

Oak Flats Bowling and Recreation Club Limited

ABN: 86 001 017 894

Financial Statements

For the Year Ended 30 June 2018

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

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For the Year Ended 30 June 2018

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Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Directors' Report
For the Year Ended 30 June 2018

The directors present their report on Oak Flats Bowling and Recreation Club Limited for the financial year ended 30 June 2018.

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 | |
| Leanne Smith | Resigned 18 October 2017 |
| Donald Ryman | Ceased to be a member 13 December 2017 |
| Wendy Steyer | Elected 18 October 2017 |
| Jessie Pill | |

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 25 years, sixteen 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, an Executive Certificate in Corporate Governance and 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 sailing, 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 2018

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 |
| Qualifications | Retired Bank Manager |
| Experience | Director of Club for 20 years |
| George Cowling | Director / Chairman Disciplinary Committee |
| Qualifications | Retired Foreman |
| Experience | Director of Club for 17 years |
| Phillip Buckley | Director / Chairman Sustainability Committee |
| Qualifications | Retired from Australia Post |
| Experience | Director of Club for 12 years |
| Leanne Smith | Director (Resigned 18/10/2017) |
| Qualifications | Primary School Teacher |
| Experience | Director of Club for 3 years |
| Donald Ryman | Director / Vice Chairman (Ceased to be a member 13/12/2017) |
| Qualifications | Wardsman, Wollongong Hospital |
| Experience | Director of Club for 9 years and 3 months |
| Wendy Steyer | Director (Elected 18/10/2017) |
| Qualifications | Retired Library Technician |
| Experience | Director of Club for 8 months |
| Jessie Pill | Director / Chairperson Audit Risk & Finance Committee |
| Qualifications | Commercial Manager, BlueScope |
| Experience | Director of Club for 3 years |

Directors' Report
For the Year Ended 30 June 2018

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 member 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 2018 the collective liability of members was \$37,026 (2017: \$34,914).

Meetings of directors

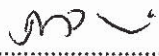
During the financial year, 28 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

| | Directors' Meetings | | Other Committee Meetings | |
|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| John Noble | 15 | 13 | 13 | 10 |
| George Cowling | 15 | 15 | 5 | 5 |
| Phillip Buckley | 15 | 15 | 3 | 3 |
| Leanne Smith | 5 | 4 | 2 | 2 |
| Donald Ryman | 8 | 5 | 5 | 3 |
| Wendy Steyer | 10 | 10 | 8 | 7 |
| Jessie Pill | 15 | 14 | 11 | 11 |

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 2018 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: 
 Jessie Pill

Director: 
 John Noble

Dated: 10.09.2018

Oak Flats Bowling and Recreation Club Limited

ACN: 001 017

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

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



PKF



SCOTT TOBUTT
PARTNER

10 SEPTEMBER 2018
SYDNEY, NSW

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 2018

| | | 2018 | 2017 |
|------------------------------------------------|------|------------------|----------------|
| | Note | \$ | \$ |
| Revenue | 2. | 14,504,493 | 13,978,893 |
| Other income | 2. | 748,298 | 735,077 |
| Gain on revaluation of investment properties | 3. | 460,000 | - |
| Net gain on disposal of non-current assets | 3. | 124,672 | 86,854 |
| Raw materials and consumables used | 3. | (2,204,763) | (2,345,509) |
| Advertising expense | | (27,670) | (29,430) |
| Donations | | (171,426) | (168,214) |
| Equipment hire | | (19,328) | (19,991) |
| Security | | (204,827) | (260,568) |
| Repairs and maintenance | | (466,744) | (452,812) |
| Rates and utilities | | (404,610) | (403,180) |
| Postage, printing and stationery | | (144,197) | (150,224) |
| Poker machine duty | | (1,599,599) | (1,451,235) |
| Insurance expenditure | | (315,838) | (262,887) |
| Entertainment and promotions | | (1,315,162) | (1,227,226) |
| Employee benefits | 3. | (4,613,829) | (4,772,676) |
| Depreciation | 3. | (1,588,332) | (1,688,597) |
| Cleaning expenditure | | (325,652) | (315,649) |
| Finance costs | 3. | (178,720) | (207,028) |
| Computer and software expenses | | (23,990) | (20,104) |
| Subscriptions and licences | | (94,011) | (89,820) |
| Sub-club expenses | | (11,014) | (10,156) |
| Men's bowling club expenses | | (96,026) | (78,761) |
| Women's bowling club expenses | | (34,286) | (36,683) |
| Poker machine expenses | | (144,672) | (142,981) |
| Green and bowling expenses | | (27,317) | (22,158) |
| Courtesy bus | | (82,620) | (74,280) |
| Consulting fees | | (4,554) | (18,750) |
| Other expenditure | | (250,210) | (232,127) |
| Sailing club expenses | | (83,478) | (89,194) |
| Profit from continuing operations | | 1,404,588 | 230,584 |
| Income tax expense | | - | - |
| Profit for the year | | 1,404,588 | 230,584 |
| Other comprehensive income | | | |
| Revaluation of land and buildings | | 2,090,374 | - |
| Total comprehensive income for the year | | 3,494,962 | 230,584 |

