

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Financial Statements

For the Year Ended 30 June 2014

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

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Oak Flats Bowling and Recreation Club Limited

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Directors' Report For the Year Ended 30 June 2014

The directors present their report on Oak Flats Bowling and Recreation Club Limited for the financial year ended 30 June 2014.

Directors

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

Names	Appointed/Resigned
John Noble	
George Cowling	
Phillip Buckley	
Kevin Grainger	
Donald Ryman	
Wendy Steyer	
Peter Mead	Appointed 27 October 2013

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

Company 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 21 years, twelve years of which have been with the Oak Flats Bowling and Recreation Club. Matthew O'Hara is the Clubs NSW State Councilor for the Illawarra Shoalhaven region and a member of the CMA (Club Managers Association). Matthew O'Hara also 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 currently studying a Diploma in Property Development. Matthew O'Hara is also CEO of the Club.

Principal activities

The principal activity of Oak Flats Bowling and Recreation Club Limited 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.

No significant changes in the nature of the Club's activity occurred during the financial year.

Short term objectives

The Club'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.

Directors' Report

For the Year Ended 30 June 2014

Long term objectives

The Club's long term objectives are to:

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

Strategy for achieving the objectives

To achieve these objectives, the Club 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.

Information on directors

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

John Noble	Director / Chairman Audit Risk & Finance Committee
Qualifications	Retired Bank Manager
Experience	Director of Club for 16 years
George Cowling	Director / Vice Chairman / Chairman Disciplinary Committee
Qualifications	Retired Foreman
Experience	Director of Club for 13 years
Phillip Buckley	Director / Chairman Sustainability Committee
Qualifications	Retired from Australia Post
Experience	Director of Club for 8 years
Kevin Grainger	Chairman of the Board
Qualifications	Retired Supervisor, BlueScope Steel
Experience	Director of Club for 7 years
Donald Ryman	Director / Chairman Mens Bowling Club
Qualifications	Wardsman, Wollongong Hospital
Experience	Director of Club for 6 years
Wendy Steyer	Director
Qualifications	Retired Library Technician
Experience	Director of Club for 4 years
Peter Mead	Director
Qualifications	Human Resource Officer – Department of Education and Communities
Experience	Director of Club for 8 months

Oak Flats Bowling and Recreation Club Limited

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Directors' Report

For the Year Ended 30 June 2014

Information on directors (cont'd)

Peter Mead

Qualifications

Human Resource Officer - Department of Education and Communities

Experience

Director of Club for 8 months

Members guarantee

Oak Flats Bowling and Recreation Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each members and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 2 for members that are corporations and \$ 2 for all other members, subject to the provisions of the company's constitution.

At 30 June 2014 the collective liability of members was \$ 37,746 (2013: \$ 39,668).

Meetings of directors

During the financial year, 51 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 eligible to attend	Number attended	Number eligible to attend	Number attended
John Noble	14	13	23	23
George Cowling	14	13	9	9
Phillip Buckley	14	11	22	17
Kevin Grainger	14	12	33	31
Donald Ryman	14	10	8	6
Wendy Steyer	14	11	8	7
Peter Mead	9	9	7	6

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2014 has been received and can be found on page 4 of the financial report.

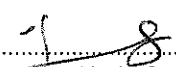
Signed in accordance with a resolution of the Board of Directors:

Director:



John Noble

Director:



Kevin Grainger

Dated 2 September 2014

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Oak Flats Bowling and Recreation Club Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014, 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 Lawler

