

Mittagong RSL Club Ltd

ABN 69 001 069 674

Financial Statements

For the Year Ended 31 December 2016

Mittagong RSL Club Ltd

ABN 69 001 069 674

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Mittagong RSL Club Ltd

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Notice of Annual General Meeting

Notice is hereby given that the 45th Annual General Meeting of Members of the Mittagong RSL Club Limited will be held in the Clubhouse on Sunday 26th March, 2017 at 10.00 am.

BUSINESS

1. Apologies.
2. To confirm the Minutes of the previous General Meeting on Sunday 3rd April 2016.
3. To receive, consider and adopt the reports of the President and the General Manager.
4. To receive, consider and adopt the Financial Statement of the Company for the year ended 31st December, 2016 together with the Reports therein of the Directors and Auditors.
5. Notice of Special Resolutions.
6. Notice of Ordinary Resolutions.
7. Appointment of Patron or Patrons.
8. Deal with any business of which due notice has been given.
9. General Business: to transact any other business that may be lawfully brought forward.

BY THE ORDER OF THE BOARD

Dated this 8th February 2017

CRAIG MADSEN

General Manager

President's Report

For the Year Ended 31 December 2016

It gives me great pleasure to present my 10th Annual Report as President of Mittagong RSL Club Limited.

2016 was a year that saw business consolidation and has seen the Ironstone Catering Department return record figures, our assets increase, membership grow and debt reduction for the building work occur. Overall 2016 has been an outstanding year.

Net Profit for the year was \$451,190, which is a pleasing result given that non-cash expenses such as depreciation was \$1,611,275. This year has been the strongest trading year in the Club's history, with total turnover in excess of \$18.2M. 2016 produced a record year in the Ironstone Catering Department. In 2006, the Catering Department at that time produced income of \$2,870,840 and recorded a departmental loss of \$148,756. Fast forward to 2016 and Ironstone Catering has produced income of \$6,258,996 with a departmental contribution of \$1,020,049. This has been a great result on the back of the previous years completed renovation of the Club. These improved trading conditions have also flowed through to other trading departments such as Beverage and Gaming.

These results would not have been possible in any areas of the business if not for our wonderful staff and their tremendous efforts that they put in each week. I can assure you that your efforts do not go unnoticed by the Board of Directors and we are very grateful to you all. Thank you.

During the year, Peter Tomlin and I attended the Clubs NSW conference at Broadbeach and we participated in various Masterclass sessions to assist with Director professional development. This type of ongoing education helps us continue to perform our duties as company directors to the highest possible standard. The classes help us stay in touch with changing legislative frameworks and gives us the opportunity to mix with other Directors and compare our operation and strategic direction with other like businesses. I think it is very beneficial to interact with other Clubs and their Directors so we can stay abreast of the latest trends in our industry. The Directors have undertaken various online education pathways and attended regional meetings during the year through our Clubs NSW membership and I thank them for giving up their time to do so. For the next 2 years, the Annual Conference will be held in Sydney and hopefully the attendance at the conference will increase with smaller clubs getting a great opportunity to attend.

The Club has continued to support our local community through the provision of cash and in-kind donations to the value of \$285,468 for 2016. This is in excess of the legislated amount required. We recognise the social responsibility that we have as a community based club and will continue to support those organisations and individuals that make a difference to our community at large.

The Women's Auxiliary has again provided funds and assistance to those less fortunate and worked extremely hard to this end. Thank you for being part of this Club and hopefully you will continue to do so.

In August, the Vietnam Vets put on a dinner to recognise the 50th Anniversary of the battle of Long Tan and an occasion to remember their fallen mates. What a brilliant night. Over 200 people were entertained by Little Pattie and Geoff Harvey, a great night was had by all. Thank you for your kind invitation and an even bigger thank you for what you did on behalf of your country.

The Sub Branch continues to play an important role in our Club, with excellent attendances on Anzac Day, VP Day and Remembrance Day ceremonies. It is very satisfying to see the number of school children involved from schools far and wide and this is no doubt due to the efforts of the Sub Branch. I had the pleasure of attending a school presentation at Kangaloon and they did a rendition of "Lest We Forget" and if you were not moved by it, you probably have ice in your veins. It was unbelievably presented, particularly considering the young age of the students.

Once again a huge thank you to all our staff, Management, Administration, Catering, Bar, Cleaning, Reception and Maintenance. The fine result the Club has had this year could not happen without you all. On behalf of the Board, thank you so much. It would not be possible to operate a business like this without outstanding people and I believe that we have the best.

To our members, I hope you continue to enjoy your Club and the facilities that it provides. We as a board have been proactive as we work towards providing you with improved and exciting facilities in the future.

Graham Milbank
President

General Manager's Report For the Year Ended 31 December 2016

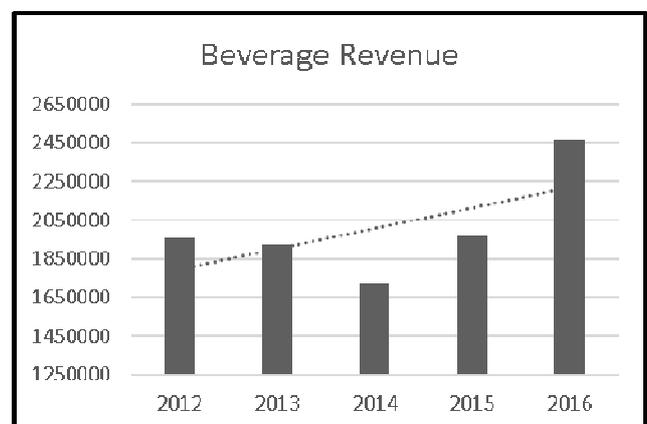
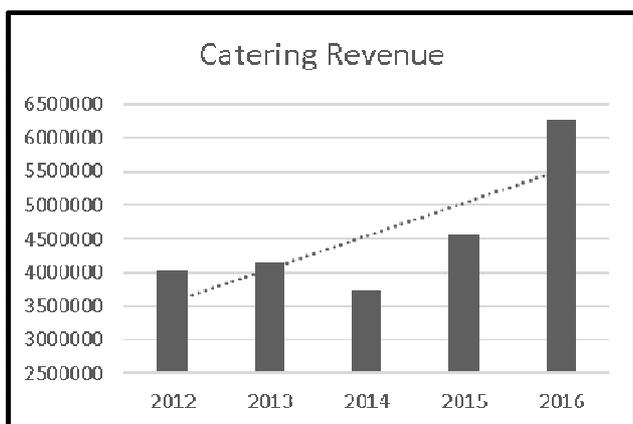
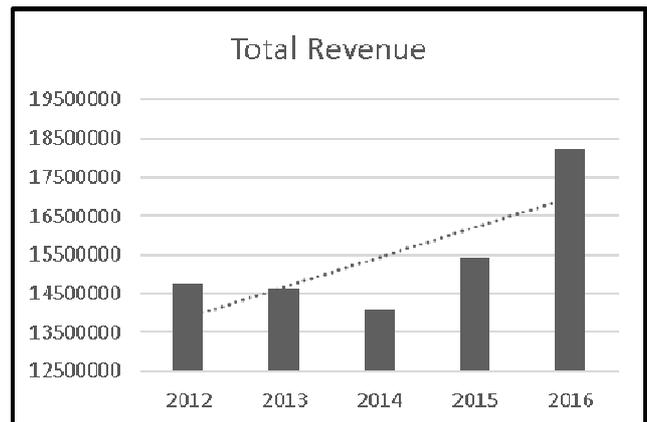
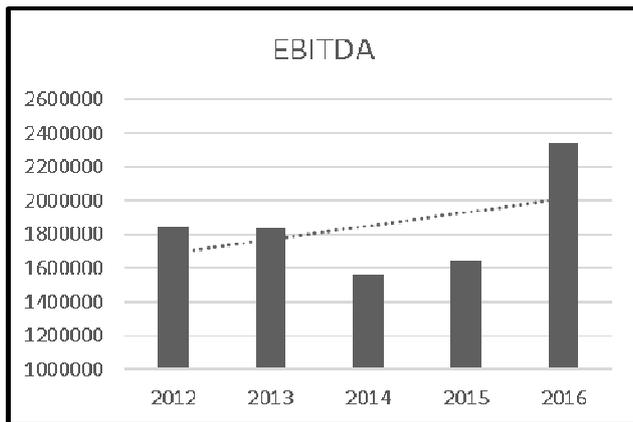
It gives me a great deal of pleasure to be able to present to you the members of the Mittagong RSL Club Limited my General Managers Report for the 2016 financial year.

