,501,763)
Depreciation	3	(724,930)	(673,880)
Cleaning expenditures		(122,243)	(119,900)
Finance costs	3	(173,601)	(183,344)
Green and bowling expenses		(23,076)	(25,807)
Poker machines expenses		(67,849)	(65,681)
Loss on revaluation		-	(18,772)
Computer and software expenses		(12,305)	(11,713)
Subscription and licence		(44,130)	(39,395)
Darts club expenses		(10,591)	(10,364)
Consulting fees		(17,276)	(16,419)
Men's Bowling club expenses		(86,693)	(97,894)
Women's Bowling club expenses		(51,372)	(87,554)
Courtesy bus		(23,095)	(26,791)
Other expenditures		(116,474)	(148,083)
Profit from continuing operations		763,116	398,887
Income tax expense		-	-
Profit for the year		763,116	398,887
Other comprehensive income			
Decrease in revaluation reserve		-	(3,462)
Total comprehensive income for the year		763,116	395,425

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Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	723,189	863,995
Trade and other receivables	5	23,949	12,419
Inventories	6	47,711	52,065
Other current assets	7	118,825	75,767
TOTAL CURRENT ASSETS		913,674	1,004,246
NON-CURRENT ASSETS			
Property, plant and equipment	9	8,738,705	8,004,725
Investment property	8	880,000	880,000
Intangible assets	10	493,192	493,192
TOTAL NON-CURRENT ASSETS		10,111,897	9,377,917
TOTAL ASSETS		11,025,571	10,382,163
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	623,036	483,668
Borrowings	12	648,704	517,000
Short-term provisions	13	197,302	151,146
Other Liabilities	14	170,099	110,303
TOTAL CURRENT LIABILITIES		1,639,141	1,262,117
NON-CURRENT LIABILITIES			
Borrowings	12	1,465,165	1,967,704
Long-term provisions	13	83,654	102,087
Other Liabilities	14	85,890	61,650
TOTAL NON-CURRENT LIABILITIES		1,634,709	2,131,441
TOTAL LIABILITIES		3,273,850	3,393,558
NET ASSETS		7,751,721	6,988,605
EQUITY			
Asset Revaluation Reserve		-	-
Retained earnings		7,751,721	6,988,605
TOTAL EQUITY		7,751,721	6,988,605

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Statement of Changes in Equity For the Year Ended 30 June 2011

2011

	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance 1 July 2010	6,988,605	-	6,988,605
Profit attributable to members	763,116	-	763,116
Balance at 30 June 2011	7,751,721	-	7,751,721

2010

	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2009	6,589,718	3,462	6,593,180
Profit attributable to members	398,887	-	398,887
Other comprehensive income	-	(3,462)	(3,462)
Balance at 30 June 2010	6,988,605	-	6,988,605

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Statement of Cash Flows

For the Year Ended 30 June 2011

	Note	2011 \$	2010 \$
Cash from operating activities:			
Receipts from customers		8,532,314	8,280,787
Payments to suppliers and employees		(6,794,159)	(6,752,877)
Interest received		21,010	14,643
Finance costs		(173,601)	(183,344)
Net cash provided by (used in) operating activities	20(a)	<u>1,585,564</u>	<u>1,359,209</u>
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		59,773	10,000
Payment for Poker Machine entitlements		-	(147,630)
Acquisition of plant and equipment	20(b)	(1,264,411)	(521,584)
Acquisition of investment properties		-	(352,234)
Net cash provided by (used in) investing activities		<u>(1,204,638)</u>	<u>(1,011,448)</u>
Cash flows from financing activities:			
Proceeds from borrowings		-	334,599
Repayment of borrowings		(521,732)	(564,325)
Net cash provided by (used in) financing activities		<u>(521,732)</u>	<u>(229,726)</u>
Other activities:			
Net increase (decrease) in cash held		(140,806)	118,035
Cash and cash equivalents at beginning of financial year		<u>863,995</u>	<u>745,960</u>
Cash at end of financial year	4	<u><u>723,189</u></u>	<u><u>863,995</u></u>

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies

General Information

The financial statements are for Oak Flats Bowling and Recreation Club Not For Profit (RDR) Limited as an individual entity, incorporated and domiciled in Australia. Oak Flats Bowling and Recreation Club Not For Profit (RDR) Limited is a club limited by guarantee.