PKF LAWLER
Chartered Accountants

STobutt

SCOTT TOBUTT
Partner

Dated 2 September 2014

Level 9, 1 O'Connell Street, Sydney NSW 2000

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2014

		2014	2013
		\$	\$
	Note		Restated
Revenue	2	12,309,830	9,179,052
Other income	2	758,032	568,666
Gain on amalgamation		-	5,755,733
Net gain/(loss) on disposal of non-current assets	3	8,080	(31,088)
Raw materials and consumables used	3	(1,809,252)	(1,301,460)
Advertising expense		(42,695)	(21,585)
Donations		(195,271)	(128,006)
Equipment hire		(27,947)	(22,511)
Security		(222,581)	(120,857)
Repairs and maintenance		(437,876)	(289,003)
Rates and utilities		(417,317)	(247,142)
Postage, printing and stationery		(129,518)	(79,072)
Poker machine duty		(1,430,834)	(1,121,181)
Insurance expenditure		(220,956)	(136,867)
Entertainment and promotions		(1,191,009)	(803,364)
Employee benefits	3	(4,119,786)	(3,025,868)
Depreciation	3	(1,478,787)	(1,053,852)
Cleaning expenditure		(259,082)	(165,650)
Finance costs	3	(206,549)	(150,557)
Computer and software expenses		(18,991)	(15,169)
Subscriptions and licence		(99,712)	(65,161)
Sub-club expenses		(39,486)	(14,079)
Men's bowling club expenses		(70,278)	(78,644)
Women's bowling club expenses		(29,483)	(32,134)
Poker machine expenses		(133,328)	(86,897)
Green and bowling expenses		(9,786)	(15,290)
Courtesy bus		(27,718)	(20,799)
Consulting fees		(12,345)	(18,730)
Other expenditure		(218,183)	(268,244)
Sailing club expenses		(87,734)	(4,459)
		139,438	6,185,782
Profit from continuing operations		139,438	6,185,782
Income tax expense		-	-
Profit for the year		139,438	6,185,782
Other comprehensive income		-	-
Total comprehensive income for the year		139,438	6,185,782

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited

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Statement of Financial Position

As At 30 June 2014

		2014	2013
		\$	\$
	Note		Restated
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	995,534	932,892
Trade and other receivables	5	15,261	13,666
Inventories	6	94,911	91,776
Other assets	7	181,920	174,752
TOTAL CURRENT ASSETS		1,287,626	1,213,086
NON-CURRENT ASSETS			
Property, plant and equipment	8	16,162,372	16,795,447
Investment property	9	930,000	930,000
Intangible assets	10	1,671,375	1,671,375
TOTAL NON-CURRENT ASSETS		18,763,747	19,396,822
TOTAL ASSETS		20,051,373	20,609,908
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	901,169	1,223,715
Borrowings	12	378,751	771,671
Employee benefits	13	449,195	439,528
Other liabilities	14	342,867	241,755
TOTAL CURRENT LIABILITIES		2,071,982	2,676,669
NON-CURRENT LIABILITIES			
Borrowings	12	2,597,026	2,664,703
Employee benefits	13	141,526	145,832
Other liabilities	14	121,782	143,085
TOTAL NON-CURRENT LIABILITIES		2,860,334	2,953,620
TOTAL LIABILITIES		4,932,316	5,630,289
NET ASSETS		15,119,057	14,979,619
EQUITY			
Reserves	15	118,272	118,272
Retained earnings		15,000,785	14,861,347
TOTAL EQUITY		15,119,057	14,979,619

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited

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Statement of Changes in Equity

For the Year Ended 30 June 2014

	Retained Earnings	Asset Realisation Reserve	Total
	\$	\$	\$
Balance at 1 July 2013	14,861,347	118,272	14,979,619
Profit attributable to members	139,438	-	139,438
Balance at 30 June 2014	15,000,785	118,272	15,119,057
Restated			
Balance at 1 July 2012	8,675,565	118,272	8,793,837
Profit attributable to members	6,185,782	-	6,185,782
Balance at 30 June 2013	14,861,347	118,272	14,979,619

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited

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Statement of Cash Flows For the Year Ended 30 June 2014