2016 proved to be a year of adjustment and consolidation for the Club operationally after the completion of our Stage 1 Masterplan. We were operating what was essentially a new business in the Ironstone precinct and it took a little time to settle into the required operational and business patterns before this area began to realise its full potential.

With the success of Ironstone, we have seen trading improvements filter through to other areas of the Club and this has been particularly so through the Beverage and Gaming Departments as well as a very large increase in membership enrolments.

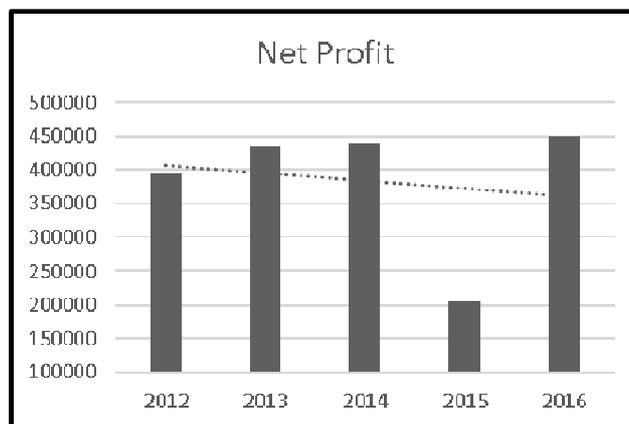
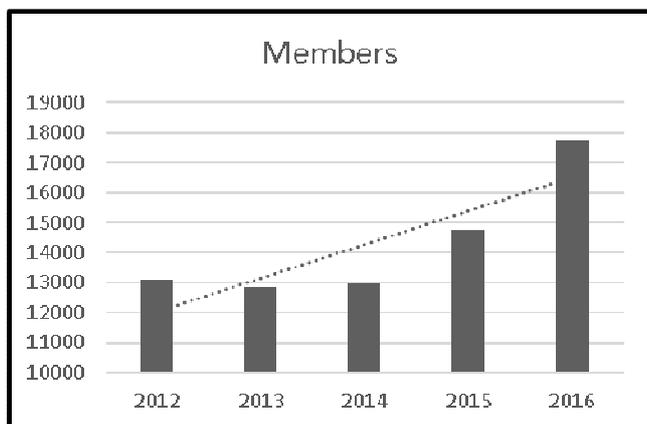
It has been a very positive year for the Club, with a net profit of \$451,190 recorded, this being well above budget expectations. Total revenue for the year was \$18,221,500 a 34% increase over 2015. The EBITDA (earnings before interest, tax, depreciation and amortisation) recorded for 2016 was \$2,346,698, which is the best result in over 10 years. We have seen a significant increase in membership of 18.5%.

I have included a number of graphical representations of the Club's key trading areas and KPI's for members' information below, which I think you may find more interesting than just numbers, percentages and words. These clearly illustrate the improved trading performance of the Club since the completion of the Stage 1 Masterplan and the health of the Club's balance sheet.



General Manager's Report

For the Year Ended 31 December 2016



KEY PERFORMANCE INDICATORS					
	2016	2015	2014	2013	2012
Bar GP %	60.67%	62.18%	57.64%	55.94%	57.69%
Catering GP %	70.21%	69.35%	69.94%	70.83%	69.88%
Wages % to Revenue	29.64%	31.76%	31.13%	29.40%	28.40%
EBITDA	2,346,698	1,644,697	1,569,474	1,834,899	1,848,243
Depreciation	1,611,275	1,222,020	1,095,146	1,496,817	1,377,508
Net Profit	451,190	205,505	439,737	434,274	392,728
Current Assets	1,085,345	556,784	677,544	2,409,809	1,367,641
Non-Current Assets	35,895,575	36,698,864	27,051,883	30,389,065	31,325,447
Total Assets	36,980,920	37,255,648	27,729,427	32,798,874	32,693,088
Current Liabilities	8,512,218	9,367,980	3,692,665	3,137,670	3,138,695
Non-Current Liabilities	770,348	640,504	678,775	403,334	570,603
Total Liabilities	9,282,566	10,008,484	4,371,440	3,541,004	3,709,298
Net Assets	27,698,354	27,247,164	23,357,987	29,257,870	28,983,790

When reflecting on the past year we have had, my thoughts continually go back to the people at the Club. We are a people business and it is our responsibility to ensure that we provide goods and service to our members and visitors.

This cannot be done without an effective team of staff at the Club and I must say I think we have a brilliant team. We consistently receive correspondence at the Club congratulating us on the quality of our products and service from our people.

General Manager's Report For the Year Ended 31 December 2016

I would like to thank each and every one of our staff members for your commitment to the Club and our members, as you are all a prime reason as to why this club is so successful.

I would like to pass on my thanks to the management and supervisory team of Alan, Dan, Ross and Trish for the past year as their commitment and input to the Club has been invaluable. Equally, I would also like to recognise the commitment and efforts of the front of house management and supervisory team of Ray, Donna, Di, Leanne & Karen who all do a fantastic job of organising and leading our staff on the floor in the food, function, gaming and bar areas. Well done everyone.

We would also like to make special mention of two of our catering staff members who participated in the 2016 Chef's Challenge, Lucy Dobbins and Ashley Agazzi. These young ladies qualified as finalists at the 2016 Chef's Challenge, competing against much more experienced finalists and acquitted themselves very well. They were the only all-female team represented and were the only team that did not have an Executive Chef in it. They produced some outstanding meals for the finals and we cannot wait to see what they have in store for the 2017 competition.

The Board of Directors has this year approved sponsorship for two people to participate in the Kokoda Youth Leadership Challenge, which is a 10-day trek along the Kokoda Track. KYLC is a peer group leadership program promoted by the RSL & Services Clubs Association and overseen by the KYLC Benevolent Fund. The Challenge is aimed at young people at school or disadvantaged in the community who have difficulty in finding their way in society. It is also used to encourage young achievers with natural leadership skills.

The leadership program aims to create greater awareness of the sacrifices of the Diggers on the Kokoda campaign among our young people to ensure the traditions live on. At the same time, it instils in participants a commitment to community service and enhances personal development.

The Club will be seeking applications from community members aged between 16 to 25 for the Young Persons Trek and applications internally from Staff members aged between 18 to 35 for the Club Industry Trek. Applications will close in mid-April and details are contained on the Club's website or people can contact me at the Club for further information.

The Board of Directors also has before the members for consideration a Special Resolution, which proposes to amend Rule 28.1 of the Club's Constitution to provide flexibility in relation to the manner in which the election of the Board is conducted. Currently, members vote in the election of the Board by completing a voting slip and returning it to the Club. The Club has considered the possibility of introducing electronic voting for the election of the Board in the future. The thought behind considering electronic voting is based on the voting process becoming easier and more relevant for people to participate in the process.