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Statement of Financial Position
As At 30 June 2018

| | 2018 | 2017 |
|--------------------------------------|---------------------|------------|
| Note | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 4 1,301,147 | 1,410,351 |
| Trade and other receivables | 5 19,229 | 32,964 |
| Inventories | 6 102,860 | 120,907 |
| Other assets | 7 144,089 | 113,872 |
| TOTAL CURRENT ASSETS | 1,567,325 | 1,678,094 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 9 20,010,246 | 17,817,283 |
| Investment property | 10 1,695,000 | 1,235,000 |
| Intangible assets | 8 1,671,375 | 1,671,375 |
| TOTAL NON-CURRENT ASSETS | 23,376,621 | 20,723,658 |
| TOTAL ASSETS | 24,943,946 | 22,401,752 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 11 1,208,353 | 891,332 |
| Borrowings | 13 566,468 | 588,361 |
| Employee benefits | 12 665,894 | 654,748 |
| Other liabilities | 14 115,584 | 274,606 |
| TOTAL CURRENT LIABILITIES | 2,556,299 | 2,409,047 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 13 1,679,601 | 2,733,277 |
| Employee benefits | 12 151,712 | 156,885 |
| Other liabilities | 14 - | 41,171 |
| TOTAL NON-CURRENT LIABILITIES | 1,831,313 | 2,931,333 |
| TOTAL LIABILITIES | 4,387,612 | 5,340,380 |
| NET ASSETS | 20,556,334 | 17,061,372 |
| EQUITY | | |
| Reserves | 15 3,169,197 | 1,078,823 |
| Retained earnings | 17,387,137 | 15,982,549 |
| TOTAL EQUITY | 20,556,334 | 17,061,372 |

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Statement of Changes in Equity
For the Year Ended 30 June 2018

| | Retained Earnings | Asset Realisation Reserve | Total |
|----------------------------------------------|------------------------------|------------------------------------------|-------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2017 | 15,982,549 | 1,078,823 | 17,061,372 |
| Profit attributable to members of the entity | 1,404,588 | - | 1,404,588 |
| Revaluation of land and buildings | - | 2,090,374 | 2,090,374 |
| Balance at 30 June 2018 | 17,387,137 | 3,169,197 | 20,556,334 |

| | Retained Earnings | Asset Realisation Reserve | Total |
|----------------------------------------------|------------------------------|------------------------------------------|-------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2016 | 15,751,965 | 1,078,823 | 16,830,788 |
| Profit attributable to members of the entity | 230,584 | - | 230,584 |
| Balance at 30 June 2017 | 15,982,549 | 1,078,823 | 17,061,372 |

The accompanying notes form part of these financial statements.

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Statement of Cash Flows
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|-----------------------------------------------------|---------------------------|--------------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 15,983,396 | 15,349,323 |
| Payments to suppliers and employees | (13,071,508) | (13,237,426) |
| Interest received | 3,635 | 4,660 |
| Finance costs | (178,720) | (207,028) |
| Net cash provided by operating activities | <u>2,736,803</u> | <u>1,909,529</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment | (1,695,371) | (1,058,147) |
| Proceeds from sale of property, plant and equipment | 129,120 | - |
| Net cash used in investing activities | <u>(1,566,251)</u> | <u>(1,058,147)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from /(repayment) of borrowings | (1,259,709) | (866,630) |
| Net cash used in financing activities | <u>(1,259,709)</u> | <u>(866,630)</u> |
| Net decrease in cash and cash equivalents held | (89,157) | (15,248) |
| Cash and cash equivalents at beginning of year | 1,390,304 | 1,405,552 |
| Cash and cash equivalents at end of financial year | 4 <u>1,301,147</u> | <u>1,390,304</u> |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2018

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.