	2014	2013
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	13,564,383	10,294,346
Payments to suppliers and employees	(12,049,862)	(8,592,228)
Interest received	6,945	16,971
Finance costs	(206,549)	(150,557)
Net cash provided by operating activities	<u>1,314,917</u>	<u>1,568,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for intangible asset	-	(319,516)
Payment for pre-amalgamation costs	-	(1,641,382)
Purchase of property, plant and equipment	(878,612)	(1,945,723)
Net cash used by investing activities	<u>(878,612)</u>	<u>(3,906,621)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	725,239	2,917,585
Repayment of borrowings	(1,098,902)	(747,565)
Net cash (used in)/provided by financing activities	<u>(373,663)</u>	<u>2,170,020</u>
Net increase (decrease) in cash and cash equivalents held	62,642	(168,069)
Cash and cash equivalents at beginning of year	932,892	1,100,961
Cash and cash equivalents at end of financial year	4 <u>995,534</u>	<u>932,892</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

The financial statements are for Oak Flats Bowling and Recreation Club Limited as a not-for-profit individual entity.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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*. The income tax exemption has been claimed based on self-assessment by the Club.

(c) 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).

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.

(d) Revenue and other income

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

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Interest revenue

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

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

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

(e) 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.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the standard costs basis and are net of any rebates and discounts received.

(g) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Land and buildings

Freehold land and buildings are shown at their fair value based on periodic (at least triennial) valuations by external independent valuers, less subsequent depreciation for buildings.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

(g) Property, Plant and Equipment (cont'd)

Land and buildings (cont'd)

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 profit or loss and other comprehensive income.

As the revalued buildings are depreciated, the difference between depreciation recognised in the statement of profit or loss and other 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 revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

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

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	13 - 33%
Motor Vehicles	22.5%
Poker Machines	20 - 40%

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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

(h) Investment property

Investment property is held to generate long-term rental yields and future club grounds/buildings expansions. All tenant leases are on an arms length basis. Investment property is carried at fair value, determined by current market values. Changes to fair value are recorded separately as an income or expense items directly in the statement of profit or loss and other comprehensive income.

(i) Intangibles

Poker machine entitlements are initially recorded at cost. Poker machine entitlements have indefinite life and are tested annually for impairment and carried at cost less any accumulated amortisation and impairment losses.

(j) 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.

(k) Borrowings

Secured and unsecured loans have been obtained. While some loans are interest free, these have not been discounted to present values. Carrying amounts therefore represent amount expected to be repaid at settlement. Unsecured loans are considered to be repayable at call and therefore presented as current liabilities.

(l) 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.

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.

(m) Employee benefits

Provision is made for the Club'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.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

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.

(n) Financial instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

The Club does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(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 year.

(iii) Financial liabilities

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

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

(o) Impairment of Assets

At the end of each reporting period the Club determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies (cont'd)

(p) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(q) 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 - fair value of investment property

The Investment Properties were independently valued at 30 June 2012 by Jackson and Company (NSW) Pty Ltd. 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. Directors have assessed that there have been no material movements in the value of land and buildings as at 30 June 2014.

Key estimates - impairment of 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%).

Key estimates - income tax exemption status

The Directors of the Club have self assessed their ongoing exemption from income tax at 30 June 2014, as a Sporting Club in accordance with Section 5045 of the Income Tax Assessment Act 1997.