What lays ahead for the future? In the short term, the objectives are to grow revenues through existing revenue streams and look at potential diversification of income. We will continue to promote, develop and expand the Club's offerings. We will continue to provide quality entertainment and social activities for members. In the long term, the primary objective is to investigate and implement successful alternate revenue streams that complement the Club's core business whilst still maintaining the principal activities of the Company.

I would like to commend to the members the contribution of our Board of Directors over the last 12 months. They have again contributed significantly to the operations of the Club with solid policy direction and fulfil the role of key decision makers with the best interests of the members in mind. As General Manager of the Club, they have shown faith in my ability to carry out Board policy to manage the Club and I thank them for being entrusted with that responsibility.

The continued success of the Club is always dependent upon the support of our wonderful members. Our members' dedication to the club is our inspiration for us to offer you the best possible service, products and facilities that we can. We would like to extend a thank you to all of our members for contributing to the amenity of Mittagong RSL and trust that we can catch up with you here at the Club in the very near future.

Craig Madsen
General Manager
Mittagong RSL Club Ltd

Sub Branch President's Report For the Year Ended 31 December 2016

I would like to begin my 2016 report by paying our respects and sad farewells to our following members; Edward Punch, Ross Pearce, Diane Badcock, Reg Rodwell, Alf Thom, Roger Dombkins, Joseph Smith, Alwyn Hatter and Aussie Beale. Members of the Sub-Branch also conducted and attended a number of Services for other Veterans within the area. To the families who experienced bereavement through the loss of loved ones during the year, we express our deepest sympathy.

I would also like to thank the Board and staff of the RSL Club for the tremendous support they continue to provide to the Sub-Branch, particularly in the form of a significant amount of staff support, the use of Club facilities and financial considerations. This support is a major reason why the Sub-Branch continues to maintain a healthy financial position and is able to provide such high quality Services to our members and the ex-Defence members of the Mittagong community.

The year began with the President chairing the AGM of the RSL Women's Auxiliary with the election of office bearers. During the year the Women's Auxiliary held 4 fund raising morning teas at the CWA Rooms in Mittagong. All these were well attended by members of the Sub-Branch and friends. The money raised by the Auxiliary is donated to the Queen Victoria Hospital at Picton.

The Sub-Branch AGM was held in February and, because members of the executive are now elected for three-year terms, there was no requirement to carry out any elections. As a result, the main topics on the agenda were the submissions of the President's and Treasurer's reports. Our membership has remained reasonably steady during the year. It is heartening to note that, since the vote to accept affiliate members in 2015, 9 affiliate members have been accepted into the Sub-Branch.

The Anzac Day church service was held at the Mittagong Baptist Church and was well attended by our members. Of particular note was the exceptional playing of "The Last Post" and "Reveille" by Ms. Emily Wanczura who is one of the students awarded a partial music scholarship by the Sub-Branch. Her performance added significantly to the Service and impressed everyone in the church very much.

The Anzac Day Dawn and Main Services were also well supported by the local population and once again there was a formation fly-past by aircraft from the Berrima District Aero Club. A special aspect of the fly-past was the 'missing man' formation, which paid a very visual respect to all the members of the ADF who have, particularly, fallen in the defence of Australia. Duncan Reay, who was also awarded a partial music scholarship by the Sub-Branch, played "The Last Post" and "Reveille" to a very high standard at both the Dawn and Main Services.

Steve Spence attended an impressive Anzac Day Service at Kangaloon School. Max Bulluss and Jim Reynolds attended the Mittagong Primary School Anzac Day Service and Steve Spence, Jim Reynolds and Max Bulluss attended an Anzac Day Service at St. Michaels Catholic Primary School.

A cheque for \$5,842.45 was presented to Berrima Legacy, the proceeds coming from Anzac Day collections.

The State Congress this year was held at Sydney but unfortunately no one was able to attend from the Sub-Branch.

In February, many Sub-Branch members attended the Chief of Defence Force parade at ADFA. It was a most impressive parade, particularly when it is realized many of the cadets and Midshipmen had only been in the ADF for six weeks. Another very memorable part of the parade was the low level fly pasts by a C130 Hercules and Blackhawk helicopters.

In September the Sub-Branch also did a visit to the Air Mobility, Training and Development Unit (AMTDU) at RAAF Base Richmond. The members of AMTDU went out of their way to make us welcome and show the professionalism of the unit and its personnel. We were also able to have a close look at a C27J Spartan and C130J Hercules aircraft.

In February, Steve Spence and Jim Cole attended the Central Southern District Council Meeting at Goulburn.

VP Day and Remembrance Day Services were held at the RSL Memorial. Students from Frensham, Mittagong Public School and Kangaloon Schools attended and gave impressive presentations on the importance of each day. Flag Marshals on the day were from the Southern Highlands Squadron of the Air League.

In December, Jeff Thyer and Craig Larkin attended the Air League Presentation Dinner where the Sub-Branch presented the League with a cheque for \$200.

Our Christmas BBQ was held at the RSL Club and was reasonably well attended and appreciated by all members.

Mittagong RSL Club Ltd

ABN 69 001 069 674

Sub Branch President's Report For the Year Ended 31 December 2016

The work of the Pension Officers, Steve Spence and Lyn Kuschert, is greatly appreciated by all members for their dedication and efficiency. Welfare Officer Brian Hicks with the assistance of Jim Bunce, Norm Mallard and Ken Sparrow were kept very busy visiting members in hospitals or nursing homes. Welfare Officer Ray Kuschert was also busy organizing services for our veteran community.

To the Treasurer, Bob Gilroy, Secretary, Steve Spence, Vice Presidents, Jeff Thyer and Craig Larkin and editors of the "Lion Review", Phill Moscatt, Jim Reynolds and Max Bulluss, I would like to particularly extend my thanks for the tremendous work they have done during the past year – the Sub-Branch could not work without their tireless efforts.

I would like to thank the Women's Auxiliary for the wonderful work they have done in selling Anzac Day and Remembrance Day Badges and for the great help they have given leading up to, and during, Anzac Day, Remembrance Day, VP Day and at the Christmas BBQ.

To the Sub-Branch members, I would also like to express my thanks for your support during the year and wish you all a happy and healthy 2017.

Jim Cole
President

Declaration of Core and Non-Core Property For the Year Ended 31 December 2016

Pursuant to Section 41J(2) of the Registered Clubs Act for the financial year ended 31 December, 2016:

- (a) The following properties are core property of the Club;
 - (i) The land upon which the Club's licensed premises are located;
 - (ii) The land upon which the Club's car parking areas are located other than the 10 car parking spaces adjacent to the northern wall of the Springs Resorts Mittagong RSL Motel.

- (b) The following properties are non-core property of the Club;
 - (i) The land upon which the Mineral Springs Motel behind the Club's licensed premises is located;
 - (ii) The land in lot 3 DP 365917 on Old Hume Highway containing the residential property on the corner of the Old Hume Highway and Bessemer Street Mittagong;
 - (iii) The land in Lot 1 DP 1086496 upon which the Springs Resorts Mittagong RSL Motel is located including the ten car parking spaces which are adjacent to the northern wall of the motel; and
 - (iv) The land in Lot 1 DP 237330 on Henderson Avenue containing the residential property situated at 26 Henderson Avenue, Mittagong.