(a) Basis of Preparation

Oak Flats Bowling and Recreation Club Not For Profit (RDR) Limited has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Income Tax

No provision for income tax has been raised as the club is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

(c) Inventories

Inventories are measured at the lower of cost and current replacement cost. Inventories held for distribution are measured at cost adjusted, when applicable, for any loss of service potential.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(d) Property, Plant and Equipment

Each class 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 based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are charged to the statement of comprehensive income.

As the revalued buildings are depreciated, the difference between depreciation recognised in the statement of comprehensive income, which is based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost, is transferred from the revaluation surplus to retained earnings.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Freehold land and buildings that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(d) Property, Plant and Equipment (Cont'd.)

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the club commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Buildings	2.5%
Plant and Equipment	13 - 33%
Motor Vehicles	22.50%
Poker machines	20 - 40%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Investment Property

Investment property, comprising residential property, is held to generate long-term rental yields and future club grounds/buildings expansions. All tenant leases are on an arm's length basis. Investment property is carried at fair value, determined annually by directors or independent valuers. Changes to fair value are recorded in the income statement as other income.

(f) 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, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(f) Leases (Cont'd.)

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

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(g) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the club commits itself to either 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

Finance instruments are subsequently measured at either of 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. 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:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- 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
- 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 club does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(g) Financial Instruments (Cont'd.)

Classification and Subsequent Measurement (Cont'd.)

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *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 period. (All other loans and receivables are classified as non-current assets.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is club's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Such assets are subsequently measured at fair value.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(g) Financial Instruments (Cont'd.)

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire 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. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Intangibles

Intangible assets consist of Poker machine entitlements which are initially recorded at cost. Poker machine entitlements have an indefinite life and are carried at cost less accumulated impairment losses. The carrying value of intangibles are assessed annually for impairment.

(i) Impairment of Assets

At the end of each reporting period, the entity 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. 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 entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of assets, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(i) Impairment of Assets (Cont'd.)

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

(j) Employee Benefits

Provision is made for the company's 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 payable later than one year 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 not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the club to an employee superannuation fund and are charged as expenses when incurred.

(k) Cash and Cash Equivalents

Cash and cash equivalents include 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.

(l) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured. Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the sales of products and services. Other revenue includes interest and rental income, commissions and other fees received.

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 from the sale of goods primarily includes revenue from catering and beverages.

Revenue from the rendering of services is recognised upon the delivery of service to the customers. Revenue from services primarily includes entertainment, membership and gaming revenue being gaming machine clearances, net of payouts.

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

Rental revenue is recognised on an accruals basis or straight line basis in accordance with the lease agreements.

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

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 1 Summary of Significant Accounting Policies (Cont'd.)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of 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 expense. 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 are included in the statement of cash flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

(n) Comparative Figures

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

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

(o) Critical Accounting Estimates and Judgments

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

Key estimates - Impairment

Fair value – investment property

Directors have assessed that there is no significant increase or decrease in the fair value of investment properties compared to the carrying value as at 30 June 2010 and therefore no revaluation or impairment has been recognised

Impairment – Property, plant and equipment

Directors have assessed that there is no significant increase or decrease in fair value of property, plant and equipment compared to the carrying value as at 30 June 2010 and therefore no revaluation or impairment has been recognised

Impairment – Intangibles

The recoverable amount of intangible assets was assessed by reference to the intangibles value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period. The cash flows are discounted using a rate of 5% and an annual growth rate of 3%. Management believes that any reasonable possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of intangible assets to exceed its recoverable amount. The assumptions used in the discounted cash flow model are tested against a sensitivity model (+/- 5%).