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
2 Revenue and Other Income		
Sales revenue		
- Bar income	2,071,833	1,575,751
- Poker machine income	8,010,312	5,985,869
- Catering income	2,085,986	1,526,730
- Rental income	46,102	43,590
- Sub-club income	22,868	5,607
- General bowls income	11,437	453
- Women's bowling club income	8,960	12,671
- Men's bowling income	21,161	25,836
- Sailing income	31,171	2,545
	<u>12,309,830</u>	<u>9,179,052</u>
Other income		
- Commissions received	306,346	244,965
- Donation and sponsorship income	42,113	45,799
- Interest received	6,945	16,971
- Membership income	41,597	37,298
- GST compensation	34,360	18,639
- Social and entertainment income	288,429	185,514
- Other income	38,242	19,480
	<u>758,032</u>	<u>568,666</u>
3 Result for the Year		
The result for the year includes the following specific expenses		
Raw materials and consumables used	1,809,252	1,301,460
Employee benefits	4,119,786	3,025,868
Finance costs	206,549	150,557
Depreciation	1,478,787	1,053,852
Net (gain)/loss on disposal of non-current assets	(8,080)	31,088
	<u>7,618,304</u>	<u>5,562,815</u>
4 Cash and cash equivalents		
Cash on hand	348,814	316,487
Cash at bank	646,720	616,405
	<u>995,534</u>	<u>932,892</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
4 Cash and cash equivalents (cont'd)		
Reconciliation of cash		
Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:		
Cash and cash equivalents	995,534	932,892
Bank overdrafts	12 (475)	(243,395)
Balance as per statement of cash flows	995,059	689,497
5 Trade and other receivables		
CURRENT		
Trade receivables	15,261	13,666
6 Inventories		
CURRENT		
At cost:		
Stock on hand	94,911	91,776
7 Other Assets		
CURRENT		
Prepayments	157,810	149,541
Other assets	24,110	25,211
	181,920	174,752
8 Property, plant and equipment		
		Restated
LAND AND BUILDINGS		
Freehold land		
At fair value	3,150,000	3,150,000
Total Land	3,150,000	3,150,000
Buildings		
At fair value	10,352,047	10,054,777
Accumulated depreciation	(721,832)	(246,999)
Total buildings	9,630,215	9,807,778
Total land and buildings	12,780,215	12,957,778

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
8 Property, plant and equipment (cont'd)		
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	147,791	168,730
Plant and equipment		
At cost	3,656,930	3,465,139
Accumulated depreciation	(2,270,456)	(2,065,554)
Total plant and equipment	<u>1,386,474</u>	<u>1,399,585</u>
Motor vehicles/sailing vessels		
At cost	234,570	204,570
Accumulated depreciation	(124,416)	(98,955)
Total motor vehicles/sailing vessels	<u>110,154</u>	<u>105,615</u>
Other property, plant and equipment		
At cost	5,361,421	5,103,578
Accumulated depreciation	(3,623,683)	(2,939,839)
Total other property, plant and equipment	<u>1,737,738</u>	<u>2,163,739</u>
Total plant and equipment	<u>3,382,157</u>	<u>3,837,669</u>
Total property, plant and equipment	<u><u>16,162,372</u></u>	<u><u>16,795,447</u></u>

The freehold land and buildings were independently valued at 30 June 2012 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 2014, 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 2012 and do not believe there has been a significant change in the assumptions at 30 June 2014. The directors therefore believe the carrying value of the land correctly reflects the fair value at 30 June 2014.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2014
\$ 2013
\$

8 Property, plant and equipment (cont'd)

(a) Movements in Carrying Amounts

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

	Freehold Land \$	Buildings \$	Plant and Equipment \$	Motor Vehicles/ Sailing Vessels \$	Poker machines \$	Capital works in progress \$	Total \$
Balance at the beginning of year (restated)	3,150,000	9,807,778	1,399,585	105,615	2,163,739	168,730	16,795,447
Additions	-	202,930	269,879	30,000	279,975	95,829	878,613
Disposals - written down value	-	-	(6,450)	-	(26,451)	-	(32,901)
Transfers	-	94,340	15,978	-	6,450	(116,768)	-
Depreciation expense	-	(474,833)	(292,518)	(25,461)	(685,975)	-	(1,478,787)
Balance at the end of the year	3,150,000	9,630,215	1,386,474	110,154	1,737,738	147,791	16,162,372

9 Investment Property

Investment property	930,000	930,000
Amounts recognised in statement of comprehensive income for:		
Rental income from investment properties	46,102	43,590
Direct operating expenses arising from investment properties that generated rental income	(10,202)	(7,731)
Repairs and maintenance expenses	(4,052)	(8,233)
	31,848	27,626

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 OFBRC club house; bowling greens; car park and property contained in the consolidated OFBRC land title under which these areas are held. Core Property is also specified for the Warrawong club house – first floor area; lower ground floor areas of administration; cellar; sailors storage and change rooms; walkways to these lower ground floor areas from main stairs to first floor; car park, boat storage facilities, Yacht shop and property contained in the consolidated Warrawong club house land title under which these areas are held. These are classified as property, plant and equipment in the Statement of Financial Position.