Notes to Members

1. Section 41J(2) of the registered Clubs Act requires the annual report to specify the core and non-core property of the Club as at the end of the financial year to which the report relates.
2. Core property is any real property owned or occupied by the Club that comprises:
 - (a) The defined premises of the Club; or
 - (b) Any facility provided by the Club for use of its members and their guests; or
 - (c) Any other property declared by a resolution passed by a majority of the members present at a general meeting of Ordinary members of the Club to be core property of the Club.
3. Non-core property is any other property other than that referred to above as core property and any property which is declared by the members at a general meeting of Ordinary members of the Club not to be core property.
4. The significance of the distinction between core property and non-core property is that the Club cannot dispose of any core property unless:
 - (a) The property has been valued by a registered valuer within the meaning of the Valuers Act 2003; and
 - (b) The disposal has been approved at a general meeting of the Ordinary members of the Club at which the majority of votes cast support the approval; and
 - (c) Any sale is by way of public auction or open tender conducted by an independent real estate agent or auctioneer.
5. These disposal provisions and what constitutes a disposal for the purposes of section 41J are to some extent modified by regulations made under the Registered Clubs Act and by Section 41J itself. For example, the requirements in paragraph 4 above do not apply to:
 - Core property that is being leased or licensed for a period not exceeding 10 years on terms that have been subject of a valuation by a registered valuer;
 - Core property that is leased or licensed to a telecommunications provider for the purposes of a telecommunications tower.

Ordinary Resolution

“That pursuant to the Registered Clubs Act, the members hereby approve and agree to the members of the Board during the twelve (12) months preceding the 2018 Annual General Meeting receiving the following benefits, and the members further acknowledge that the benefits outlined in the sub-paragraphs (1) to (10) are not available to members generally but only to those members who are elected Directors of the Club”.

1. A reasonable meal if required and refreshments to be associated with each Board meeting of the Club.
2. Provision for seven car parking spaces to be reserved for the exclusive use of Directors.
3. The reasonable cost of Directors, and their spouses, attending the Registered Clubs Association Annual General Meeting.
4. The reasonable cost of Directors and their spouses attending seminars, lectures, trade displays and other similar events as may be determined by the Board from time to time.
5. The reasonable cost of Directors and their spouses attending other registered clubs for the purpose of viewing and assessing their facilities and the method of such operation provided that such attendances are approved by the Board as being necessary for the benefit of the Club.
6. The provision of blazers and associated apparel for the use of Club Directors when representing the Club.
7. The reasonable cost of an annual dinner for Directors and their spouses.
8. The reasonable cost of refreshments whilst a Director is on duty at the Club.
9. The reasonable cost of welcoming and entertaining industry representatives, VIPs and other invited guests.
10. The reasonable cost of membership of Clubs NSW Directors Institute and related training seminars and workshops.

By direction of the Board

CRAIG MADSEN

General Manager

Notice of Special Resolution for Annual General Meeting

NOTICE is hereby given that at the Annual General Meeting of **MITTAGONG RSL CLUB LIMITED** to be held on **26 March 2017** commencing at **10am** at the premises of the Club, Old Hume Highway, Mittagong, New South Wales, the members will be asked to consider and if thought fit pass the Special Resolution set out below:

PROCEDURAL MATTERS

1. To be passed, the Special Resolution must receive votes in favour from not less than three quarters (75%) of those members who being eligible to do so vote in person on the Special Resolution at the meeting.
2. The Special Resolution should be read in conjunction with the notes to members which follows the Special Resolution.
3. **Only Life Members, financial Sub-Branch members and financial Club Members are eligible to vote on the Special Resolution.**
4. Under the Registered Clubs Act:
 5. (a) members who are employees of the Club are not entitled to vote; and
 6. (b) proxy voting is prohibited.
7. Amendments to the Special Resolution (other than minor typographical corrections which do not change the substance or effect of the Special Resolution) will not be permitted from the floor of the meeting.
8. The Board of the Club recommends the Special Resolution to members.

Notice of Special Resolution for Annual General Meeting

SPECIAL RESOLUTION

[The Special Resolution is to be read in conjunction with the notes to members set out below.]

That the Constitution of Mittagong RSL Club Limited be amended by **deleting** Rules 28.1(h) and (i) and in lieu thereof **inserting** the following new Rules 28.1(h) and (i):

- “(h) If the number of candidates nominated shall exceed the number required to be elected, a ballot shall be conducted. The ballot shall be conducted in such manner and on such dates and during such times as may be determined by the Board from time to time.*

- (i) If a ballot is to be conducted pursuant to Rule 28.1(h), the following requirements shall apply in respect of that ballot:*
 - (i) A ballot paper shall be prepared with the order of the names of the nominees determined by lot conducted by the Secretary and Returning Officer; and*
 - (ii) A notice must be forwarded to each member entitled to vote confirming:
 - (1) the manner in which the election will be conducted;*
 - (2) how members can vote in the election; and*
 - (3) the dates and times that members can vote;*
 - (4) any other details which are necessary for members to vote.**
 - (iii) The ballot will close not less than four (4) days prior to the Biennial General Meeting;*
 - (iv) Members must record their vote in such manner as may be prescribed by the Board from time to time. Failure to comply with those requirements shall render the vote invalid.*
 - (v) The Board may from time to time make such regulations consistent with this Constitution as they think necessary for the conduct of any election and all matters connected therewith.”*

Notes to Members on the Special Resolution

1. The Special Resolution proposes to amend Rule 28.1 of the Club's Constitution to provide flexibility in relation to the manner in which the election of the Board is conducted.
2. Currently, members vote in the election of the Board by completing a voting slip and returning it to the Club.
3. The Club has considered the possibility of introducing electronic voting for the election of the Board in the future. However, the Board has not made a decision as to if or when electronic voting will be introduced.

Notice of Special Resolution for Annual General Meeting

4. In effect, electronic voting would operate as follows:
 - (a) A notice is forwarded to each member entitled to vote (together with the Notice of the Biennial General Meeting and related documents) confirming:
 - (i) members will vote in the election of the Board electronically; and
 - (ii) the dates and times for electronic voting;
 - (iii) any other details necessary to vote in the election of the Board (for example, user names and passwords);
 - (b) Members vote electronically;
 - (c) The results are automatically collated;
 - (d) The results of the election are declared at the Biennial General Meeting.
 5. The Club is mindful some members may not be able to vote electronically from home because they may not have personal computers, iPads, smart phones or Internet access. If electronic voting is introduced, members would be permitted to use computers at the Club's premises to vote in the election of the Board.
 6. Members can be assured that the integrity of the ballot for the election of Directors would not be compromised by the introduction of electronic voting. The Club would put in place any safeguards that may be necessary to ensure the privacy of voting.
 7. A number of listed public companies now allow electronic voting including Insurance Australia Group Ltd and NRMA Ltd.
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Dated: 8th February 2017

By direction of the Board

**Craig Madsen
Chief Executive Officer**

Directors' Report

For the Year Ended 31 December 2016

The directors present their report on Mittagong RSL Club Ltd for the financial year ended 31 December 2016.

1. General information

Directors

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

Names	Position
Graham J Millbank	President
Roger F Cole	Vice President
Ross J Cowley	Vice President
Phillip G Moscott	Director
Brian F Smith	Director
Stephen Spence	Director
Peter Tomlin	Director

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

Company secretary

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

Mr Craig Madsen. Mr Madsen has worked for Mittagong RSL Club Limited for the past eleven years, performing management roles. Mr Madsen was appointed company secretary on 5 March 2005.

Principal activities

The principal activity of Mittagong RSL Club Ltd during the financial year was that of a registered club.

No significant changes in the nature of the Company's activities occurred during the financial year.

Short term objectives

In the short term the Company objectives are to grow revenues through existing revenue streams and look at potential diversification of income. We will continue to promote, develop and expand the Club's offerings. We will continue to provide quality entertainment and social activities for members to support our principal activities whilst maintaining state of the art facilities and amenities that serve our members.