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 2 Revenue and Other Income

Operating activities

- Bar income	1,450,303	1,374,323
- Poker machine income	4,909,768	4,830,883
- Catering income	1,257,622	1,218,874
- Rental income	42,184	23,527
- Darts club income	2,645	2,014
- General bowls income	3,064	7,928
- Women's bowling club income	23,500	20,432
- Men's bowling club income	35,273	24,072
	<u>7,724,359</u>	<u>7,502,053</u>

Other income

- Commissions received	213,440	186,071
- Donation and sponsorship income	41,822	24,882
- Interest received	21,010	14,643
- Membership income	18,252	25,508
- GST compensation	17,180	17,180
- Social and entertainment income	172,247	161,511
- Other Income	27,735	49,961
	<u>511,686</u>	<u>479,756</u>

Note 3 Profit from Ordinary Activities

(a) Expenses

Raw materials and consumables used	1,138,940	1,069,995
Finance costs	173,601	183,344
Depreciation	724,930	673,880

(b) Significant Revenue and Expenses

Net gain/(loss) on disposal of non-current assets	<u>30,021</u>	<u>(5,016)</u>
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Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

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\$

Note 4 Cash and Cash Equivalents

Cash on hand	267,720	253,901
Cash at bank	455,469	610,094
	<u>723,189</u>	<u>863,995</u>

Note 5 Trade and other receivables

CURRENT

Trade receivables	<u>23,949</u>	<u>12,419</u>
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Note 6 Inventories

CURRENT

At Cost

Stock on hand	<u>47,711</u>	<u>52,065</u>
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Note 7 Other Assets

CURRENT

Prepayments	105,980	62,687
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Other assets	<u>12,845</u>	<u>13,080</u>
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118,825 75,767

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 8 Investment Property

Residential Properties

Balance at beginning of year	880,000	550,000
Acquisitions	-	352,234
Fair value adjustments	-	(22,234)
Balance at end of year	<u>880,000</u>	<u>880,000</u>

Amounts recognised in Statement of Comprehensive Income for:

Rental Income from investment Properties	42,184	23,527
Direct operating expenses arising from Investment Properties that generated rental income	(8,432)	(3,769)
Repairs and Maintenance Expenses	<u>(8,857)</u>	<u>(1,920)</u>

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

- Core Property is specified as the club house, bowling greens, car park and property contained in the consolidated land title under which these areas are held. These are classified as property, plant and equipment in the balance sheet.
- Non-Core Property is specified as the residential houses owned by the Club from time to time and includes, but is not limited to numbers 9, 11 and 13 Devonshire Crescent. These are classified as investment property in the balance sheet.

"Investment property" shown above is investments in residential properties at Devonshire Crescent, Oak Flats. The fair value model is applied to all investment property. Investment property fair values are reviewed by the directors on an annual basis and independent valuations are conducted where the directors believe the value has changed significantly. Where changes in the fair value arise as a result of the revaluation, the difference is taken to the statement of comprehensive income as an income or expense item.

The directors have determined that there is no material increase or decrease in the fair value of any investment properties at balance date.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 9 Property, Plant and Equipment

Freehold Land

At valuation

1,900,000 1,900,000

1,900,000 1,900,000

Buildings

At cost

5,095,025 4,879,595

Less: accumulated depreciation

(334,179) (165,293)

4,760,846 4,714,302

Capital Works in Progress

Utensils and crockery

49,908 39,497

49,908 39,497

Plant and Equipment

At cost

2,651,157 2,597,199

Less: accumulated depreciation

(1,989,036) (1,791,136)

662,121 806,063

Motor Vehicles

At cost

150,070 120,263

Less: accumulated depreciation

(71,529) (86,306)

78,541 33,957

Poker Machines

At cost

3,913,718 3,564,476

Less: accumulated depreciation

(2,626,429) (3,053,570)

1,287,289 510,906

Total Property, Plant and Equipment

8,738,705 8,004,725

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 9 Property, Plant and Equipment (Cont'd)