Rendering of services

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

Notes to the Financial Statements
For the Year Ended 30 June 2018

(d) Revenue and other income

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).

Gaming Revenue

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

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

(g) Property, Plant and Equipment

Land and buildings

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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

(g) Property, Plant and Equipment

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

| Fixed asset class | Depreciation rate |
|--------------------------|--------------------------|
| Buildings | 5% |
| Plant and Equipment | 13 - 33% |
| Motor Vehicles | 12 - 22.5% |
| Poker Machines | 15 - 40% |

Capital expenditure in relation to gaming machine conversions are additions to existing assets and the full amount expensed in the year costs are incurred.

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.

(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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

(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.

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 Club 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.

Notes to the Financial Statements For the Year Ended 30 June 2018

(n) **Financial instruments**

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.

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

(i) *Loans and receivables*

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

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

(ii) *Financial liabilities*

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

Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

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

Notes to the Financial Statements
For the Year Ended 30 June 2018

(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.

(p) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(q) Critical accounting estimates and judgments

Key estimates – fair value of land and buildings

The Club carries its land and buildings at fair value with changes in the fair value recognised in the asset realisation reserve. Independent valuations are obtained at least triennially and at the end of each reporting period the Directors update their assessment of the fair value, taking into consideration the most recent valuations and movements in the market.

The Oak Flats Clubhouse Land and Building were revalued at 30 June 2018 by independent valuers, with a gain on revaluation of \$2,090,374 recorded in the asset realisation reserve and recognised as other comprehensive income. The valuation was based on market value. The critical assumption adopted in determining the valuation included the location of the land and buildings, the current strong demand for land and buildings in the area and recent sales data for similar properties.

The Illawarra Yacht Club Land and Building was independently valued at 18 August 2016. The valuation was based on market value. The critical assumption adopted in determining the valuation was based on continued use, assuming the Club will continue to provide a return on its value. The Directors have reviewed the assumptions adopted in the 2016 independent valuation and believe the carrying value of land and buildings at the Illawarra Yacht Club correctly reflects the fair value at 30 June 2018.

Key estimates - fair value of investment property

The Investment Properties were independently valued at 30 June 2018 by independent valuers, with a gain on revaluation of \$460,000 recorded in the statement of profit and loss. The valuation was based on 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.

Notes to the Financial Statements
For the Year Ended 30 June 2018

(q) Critical accounting estimates and judgments

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 - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key estimates - income tax exemption status

The Directors of the Club have self assessed their ongoing exemption from income tax at 30 June 2018, as a Sporting Club in accordance with Section 5045 of the Income Tax Assessment Act 1997.

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Notes to the Financial Statements
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|--------------------------------------------------------------------------------------------|-------------------|-------------------|
| | \$ | \$ |
| 2. Revenue and Other Income | | |
| Sales revenue | | |
| - Bar income | 2,152,952 | 2,246,533 |
| - Poker machine income | 8,739,805 | 8,084,025 |
| - Catering income | 3,473,832 | 3,514,254 |
| - Rental income | 50,775 | 50,135 |
| - Sub-club income | (287) | (781) |
| - General bowls income | 21,227 | 19,519 |
| - Women's bowling club income | 9,801 | 17,013 |
| - Men's bowling income | 32,450 | 26,224 |
| - Sailing income | 23,938 | 21,971 |
| | <u>14,504,493</u> | <u>13,978,893</u> |
| Other income | | |
| - Commissions received | 310,773 | 316,227 |
| - Donation and sponsorship income | 95,184 | 70,035 |
| - Interest received | 3,635 | 4,660 |
| - Membership income | 54,516 | 56,907 |
| - GST compensation | 34,360 | 34,360 |
| - Social and entertainment income | 246,049 | 245,049 |
| - Other income | 3,781 | 7,839 |
| | <u>748,298</u> | <u>735,077</u> |
| 3. Result for the Year | | |
| (a) The result for the year includes the following specific expenses | | |
| Raw materials and consumables used | 2,204,763 | 2,345,509 |
| Employee benefits | 4,613,829 | 4,772,676 |
| Finance costs | 178,720 | 207,028 |
| Depreciation | 1,588,332 | 1,688,597 |
| | <u>1,588,332</u> | <u>1,688,597</u> |
| (b) The result for the year includes the following significant revenue and expenses | | |
| Gain on revaluation of investment properties | 460,000 | - |
| Net gain on disposal of non-current asset | 124,672 | 86,854 |
| | <u>124,672</u> | <u>86,854</u> |