Long term objectives

In the long term, the Company's primary objective is to investigate and implement successful alternate revenue streams that complement the Club's core business whilst still maintaining the principle activities of the Company.

Directors' Report

For the Year Ended 31 December 2016

1. General information

Strategy for achieving the objectives

The company will strive to continue to be a market leader in the Licensed Club Industry in the current offerings provided to members while undertaking due diligence, extensive research and looking at market demands to determine the viability of any potential alternate revenue streams.

The primary strategies to achieve the Club's objectives is through sound financial management and the use of financial ratios and key performance indicators (KPIs) to ensure that organisational business plans, budgets and cash flows are current, accurate and relevant.

Performance measures

The Company measures its success in the following areas:

- Satisfaction of its members and guests
- Success of marketing and promotional events, entertainment and major calendar events
- Financial performance through review of:
 - Earnings before interest, tax, depreciation and amortisation
 - Revenue
 - Wages cost as a percentage of revenues
 - Profitability
 - Targeted budgets being met
 - Business Plan targets achieved
 - Financial ratios and KPIs
 - Patron visitations

2. Operating results and review of operations for the year

Operating results

The profit of the Company after providing for income tax amounted to \$ 451,190 (2015: \$ 205,505).

	2016	2015
	\$	\$
Operating profit	2,068,257	1,427,413
Depreciation	(1,611,275)	(1,222,020)
Profit/(loss) on disposal of assets	(5,792)	112
Total	451,190	205,505

Directors' Report

For the Year Ended 31 December 2016

2. Operating results and review of operations for the year

Dividends paid or recommended

In accordance with the Constitution, no dividend is payable.

Review of operations

The Club's main sources of revenue came from food, beverage, gaming and gambling operations which serviced the social requirements of our members and visitors. All revenue lines traded up to or beyond our expectation since the completion of the building work in 2015. Expenditures through the various departments are considered to be within expectation.

Staff development has continued and the Board of Directors has also undertaken the necessary training to maintain compliance with the legislation that covers our business activities.

The maintenance of profitability of the Club in our core business activities has enabled us to maintain our contributions to the local community and junior sports organisations to a greater degree than our responsibilities under the Community Development Support Expenditure Scheme.

Some of the notable outcomes of 2016 are:

- Total membership increased by 2,731 members (18.5% increase on 2015)
- Total revenue from trading activities increased by \$2,212,384 (34% increase on 2015)
- Gaming revenue increased by \$506,124 (6.1% increase on 2015)
- Beverage revenue increased by \$500,042 (25.4% increase on 2015)
- Catering revenue increased by \$1,712,342 (37.7% increase on 2015)
- Total Community Support was to the value of \$285,468
- EBITDA increased by \$702,001 (42.7% increase on 2015)

3. Other items

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Events after the reporting date

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

Directors' Report

For the Year Ended 31 December 2016

3. Other items

Likely developments

The provision and improvements of services for our Members is the prime objective of the Club in all of its activities. It is the intention of the Board to continue to maintain the profitability of the business through the growth in its service and social activities as well as the development of its asset base for the Members.

The Directors and Management are continuously planning the strategic development of the business to ensure its future viability for the members. Since the completion of the building work, robust trading conditions which have now become a normal occurrence. We believe that this will continue given that the business maintains and strengthens the relevance it currently has with its members, local community and visiting client base.

Indemnification and insurance of officers and auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Mittagong RSL Club Ltd, with the exception of a directors and officers company reimbursement insurance policy.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 31 December 2016 has been received and can be found on page 18 of the financial report.

4. Director Information

Information on directors

Graham J Millbank	President
Qualifications	Self Employed
Experience	35 years
Roger F Cole	Vice President
Qualifications	Retired School Teacher
Experience	32 years
Ross J Cowley	Vice President
Qualifications	Bachelor of Business, Certified Practicing Accountant
Experience	12 years
Phillip G Moscatt	Director
Qualifications	Retired Sales and Marketing Manager
Experience	8 years
Brian F Smith	Director
Qualifications	Company Director
Experience	18 years (non-continuous)
Stephen Spence	Director
Qualifications	Retired Manager - Electrical Industry
Experience	2 years

Directors' Report

For the Year Ended 31 December 2016

4. Director Information

Information on directors

Peter Tomlin Director
 Qualifications Bachelor of Arts
 Experience 1 year 9 months

Meetings of directors

During the financial year, 21 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee Meetings		Executive Remuneration		Strategic Planning Meeting	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Graham J Millbank	16	15	-	-	1	1	-	-
Roger F Cole	16	16	2	2	1	1	2	1
Ross J Cowley	16	16	2	2	1	1	1	1
Phillip G Moscott	16	14	-	-	-	-	2	1
Brian F Smith	16	14	2	2	-	-	-	-
Stephen Spence	16	16	-	-	-	-	1	1
Peter Tomlin	16	16	-	-	-	-	-	-

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

Director: 
 Director:
 Graham J Millbank

Director: 
 Director:
 Roger F Cole

Dated this 8th day of February 2017

KELLY + PARTNERS

CHARTERED ACCOUNTANTS

Incorporating

GILLESPIES CHARTERED ACCOUNTANTS

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Mittagong RSL Club Ltd

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2016, 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.

Kelly Partners (Southern Highlands) Pty Limited



David M Duff
Registered Auditor Number 282971

Bowral

Dated this 8th day of February 2017

Mittagong RSL Club Ltd

ABN 69 001 069 674

Statement of Profit or Loss For the Year Ended 31 December 2016

	2016	2015
Note	\$	\$
Sales revenue	8,724,548	6,512,164
Cost of sales	<u>(2,833,766)</u>	<u>(2,136,774)</u>
Gross profit	5,890,782	4,375,390
Gaming machine revenue	8,838,129	8,332,005
Other income	3 612,385	573,273
Profit on sale of non-current assets	(5,792)	112
Marketing expenses	(119,985)	(120,293)
Occupancy costs	(207,925)	(191,659)
Administrative expenses	(3,532,776)	(3,041,451)
Finance costs	(278,441)	(217,284)
Bar expenses	(1,017,568)	(948,534)
Catering expenses	(3,374,883)	(3,043,788)
Promotions expenses	(1,262,078)	(952,277)
Gaming machine expenses	(3,248,056)	(3,109,000)
Other expenses	<u>(231,327)</u>	<u>(228,969)</u>
Income before depreciation and income taxes	2,062,465	1,427,525
Income tax expense	-	-
Depreciation	<u>(1,611,275)</u>	<u>(1,222,020)</u>
Profit attributable to members	<u>451,190</u>	<u>205,505</u>

Mittagong RSL Club Ltd

ABN 69 001 069 674

Statement of Comprehensive Income
For the Year Ended 31 December 2016

	2016	2015
	\$	\$
Profit for the year	451,190	205,505
Other comprehensive income, net of income tax		
Items that will not be reclassified subsequently to profit or loss		
Revaluation changes for property, plant and equipment	-	3,683,672
Other comprehensive income for the year, net of tax	-	3,683,672
Total comprehensive income for the year	451,190	3,889,177