(a) Movements in Carrying Amounts

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

	Freehold Land \$	Building \$	Plant and Equipment \$	Motor Vehicle \$	Poker Machines \$	Capital Works in Progress \$	Total \$
Balance at beginning of year	1,900,000	4,714,302	806,063	33,957	510,906	39,497	8,004,725
Additions	-	175,933	44,417	53,807	1,164,597	49,908	1,488,662
Disposals	-	-	(937)	(1,133)	(27,682)	-	(29,752)
Transfers	-	39,497	14,210	-	(14,210)	(39,497)	-
Depreciation	-	(168,886)	(201,632)	(8,090)	(346,322)	-	(724,930)
Carrying amount at end of year	1,900,000	4,760,846	662,121	78,541	1,287,289	49,908	8,738,705

(b) Asset Revaluations

The freehold land and buildings were independently valued at 30 June 2009 by an Independent Valuer. The valuation was based on this fair 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.

At 30 June 2011, the directors have performed a directors' valuation on the freehold land and buildings. The directors have reviewed the key assumptions adopted by the valuers in 2009 and do not believe there has been a significant change in the assumptions at 30 June 2011. The directors therefore believe the carrying value of the land correctly reflects the fair value at 30 June 2011.

Note 10 Intangible Assets

	2011 \$	2010 \$
Poker machine entitlements, at cost	493,192	493,192
Balance at beginning of year	493,192	345,562
Acquisitions	-	147,630
Balance at end of year	493,192	493,192

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 11 Trade and Other Payables

CURRENT

Unsecured liabilities

Trade payables	288,379	138,959
Other payables	225,176	208,647
GST Payable	109,481	136,062
	<u>623,036</u>	<u>483,668</u>

Note 12 Borrowings

CURRENT

Bank loans

Finance Lease obligation

Bank loans	566,396	517,000
Finance Lease obligation	82,308	-
	<u>648,704</u>	<u>517,000</u>

NON-CURRENT

Bank loans

Finance Lease obligation

Bank loans	1,396,575	1,967,704
Finance Lease obligation	68,590	-
	<u>1,465,165</u>	<u>1,967,704</u>

(a) The carrying amounts of non-current assets pledged as security are:

Freehold land and buildings	7,540,846	7,494,302
Floating charge over the assets	3,484,605	2,887,861
	<u>11,025,451</u>	<u>10,382,163</u>

Bank loans are secured by registered equitable mortgages over the Club's assets (including investment properties) and undertakings.

(b) Bank Loan Facility

Bank overdraft facility

Amount utilised

Bank overdraft facility	500,000	500,000
Amount utilised	-	-

Commercial bills

Amount utilised

Commercial bills	1,355,896	1,829,896
Amount utilised	1,355,896	1,829,896

Investment loans

Amount utilised

Investment loans	607,075	654,808
Amount utilised	607,075	654,808

Bank overdraft facility is revised with the Commonwealth Bank with general terms and conditions being set and agreed to annually. Commercial bills are a combo advantage agreement, repayable over 7 years at fixed, capped and variable interest rates.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

Note 13 Provisions

(a) Movement in Carrying Amounts

	Annual Leave \$	RDO \$	Sick Leave Vesting \$	Long Service Leave \$	Total \$
Opening balance at 1 July 2010	116,241	4,522	13,967	118,503	253,233
Additional provisions raised during the year	168,710	14,420	4,466	33,546	221,142
Amounts used	(160,787)	(11,962)	(16,366)	(4,304)	(193,419)
Balance at 30 June 2011	124,164	6,980	2,067	147,745	280,956

(b) Analysis of Total Provisions

	2011 \$	2010 \$
Current	197,302	151,146
Non-current	83,654	102,087
	280,956	253,233

Provision for Short-Term Employee Entitlements

A provision has been recognised for employee benefits relating to annual leave and sick leave (where sick leave is vesting). The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

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.