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Notes to the Financial Statements
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| | \$ | \$ |
| 4. Cash and cash equivalents | | |
| Cash on hand | 398,760 | 398,809 |
| Cash at bank | 902,387 | 1,011,542 |
| | <u>1,301,147</u> | <u>1,410,351</u> |
| | | |
| 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 | 1,301,147 | 1,410,351 |
| Bank overdrafts | 13 - | (20,047) |
| Balance as per statement of cash flows | <u>1,301,147</u> | <u>1,390,304</u> |
| | | |
| 5. Trade and other receivables | | |
| CURRENT | | |
| Trade receivables | 19,229 | 32,964 |
| | <u>19,229</u> | <u>32,964</u> |
| | | |
| 6. Inventories | | |
| CURRENT | | |
| At cost: | | |
| Stock on hand | 102,860 | 120,907 |
| | <u>102,860</u> | <u>120,907</u> |
| | | |
| 7. Other Assets | | |
| CURRENT | | |
| Prepayments | 108,576 | 97,416 |
| Other assets | 35,513 | 16,456 |
| | <u>144,089</u> | <u>113,872</u> |
| | | |
| 8. Intangible Assets | | |
| Poker machine entitlements | | |
| Cost | 1,671,375 | 1,671,375 |
| | <u>1,671,375</u> | <u>1,671,375</u> |

Oak Flats Bowling and Recreation Club Limited
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Notes to the Financial Statements
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|--------------------------------------------|--------------------|-------------|
| | \$ | \$ |
| 9. Property, plant and equipment | | |
| LAND AND BUILDINGS | | |
| Land | | |
| At fair value | 5,200,000 | 3,900,000 |
| Buildings | | |
| At fair value | 11,610,190 | 11,210,468 |
| Accumulated depreciation | (656,659) | (721,466) |
| | 10,953,531 | 10,489,002 |
| Total land and buildings | 16,153,531 | 14,389,002 |
| PLANT AND EQUIPMENT | | |
| Capital works in progress | | |
| At cost | 130,043 | 117,598 |
| Plant and equipment | | |
| At cost | 4,807,162 | 4,536,796 |
| Accumulated depreciation | (3,432,654) | (3,109,303) |
| | 1,374,508 | 1,427,493 |
| Motor vehicles/sailing vessels | | |
| At cost | 413,481 | 405,400 |
| Accumulated depreciation | (289,876) | (231,019) |
| | 123,605 | 174,381 |
| Poker machines | | |
| At cost | 6,437,375 | 6,169,694 |
| Accumulated depreciation | (4,208,816) | (4,460,885) |
| | 2,228,559 | 1,708,809 |
| Total plant and equipment | 3,856,715 | 3,428,281 |
| Total property, plant and equipment | 20,010,246 | 17,817,283 |

The Oak Flats Clubhouse Land and Building were revalued at 30 June 2018 by independent valuers. Values are based on an active liquid market. This revaluation resulted in a gain on revaluation of \$2,090,374 recorded in the asset realisation reserve and recognised as other comprehensive income.

The Illawarra Yacht Club Land and Building was independently valued at 18 August 2016. The valuation was based on market value. The Directors have reviewed the assumptions adopted in the independent valuations of the Land and Buildings held by the Illawarra Yacht Club and believe the carrying value correctly reflects the fair value at 30 June 2018.