Mittagong RSL Club Ltd

ABN 69 001 069 674

Statement of Financial Position**31 December 2016**

	2016	2015
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7 697,695	166,241
Trade and other receivables	8 52,849	42,883
Inventories	9 184,631	186,968
Other assets	13 150,170	160,692
TOTAL CURRENT ASSETS	<u>1,085,345</u>	556,784
NON-CURRENT ASSETS		
Other financial assets	10 760	760
Property, plant and equipment	11 34,752,581	35,553,495
Investment property	12 308,646	311,021
Intangible assets	14 833,588	833,588
TOTAL NON-CURRENT ASSETS	<u>35,895,575</u>	36,698,864
TOTAL ASSETS	<u>36,980,920</u>	37,255,648
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	15 1,126,115	1,573,669
Borrowings	17 6,671,703	7,119,383
Short-term provisions	18 593,461	568,435
Other liabilities	16 120,939	106,493
TOTAL CURRENT LIABILITIES	<u>8,512,218</u>	9,367,980
NON-CURRENT LIABILITIES		
Borrowings	17 283,664	214,987
Long-term provisions	18 486,684	425,517
TOTAL NON-CURRENT LIABILITIES	<u>770,348</u>	640,504
TOTAL LIABILITIES	<u>9,282,566</u>	10,008,484
NET ASSETS	<u>27,698,354</u>	27,247,164
EQUITY		
Reserves	11,504,779	11,504,779
Retained earnings	16,193,575	15,742,385
TOTAL EQUITY	<u>27,698,354</u>	27,247,164

Mittagong RSL Club Ltd

ABN 69 001 069 674

**Statement of Changes in Equity
For the Year Ended 31 December 2016****2016**

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 January 2016	15,742,385	11,504,779	27,247,164
Profit attributable to members	451,190	-	451,190
Balance at 31 December 2016	16,193,575	11,504,779	27,698,354

2015

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 January 2015	15,536,880	7,821,107	23,357,987
Profit attributable to members	205,505	-	205,505
Revaluation increment (decrement)	-	3,683,672	3,683,672
Balance at 31 December 2015	15,742,385	11,504,779	27,247,164

Mittagong RSL Club Ltd

ABN 69 001 069 674

Statement of Cash Flows For the Year Ended 31 December 2016

	2016	2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	19,862,712	16,861,704
Payments to suppliers and employees	(17,861,592)	(14,791,180)
Interest received	1,554	2,321
Interest paid	(278,441)	(217,284)
Net cash provided by/(used in) operating activities	23(b) <u>1,724,233</u>	<u>1,855,561</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	9,951	273
Purchase of property, plant and equipment	(823,728)	(7,185,491)
Net cash used by investing activities	<u>(813,777)</u>	<u>(7,185,218)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds/(repayments) of borrowings	(350,001)	5,100,850
Net Hire purchase proceeds/(repayments)	125,583	(15,506)
Net cash used by financing activities	<u>(224,418)</u>	<u>5,085,344</u>
Net increase/(decrease) in cash and cash equivalents held	686,038	(244,313)
Cash and cash equivalents at beginning of year	11,657	255,970
Cash and cash equivalents at end of financial year	23(a) <u><u>697,695</u></u>	<u><u>11,657</u></u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

The financial report covers Mittagong RSL Club Ltd as an individual entity. Mittagong RSL Club Ltd is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Mittagong RSL Club Ltd is Australian dollars.

1 Basis of Preparation

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

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company 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 in relation to rendering of services is recognised depending on whether the outcome of the services can be estimated reliably. If the outcome can be estimated reliably 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 estimated, then revenue is recognised to the extent of expenses recognised that are recoverable.

Interest revenue

Interest is recognised using the effective interest method.

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.

Subscriptions

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

Other income

Other income is recognised on an accruals basis when the Company is entitled to it.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies

(a) Revenue and other income

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

(b) Income Tax

The principle of mutuality has been applied in calculating the taxable income of the company. Subscriptions and other amounts received from members are excluded from the assessable income of the company. The company is assessed for income tax purposes on income from non-members (including other investment income such as interest and rent.) Operating expenses are apportioned between member and non-member income. Accordingly, taxable income is not directly related to the operating result and can vary substantially from year to year.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and is net of any rebates and discounts received. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(d) Property, Plant and Equipment

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

Land and buildings are measured using the revaluation model.

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Items of property, plant and equipment acquired for nil or nominal consideration have been recorded at the acquisition date fair value.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies

(d) Property, Plant and Equipment

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated 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 - 33.33%
Motor Vehicles	18.75 - 22.5%
Gaming machines	25 - 50%

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

(e) Investment property

Investment property is held at cost which includes expenditure that is directly attributable to the acquisition of the investment property. The investment properties are depreciated on a straight line basis.

(f) Intangible Assets

Poker Machine Entitlements

Poker machine entitlements are considered as intangible assets as per AASB 138 and have been brought to account at cost. They are considered to have an indefinite life and as such are not amortised.

Social impact assessment study costs incurred in order to obtain additional entitlements have been accounted for as prepayments until the entitlements are acquired. The prepayment is then capitalised together with the cost of the entitlements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies

(g) Impairment of non-financial assets

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

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

(h) 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 Company 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 the period.

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

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

(i) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly 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 one year 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 high quality corporate bond rates incorporating bonds rated AAA or AA by credit agencies, with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2 Summary of Significant Accounting Policies

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) 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.

Notes to the Financial Statements

For the Year Ended 31 December 2016

3 Revenue and Other Income

Revenue from continuing operations

	2016	2015
	\$	\$
Sales revenue		
- Beverage sales	2,465,553	1,965,509
- Catering sales	6,258,996	4,546,654
	<u>8,724,549</u>	<u>6,512,163</u>
Other revenue		
- Gaming machine revenue	8,838,129	8,332,005
Total Revenue	<u><u>17,562,678</u></u>	<u><u>14,844,168</u></u>

	2016	2015
	\$	\$
Other Income		
- Interest received	1,554	2,321
- Rent received	29,250	28,469
- Commission	241,984	225,627
- Lease receipts	202,341	184,496
- Sundry revenue	6,051	15,922
- Member subscriptions	132,666	109,196
- Utilities reimbursements - Springs Motel	23,169	28,543
- Sports and Recreation	(24,630)	(21,301)
Total other income	<u><u>612,385</u></u>	<u><u>573,273</u></u>

4 Profit from Ordinary Activities

The result for the year was derived after charging / (crediting) the following items:

	2016	2015
	\$	\$
- Interest paid	278,441	217,284

The result for the year includes the following specific expenses:

	2016	2015
	\$	\$
Other expenses:		
Depreciation	1,611,275	1,222,020
Borrowing charges	5,792	6,427
Employees' leave entitlements	86,193	(4,400)

Mittagong RSL Club Ltd

ABN 69 001 069 674

Notes to the Financial Statements

For the Year Ended 31 December 2016

5 Remuneration of Auditors

	2016	2015
	\$	\$
Remuneration of the auditor, KELLY + PARTNERS/GILLESPIES, for:		
- auditing or reviewing the financial statements	36,900	36,900
- taxation services	2,000	1,900
- financial statements preparation	7,200	7,200
- other services	3,580	3,280
	49,680	49,280

Notes to the Financial Statements

For the Year Ended 31 December 2016

6 Income Tax Expense

Reconciliation of income tax expense to profit from ordinary activities before income tax is as follows:

	2016	2015
	\$	\$
Profit from ordinary activities before income tax	451,190	205,505
<i>Adjustments due to the mutuality principle:</i>		
Exempt income from members	(331,346)	(301,563)
Wholly assessable income	(518,412)	(489,912)
Exempt expenditure	626,475	423,545
Wholly deductible expenditure	828,490	763,564
	<u>1,056,397</u>	<u>601,139</u>
Portion applicable to non-members 5.03% (2015: 4.89%)	53,086	29,211
Prima facie income tax expense @ 30% (2015: 30%)	<u>15,926</u>	<u>8,763</u>
<i>Increase in income tax expense due to wholly assessable income:</i>		
Interest	466	696
Rent	69,477	58,263
Commission	73,475	68,671
Utilities Reimbursements - Mineral Springs	6,951	8,563
GST Rebate	5,154	5,154
<i>Decrease in income tax expense due to wholly deductible expenditure:</i>		
Other expenses	(600)	(570)
Superannuation	(157,213)	(143,427)
Rates and taxes	(28,095)	(25,043)
Commission expenditure	(61,901)	(50,324)
Capital allowance adjustment - prior years	-	(10,432)
	<u>(76,360)</u>	<u>(79,686)</u>
Amount transferred (from)/to future income tax benefit not brought to account	76,360	79,686
Tax losses carried forward	<u>3,507,564</u>	<u>3,253,032</u>
Income tax expense attributable to profit from ordinary activities	<u>-</u>	<u>-</u>

Mittagong RSL Club Ltd

ABN 69 001 069 674

Notes to the Financial Statements

For the Year Ended 31 December 2016

7 Cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	158,421	153,421
Cash at bank	539,274	12,820
	<u>697,695</u>	<u>166,241</u>

8 Trade and other receivables

	2016	2015
	\$	\$
CURRENT		
Trade receivables	52,849	42,883

9 Inventories

	2016	2015
	\$	\$
CURRENT		
At cost:		
Stock on hand	184,631	186,968

10 Other financial assets

(a) Available-for-sale financial assets

NON-CURRENT		
shares in other corporations	760	760

Notes to the Financial Statements

For the Year Ended 31 December 2016

11 Property, plant and equipment

	2016	2015
	\$	\$
LAND AND BUILDINGS		
Freehold land - At independent valuation	7,400,000	7,400,000
Total Land	<u>7,400,000</u>	<u>7,400,000</u>
Buildings - At independent valuation	25,350,000	25,350,000
Buildings - At cost	2,567	-
Accumulated depreciation	<u>(770,223)</u>	<u>-</u>
Total buildings	<u>24,582,344</u>	<u>25,350,000</u>
Total land and buildings	<u>31,982,344</u>	<u>32,750,000</u>
PLANT AND EQUIPMENT		
Plant and equipment - At cost	4,633,770	4,561,275
Accumulated depreciation	<u>(3,258,354)</u>	<u>(2,900,959)</u>
Total plant and equipment	<u>1,375,416</u>	<u>1,660,316</u>
Motor vehicles - At cost	60,597	52,960
Accumulated depreciation	<u>(22,009)</u>	<u>(42,033)</u>
Total motor vehicles	<u>38,588</u>	<u>10,927</u>
Gaming machines - At cost	5,609,866	5,513,210
Accumulated depreciation	<u>(4,253,633)</u>	<u>(4,380,958)</u>
Total gaming machines	<u>1,356,233</u>	<u>1,132,252</u>
Total plant and equipment	<u>2,770,237</u>	<u>2,803,495</u>
Total property, plant and equipment	<u>34,752,581</u>	<u>35,553,495</u>

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. Generally, at each intervening period, the directors review the independent valuation and, where appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies. Where necessary, the use of independent valuers is used to assist in this process. The Company's land and buildings were revalued at 1 January 2016 by independent valuers. This valuation was obtained to assist the directors determining the value of land and buildings at 31 December 2015. Valuations were made using the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Mittagong RSL Club Ltd

ABN 69 001 069 674

Notes to the Financial Statements

For the Year Ended 31 December 2016

11 Property, plant and equipment

(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:

	Land	Buildings	Plant and Equipment	Motor Vehicles	Gaming machines	Total
	\$	\$	\$	\$	\$	\$
Year ended 31 December 2016						
Balance at the beginning of year	7,400,000	25,350,000	1,660,316	10,927	1,132,252	35,553,495
Additions	-	2,567	99,065	41,355	680,741	823,728
Disposals	-	-	(185)	(8,610)	(6,947)	(15,742)
Depreciation expense	-	(770,223)	(383,780)	(5,084)	(449,813)	(1,608,900)
Balance at the end of the year	7,400,000	24,582,344	1,375,416	38,588	1,356,233	34,752,581

Notes to the Financial Statements

For the Year Ended 31 December 2016

12 Investment Properties

	2016	2015
	\$	\$
Balance at beginning of the period	311,021	313,396
Depreciation	(2,375)	(2,375)
Balance at end of the period	308,646	311,021

13 Other assets

	2016	2015
	\$	\$
CURRENT		
Prepayments	105,306	139,057
Other assets	6,339	2,104
Borrowing costs	12,000	17,791
Masterplan	26,525	1,740
	150,170	160,692

14 Intangible Assets

Gaming machine licences		
Cost	833,588	833,588
Accumulated amortisation and impairment	-	-
Net carrying value	833,588	833,588
Total Intangibles	833,588	833,588

15 Trade and other payables

	2016	2015
	\$	\$
Current		
Trade payables	555,925	596,350
Accrued expenses	354,180	312,218
American express	33,418	504,115
Other payables	182,590	160,987
	1,126,113	1,573,670

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying amounts are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the Year Ended 31 December 2016

16 Other liabilities

	2016	2015
	\$	\$
CURRENT		
Subscriptions in advance	120,939	106,493

17 Borrowings

	2016	2015
	\$	\$
CURRENT		
Unsecured liabilities:		
Hire purchase liabilities	470,603	413,698
Secured liabilities:		
Bank overdraft	-	154,584
Commercial Bill facility	6,201,100	6,551,101
	6,201,100	6,705,685
Total current borrowings	6,671,703	7,119,383

	2016	2015
	\$	\$
NON-CURRENT		
Unsecured liabilities:		
Hire purchase liabilities	283,664	214,987

(a) Commercial bill facilities

The Company has a commercial bill facility expiring on 30 November 2019, with the following components:

- \$3,500,000 interest only facility maturing quarterly with a rate of 3.7%.
- A principal reduction facility, maturing quarterly with an interest rate of 1.81%. The principal reduction payment is \$87,500 per quarter. The balance at 31 December 2016 is \$2,701,101.

Notes to the Financial Statements

For the Year Ended 31 December 2016

17 Borrowings

(b) Financing Facilities

	2016	2015
	\$	\$
The company has access to the following lines of credit:		
<i>Total facilities available:</i>		
Corporate credit card - CBA	50,000	50,000
Bill facilities	6,201,100	6,562,500
Bank overdraft	300,000	300,000
<i>Facilities used at balance date:</i>		
Corporate credit card - CBA	-	-
Bill facilities	6,201,100	6,551,101
Bank overdraft	-	-
<i>Facilities not utilised at balance date:</i>		
Corporate credit card - CBA	50,000	50,000
Bill facilities	-	11,399
Bank overdraft	300,000	145,416

(c) Securities pledged

The credit facilities are secured by:

- i) a first registered mortgage over non-residential property located at Cnr Bessemer Street and Old Hume Highway Mittagong NSW 2575.
- ii) a first registered mortgage over residential real property located at 26 Henderson Avenue Mittagong NSW 2575
- iii) a first registered equitable mortgage over the whole of its assets and undertakings of the company.

Notes to the Financial Statements

For the Year Ended 31 December 2016

18 Provisions

	2016	2015
	\$	\$
CURRENT		
Employee entitlements	593,461	568,435
NON-CURRENT		
Employee entitlements	486,684	425,517
	Employee entitlements	Total
	\$	\$
Opening balance at 1 January 2016	993,952	993,952
Additional provisions	433,777	433,777
Provisions used	(347,584)	(347,584)
Balance at 31 December 2016	1,080,145	1,080,145

The present value of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

Inflation rate:	1.30%
Discount rate:	4.26%

The discount rate used is the Milliman Group 100 Discount rate for 10 years at 31 December 2016.