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 14 Other Liabilities

CURRENT

Gaming Purchase Agreements	97,906	49,320
Members subscriptions received in advance	72,193	60,983
	<u>170,099</u>	<u>110,303</u>

NON-CURRENT

Gaming Purchase Agreements	85,890	61,650
	<u>85,890</u>	<u>61,650</u>

Note 15 Capital and Leasing Commitments

(a) Finance Lease Commitments

Payable – minimum lease payments:

·not later than 12 months	82,308	-
·later than 12 months but not later than five years	68,590	-
Minimum lease payments	<u>150,897</u>	<u>-</u>

(b) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments:

·not later than 12 months	3,516	-
·later than 12 months but not later than five years	14,064	-
	<u>17,580</u>	<u>-</u>

Note 16 Contingent Liabilities and Contingent Assets

There are no contingent liabilities or assets in existence at the balance date that are not otherwise disclosed in this financial report.

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 17 Key Management Personnel Compensation

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

Key Management Personnel Compensation	<u>385,697</u>	349,880
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Note 18 Related Party Transactions

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

There were no transactions with related parties during the financial year.

Note 19 Financial Risk Management

Financial assets

Cash and cash equivalents	723,189	863,995
Receivables	<u>23,949</u>	12,419
Total financial assets	<u>747,138</u>	876,414

Financial liabilities

Investment loans	607,075	654,808
Bills of exchange	<u>1,355,896</u>	1,829,896
Total financial liabilities	<u>1,962,971</u>	2,484,704

Net Fair Values

- (i) For financial assets at fair value through profit or loss the fair values have been based on closing quoted bid prices at the end of the reporting period.
- (ii) Fair values of held-to-maturity investments are based on quoted market prices at the ending of the reporting period.
- (iii) The fair values of finance leases are determined using a discounted cash flow model incorporating current commercial borrowing rates.

Oak Flats Bowling and Recreation Club Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2011

2011
\$

2010
\$

Note 20 Cash Flow Information

a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

Net income/loss for the period	763,116	398,887
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	724,930	673,880
Revaluation adjustments	-	18,772
(Gain)/loss on disposal of assets	(30,021)	5,016
Write-off of utensils	-	35,852
Changes in assets and liabilities		
(Increase)/decrease in receivables	(11,530)	1,711
(Increase)/decrease in other assets	(43,058)	(5,308)
(Increase)/decrease in inventories	4,354	8,554
Increase/(decrease) in trade payables and accruals	139,368	82,153
Increase/(decrease) in provisions	27,723	29,130
Increase/(decrease) in other liabilities	10,682	110,562
	<u>1,585,564</u>	<u>1,359,209</u>

b) Non Cash Financing and Investing Activities

During the year the Club acquired Plant and Equipment with an aggregate fair value of \$73,354 by means of Purchase Agreements and \$150,897 by means of Finance Lease Agreements. These acquisitions are not reflected in the Cash Flow Statement.

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Notes to the Financial Statements For the Year Ended 30 June 2011

Note 21 Events After the Balance Sheet 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.

Note 22 Segment Reporting

The Club operates predominately in one business and geographical segment being that of a Bowling and Recreation Club run in accordance with its objectives and for the benefits of its members.

Note 23 Members' Guarantee

The Club is limited by guarantee. If the Club is wound up, the Constitution states that each member is required to contribute a maximum of \$2. At 30 June 2011, the number of members was 11,045 (2010: 9,728).

Note 24 Club Details

Registered Office

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

Oak Flats Bowling and Recreation Club Limited
Cnr Kingston and David Streets
Oak Flats NSW 2529

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Directors' Declaration

The Directors of the entity declare that:

1. The financial statements and notes, as set out on pages 5 to 27, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity 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
John Noble

Director
Phillip Buckley

Dated this 8th day of September 2011

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Independent Audit Report to the members of Oak Flats Bowling and Recreation Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Oak Flats Bowling and Recreation Club Limited, which comprises the Statement Of Financial Position as at 30 June 2011, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended that date; a Summary of Significant Accounting Policies, other explanatory Notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The Directors of the Club are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the club's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Independent Audit Report to the members of Oak Flats Bowling and Recreation Club Limited

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Oak Flats Bowling and Recreation Club Limited on 8 September 2011, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial report of Oak Flats Bowling and Recreation Club Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the club's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

LAWLER PARTNERS
Chartered Accountants

CLAYTON HICKEY
Partner

Dated this day of 2011

Sydney