Notes to the Financial Statements
For the Year Ended 30 June 2018

2018 **2017**
\$ **\$**

9. Property, plant and equipment

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 | 3,900,000 | 10,489,001 | 1,427,493 | 174,379 | 1,708,837 | 117,598 | 17,817,308 |
| Additions | - | 182,367 | 286,027 | 8,081 | 1,186,695 | 32,200 | 1,695,370 |
| Disposals - written down value | - | - | (31) | - | (4,417) | - | (4,448) |
| Transfers | - | 19,755 | - | - | - | (19,755) | - |
| Depreciation expense | - | (527,966) | (338,981) | (58,855) | (662,556) | - | (1,588,358) |
| Revaluation | 1,300,000 | 790,374 | - | - | - | - | 2,090,374 |
| Balance at the end of the year | 5,200,000 | 10,953,531 | 1,374,508 | 123,605 | 2,228,559 | 130,043 | 20,010,246 |

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 Arroying 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 Arroying 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 Arroying Club house as the lower ground floor areas of the function rooms known as the mountain view room; wet bar area; and Lakeside rooms. These are classified as property, plant and equipment in the Statement of Financial Position.

10. Investment Property

2018 **2017**
\$ **\$**

| | | |
|-------------------------------------------------------------------------------------------|------------------|-----------|
| Balance at the beginning of the year | 1,235,000 | 1,235,000 |
| Fair value adjustments | 460,000 | - |
| | 1,695,000 | 1,235,000 |
| Amounts recognised in Statement of Comprehensive income for: | | |
| Rental income from investment properties | 50,775 | 50,135 |
| Direct operating expenses arising from investment properties that generated rental income | (7,278) | (7,022) |
| Repairs and maintenance expenses | (6,300) | (5,615) |
| | 37,197 | 37,498 |

Oak Flats Bowling and Recreation Club Limited
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Notes to the Financial Statements
For the Year Ended 30 June 2018

2018 **2017**
\$ **\$**

10. Investment Property

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:

"Investment property" shown above is investments in residential properties at Devonshire Crescent, Oak Flats. The fair value model is applied to all Investment Properties. Values are based on an active liquid market and determined annually by Directors of Independent Valuers. The Investment Properties were independently valued at 30 June 2018 by independent valuers, with a gain on revaluation of \$460,000 recorded in the statement of profit and loss.

11. Trade and other payables

CURRENT

Unsecured liabilities

| | | |
|----------------|------------------|---------|
| Trade payables | 560,281 | 290,725 |
| Other payables | 406,180 | 352,846 |
| GST payable | 241,892 | 247,761 |
| | 1,208,353 | 891,332 |
| | 1,208,353 | 891,332 |

12. Employee Benefits

CURRENT

Long service leave

| | | |
|---------------------------------|----------------|---------|
| Long service leave | 215,490 | 199,174 |
| Provision for employee benefits | 450,404 | 455,574 |
| | 665,894 | 654,748 |
| | 665,894 | 654,748 |

NON-CURRENT

Long service leave

| | | |
|---------------------------------|----------------|---------|
| Long service leave | 86,492 | 82,260 |
| Provision for employee benefits | 65,220 | 74,625 |
| | 151,712 | 156,885 |
| | 151,712 | 156,885 |

Movement in carrying amounts

| | Annual Leave | Long Service Leave | Rostered Leave | Sick Leave | Total |
|---------------------------------------|----------------|--------------------|----------------|---------------|----------------|
| | \$ | \$ | \$ | \$ | \$ |
| Opening balance at 1 July 2017 | 355,322 | 399,236 | 22,559 | 34,516 | 811,633 |
| Additional provisions during the year | 294,936 | 48,745 | 22,177 | 9,358 | 375,216 |
| Amounts used | (287,723) | (23,062) | (35,383) | (23,075) | (369,243) |
| Balance at 30 June 2018 | 362,535 | 424,919 | 9,353 | 20,799 | 817,606 |
| | 362,535 | 424,919 | 9,353 | 20,799 | 817,606 |

Oak Flats Bowling and Recreation Club Limited
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Notes to the Financial Statements
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|----------------------------------------------------------------------------|-------------------|------------|
| | \$ | \$ |
| 13. Borrowings | | |
| CURRENT | | |
| Secured liabilities: | | |
| Bank overdraft | - | 20,047 |
| Bank loans | 566,468 | 568,314 |
| | 566,468 | 588,361 |
| NON-CURRENT | | |
| Secured liabilities: | | |
| Bank loans | 1,679,601 | 2,733,277 |
| The carrying amounts of non-current assets pledged as security are: | | |
| First Mortgage: | | |
| - freehold land and buildings | 17,848,531 | 15,624,001 |
| Floating charge: | | |
| - other assets | 7,095,415 | 6,777,751 |
| | 24,943,946 | 22,401,752 |