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 Statement of Financial Position. Non-Core Property is also specified at the Warrawong Club house as the lower ground floor areas of the function rooms known as the mountain view room; wet bar area; and Lakeview rooms. These are classified as property, plant and equipment in the Statement of Financial Position.

"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 Profit or Loss and Other Comprehensive Income as an income or expense item.

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
9 Investment Property (cont'd)		
<p>The Investment Properties were independently valued at 30 June 2012 by Jackson & Company (NSW) Pty Ltd. The valuation was based on its fair value, the critical assumptions adopted in determining the valuation included the location, the current strong demand in the area and recent sales data for similar properties.</p> <p>At 30 June 2014, the directors have performed a directors' valuation on the investment properties. The directors have reviewed the key assumptions adopted by the valuers in 2012 and do not believe there has been a significant change in the assumptions at 30 June 2014. The directors therefore believe the carrying value of the investment properties correctly reflects the fair value at 30 June 2014.</p>		
10 Intangible Assets		
Poker machine entitlements		
Cost	<u>1,671,375</u>	<u>1,671,375</u>
11 Trade and other payables		
CURRENT		
Unsecured liabilities		
Trade payables	378,285	728,790
Other payables	351,136	352,567
GST payable	171,748	142,358
	<u>901,169</u>	<u>1,223,715</u>
12 Borrowings		
CURRENT		
Secured liabilities:		
Bank overdraft	475	243,395
Bank loans	378,276	528,276
	<u>378,751</u>	<u>771,671</u>
NON-CURRENT		
Secured liabilities:		
Bank loans	2,597,026	2,664,703
	<u>2,597,026</u>	<u>2,664,703</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
12 Borrowings (cont'd)		
(a) The carrying amounts of non-current assets pledged as security are:		
First Mortgage:		
- freehold land and buildings	13,710,215	13,887,778
Floating charge:		
- other assets	6,341,158	6,763,128
	<u>20,051,373</u>	<u>20,650,906</u>

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

(b) **Bank loan facilities**

Unrestricted access was available at reporting date to the following lines of credit:

Commercial bills	4,309,937	4,790,106
Used at balance date	<u>(2,549,967)</u>	<u>(2,967,337)</u>
Unused at balance date	<u>1,759,970</u>	<u>1,822,769</u>

13 Employee Benefits

Current liabilities

Long service leave	117,787	125,132
Provision for employee benefits	331,408	314,396
	<u>449,195</u>	<u>439,528</u>

Non-current liabilities

Long service leave	92,035	89,357
Provision for employee benefits	49,491	56,475
	<u>141,526</u>	<u>145,832</u>