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

Bank loan facilities

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

| | | |
|-------------------------------|--------------------|-------------|
| Market rate loan | 3,600,000 | 3,600,000 |
| Bank overdraft | 500,000 | 500,000 |
| Used at balance date | (2,246,069) | (3,321,638) |
| Unused at balance date | 1,853,931 | 778,362 |

Oak Flats Bowling and Recreation Club Limited
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Notes to the Financial Statements
For the Year Ended 30 June 2018

| | 2018 | 2017 |
|-----------------------------------------|----------------|----------------|
| | \$ | \$ |
| 14. Other liabilities | | |
| CURRENT | | |
| Secured | | |
| Gaming machines and furniture liability | 27,850 | 190,867 |
| Unsecured | | |
| Members subscriptions in advance | 87,734 | 83,739 |
| | <u>115,584</u> | <u>274,606</u> |
| NON-CURRENT | | |
| Secured | | |
| Gaming machines liability | - | 41,171 |

Gaming machines and furniture liabilities are related to poker machines and furniture acquired on hire purchase.

| | | |
|-----------------------------------|------------------|------------------|
| 15. Reserves | | |
| Asset realisation reserve | | |
| Opening balance | 1,078,823 | 1,078,823 |
| Revaluation of land and buildings | 2,090,374 | - |
| Closing balance | <u>3,169,197</u> | <u>1,078,823</u> |

| | | |
|--------------------------------------------|---------------|----------------|
| 16. Capital and Leasing Commitments | | |
| Finance lease commitments | | |
| Minimum lease payments: | | |
| - not later than one year | 27,850 | 190,867 |
| - between one year and five years | - | 41,171 |
| Minimum lease payments | <u>27,850</u> | <u>232,038</u> |

Finance leases have been taken out for gaming machines.

| | | |
|---------------------------------------------------------------|--------------|---------------|
| Operating leases | | |
| Minimum lease payments under non-cancelable operating leases: | | |
| - not later than one year | 3,756 | 3,756 |
| - between one year and five years | 3,756 | 7,512 |
| | <u>7,512</u> | <u>11,268</u> |

Capital Commitments

As of 30 June 2018, there were no capital commitments (2017: Nil)

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Notes to the Financial Statements
For the Year Ended 30 June 2018

17. 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:

| | | 2018 | 2017 |
|-----------------------------------------|-----|-------------------------|-------------------------|
| | | \$ | \$ |
| Financial Assets | | | |
| Cash and cash equivalents | 4. | 1,301,147 | 1,410,351 |
| Trade and other receivables | 5. | 19,229 | 32,964 |
| Total financial assets | | <u>1,320,376</u> | <u>1,443,315</u> |
| Financial Liabilities | | | |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 11. | 1,208,353 | 891,332 |
| Borrowings | 13. | 2,246,069 | 3,321,638 |
| Other liabilities | 14. | 115,584 | 315,777 |
| Total financial liabilities | | <u>3,570,006</u> | <u>4,528,747</u> |

18. 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 2018.

19. Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Club is \$432,125 (2017: \$413,860)

20. 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.

Oak Flats Bowling and Recreation Club Limited
ABN: 86 001 017 894

Notes to the Financial Statements
For the Year Ended 30 June 2018

21. Events Occurring After the Reporting Date

The financial report was authorised for issue on 10 September 2018 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.

22. 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 outstanding obligations of the Club. At 30 June 2018 the number of members was 18,513 (2017: 17,457).

23. Company Details

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

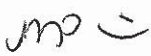
Oak Flats Bowling and Recreation Club Limited
Cnr Kingston and David Streets
Oak Flats NSW 2529

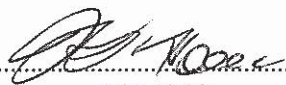
Directors' Declaration

The directors of the Club declare that:

1. The financial statements and notes, as set out on pages 5 to 25, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the Club.
2. In the directors' opinion, there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

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

Director 
Jessie Pill

Director 
John Noble

Dated 10.09.2018

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF OAK FLATS BOWLING AND RECREATION CLUB LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Oak Flats Bowling and Recreation Club Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Responsibilities of Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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



PKF



SCOTT TOBUTT
PARTNER

10 SEPTEMBER 2018
SYDNEY, NSW