	Annual Leave	Long Service Leave	Rostered Leave	Sick Leave	Total
	\$	\$	\$	\$	\$
Opening balance at 1 July 2013	253,396	298,710	17,867	15,387	585,360
Additional provisions during the year	256,968	25,176	15,402	11,100	308,646
Amounts used	<u>(247,017)</u>	<u>(28,891)</u>	<u>(21,548)</u>	<u>(5,829)</u>	<u>(303,285)</u>
Balance at 30 June 2014	<u>263,347</u>	<u>294,995</u>	<u>11,721</u>	<u>20,658</u>	<u>590,721</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$
14 Other liabilities		
CURRENT		
Secured		
Gaming machines liability	286,689	188,198
Unsecured		
Members subscriptions in advance	56,178	47,307
Other liability	-	6,250
	<u>342,867</u>	<u>241,755</u>
NON-CURRENT		
Secured		
Gaming machines liability	<u>121,782</u>	143,085
	Gaming machines liabilities are related to poker machines acquired on hire purchase.	
15 Reserves		
Revaluation surplus		
Opening and closing balance	<u>118,272</u>	118,272
16 Capital and Leasing Commitments		
(a) Finance lease commitments		
Minimum lease payments:		
- not later than one year	286,689	188,198
- between one year and five years	<u>121,782</u>	143,085
Minimum lease payments	<u>408,471</u>	331,283
	Finance leases have been taken out for gaming machines.	
(b) Operating leases		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	3,756	3,516
- between one year and five years	<u>15,024</u>	7,032
	<u>18,780</u>	<u>10,548</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

	2014	2013
	\$	\$

17 Contingent Liabilities and Contingent Assets

The Club has a security deposit of \$5,000 held with the Commonwealth Bank of Australia with respect to the Totalisator Agency Board and \$10,000 held with respect to the jetty at Illawarra Yacht Club.

No other contingent liabilities or assets are held at 30 June 2014.

18 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Club is \$ 455,434 (2013: \$ 411,216).

19 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.

20 Financial Risk Management

The main risks Oak Flats Bowling and Recreation Club Limited is 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, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts, bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

Cash and cash equivalents	4	995,534	932,892
Trade and other receivables	5	15,261	13,666
Total financial assets		1,010,795	946,558

Financial Liabilities

Financial liabilities at amortised cost			
Trade and other payables	11	901,169	1,223,715
Borrowings	12	2,975,777	3,436,374
Other liabilities	14	464,649	384,840
Total financial liabilities		4,341,595	5,044,929

Directors' Declaration

21 Correction of error, revision of estimates and variation from preliminary report

(a) Correction of error in accounting for profit on amalgamation

During the period it was noted that a number of fixed assets received on amalgamation with Illawarra Yacht Club were overstated by \$41,000 as at 30 June 2013. The errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2013	Increase/ (decrease)	30 June 2013
	\$	\$	\$
			Restated
Balance sheet (extract)			
Property, plant and equipment	16,836,447	(41,000)	16,795,447
Net assets	16,836,447	(41,000)	16,795,447
Retained Earnings	14,902,347	(41,000)	14,861,347
Total Equity	15,020,619	(41,000)	14,979,619

	2013	Increase/ (decrease)	2013
	\$	\$	\$
			Restated
Income statement (extract)			
Gain on amalgamation	5,796,733	(41,000)	5,755,733
Profit from continuing operations	6,226,782	(41,000)	6,185,782
Profit for the year	6,226,782	(41,000)	6,185,782
Total comprehensive income for the year	6,226,782	(41,000)	6,185,782

22 Events Occurring After the Reporting Date

The financial report was authorised for issue on 2 September 2014 by the Board of Directors.

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 Members' Guarantee

The Club is incorporated under the *Corporations Act 2001* and is a Club limited by guarantee. If the Club is wound up, the constitution states that each member is required to contribute a maximum of \$ 2 each towards meeting any outstandings and obligations of the Club. At 30 June 2014 the number of members was 18,873 (2013: 19,384).

24 Company Details

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

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

Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 5 to 24, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2014 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.

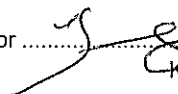
This declaration is made in accordance with a resolution of the Board of Directors.

Director



John Noble

Director



Kevin Grainger

Dated 2 September 2014

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 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure 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.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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 Club'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.

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*, which has been given to the directors of Oak Flats Bowling and Recreation Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Opinion

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

- (a) giving a true and fair view of the Club's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

PKF Lawler

PKF LAWLER
Chartered Accountants

STobutt

SCOTT TOBUTT
Partner

Dated 2 September 2014

Level 9, 1 O'Connell Street, Sydney NSW 2000