19 Reserves and retained surplus

(a) Asset revaluation reserve

The asset revaluation reserve records fair value movements on property, plant and equipment held under the revaluation model.

Mittagong RSL Club Ltd

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Notes to the Financial Statements

For the Year Ended 31 December 2016

20 Directors' Remuneration

	2016	2015
	\$	\$
The number of directors of the company whose income falls within the following bands:		
\$0 - \$9,999	7	7
Total benefits received or due and receivable by all directors of the company:		
Payment to directors	-	-
Benefits to directors in kind in attending seminars, functions, club business and the like	6,545	6,220

21 Key Management Personnel Disclosures

Directors:

G Millbank (President)	R Cole (Vice President)	R Cowley (Vice President)
P Moscatt	B Smith	S Spence
P Tomlin		

Other Key Management Personnel

C Madsen (General Manager)
A Cunynghame (Catering Manager)
D Marmont (Operations Manager)

The totals of remuneration paid to the key management personnel of Mittagong RSL Club Ltd during the year are as follows:

	2016	2015
	\$	\$
Short-term employee benefits	458,773	447,797
Post-employment benefits	12,147	10,801
	470,920	458,598

22 Capital and Leasing Commitments

Finance leases

Minimum lease payments:		
- not later than one year	283,668	257,830
- between one year and five years	204,901	224,070
Minimum lease payments	488,569	481,900
- less finance charges	(22,396)	(26,483)
Present value of minimum lease payments	466,173	455,417

Notes to the Financial Statements

For the Year Ended 31 December 2016

23 Cash Flow Information

(a) Reconciliation of cash

	2016	2015
	\$	\$
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	697,695	166,241
Bank overdrafts	-	(154,584)
	<u>697,695</u>	<u>11,657</u>

(b) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2016	2015
	\$	\$
Profit for the year	451,190	205,505
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Depreciation	1,611,275	1,222,020
Loss/(profit) on sale of non-current assets	5,792	(112)
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	(9,966)	627
- (increase)/decrease in other assets	10,523	49,728
- (increase)/decrease in inventories	2,337	(17,950)
- increase/(decrease) in trade and other payables	(447,557)	389,912
- increase/(decrease) in other liabilities	14,446	11,606
- increase/(decrease) in provisions	86,193	(4,400)
Cashflows from operations	<u>1,724,233</u>	<u>1,856,936</u>

24 Related Parties

(a) Transactions with related parties

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

There were no related party transactions during the course of the financial year. The company did not trade with any of its directors or director related entities.

25 Bank Guarantee

At the request of the company, the company's bank is holding bank guarantees in favour of the Totalisator Agency Board of NSW to the value of \$5,000.

Mittagong RSL Club Ltd

ABN 69 001 069 674

Notes to the Financial Statements

For the Year Ended 31 December 2016

26 Members' Guarantee

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$ 1 each towards meeting any outstandings and obligations of the Company. At 31 December 2016 the number of members was 17,496 (2015: 14,765).

27 Company Details

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

Mittagong RSL Club Ltd
Corner Hume Highway and Bessemer Street
Mittagong NSW 2575

Mittagong RSL Club Ltd

ABN 69 001 069 674

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 19 to 41, 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 31 December 2016 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company 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

Graham J Millbank

Director

Roger F Cole

Dated this 8th day of February 2017

KELLY + PARTNERS

CHARTERED ACCOUNTANTS

Incorporating

GILLESPIES CHARTERED ACCOUNTANTS

Independent Audit Report to the members of Mittagong RSL Club Ltd

Opinion

We have audited the financial report of Mittagong RSL Club Ltd (the Company), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and 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 Mittagong RSL Club Ltd. is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its financial performance for the year then ended; and

(b) 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.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Mittagong RSL Club Limited for the year ended 31 December 2016 included on Mittagong RSL Club Limited's web site. The Mittagong RSL Club Limited's directors are responsible for the integrity of the Mittagong RSL Club Limited's web site. We have not been engaged to report on the integrity of the Mittagong RSL Club Limited's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

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CHARTERED ACCOUNTANTS

Incorporating

GILLESPIES CHARTERED ACCOUNTANTS

Independent Audit Report to the members of Mittagong RSL Club Ltd

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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 the 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 this 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.

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CHARTERED ACCOUNTANTS

Incorporating

GILLESPIES CHARTERED ACCOUNTANTS

Independent Audit Report to the members of Mittagong RSL Club Ltd

- 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

Kelly Partners (Southern Highlands) Pty Limited



David M Duff
Registered Auditor Number 282971

Bowral

Dated this 8th day of February 2017

Kelly Partners (Southern Highlands) Pty Ltd ABN 50 607 762 452

5/20 Bundaroo Street, Bowral NSW 2576

PO Box 1555 Bowral NSW 2576

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LIABILITY LIMITED BY A SCHEME APPROVED UNDER PROFESSIONAL STANDARDS LEGISLATION

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CHARTERED ACCOUNTANTS

Incorporating

GILLESPIES CHARTERED ACCOUNTANTS

Disclaimer

The additional financial data presented on page 46-51 is in accordance with the books and records of the Company which have been subjected to the auditing procedures applied in our statutory audit of the Company for the year ended 31 December 2016. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Mittagong RSL Club Ltd) in respect of such data, including any errors of omissions therein however caused.

Kelly Partners (Southern Highlands) Pty Limited



David M Duff
Registered Auditor Number 282971

Bowral

Dated this 8th day of February 2017

Mittagong RSL Club Ltd

ABN 69 001 069 674

For the Year Ended 31 December 2016

Detailed trading account

	2016	2015
	\$	\$
Bar and Bottleshop		
Sales revenue		
Bar sales	2,176,324	1,743,639
Bottleshop sales	195,035	139,359
Recoups - discounts and specials	94,193	82,512
	<u>2,465,552</u>	<u>1,965,510</u>
Cost of sales		
Opening stock	82,172	79,338
Purchases	974,026	746,049
Closing stock	(86,496)	(82,172)
	<u>969,702</u>	<u>743,215</u>
Cost of goods sold	<u>969,702</u>	<u>743,215</u>
Gross profit	<u>1,495,850</u>	<u>1,222,295</u>
Less: Direct expenses		
Beer gas	4,886	4,403
Rental of equipment	5,659	5,596
Electricity	38,400	38,400
Payroll tax	38,787	33,225
Repairs and maintenance	9,983	8,890
Requisites	(6,155)	787
Salaries and wages	857,781	795,523
Staff training	947	1,116
Superannuation	67,280	60,595
	<u>1,017,568</u>	<u>948,535</u>
Net profit / (loss)	<u>478,282</u>	<u>273,760</u>

Mittagong RSL Club Ltd

ABN 69 001 069 674

For the Year Ended 31 December 2016

Detailed trading account

	2016	2015
	\$	\$
Gaming Machines		
Income		
Net clearances	<u>8,838,129</u>	8,332,005
Less: Direct expenses		
Central monitoring system	85,780	83,558
Community sponsorships, donations and support	249,704	261,308
Duty tax	1,835,126	1,696,737
Electricity	109,200	109,200
Equipment rental	3,063	21,686
Links fees	120,014	166,441
Payroll tax	19,364	16,870
Promotions - Bush Bounty	204,988	203,682
Quickchange	6,154	5,218
Repairs and maintenance and requisites	196,142	166,781
Salaries and wages	385,663	347,609
Superannuation	32,857	29,911
	<u>3,248,055</u>	3,109,001
Net profit / (loss)	<u><u>5,590,074</u></u>	<u>5,223,004</u>

Mittagong RSL Club Ltd

ABN 69 001 069 674

For the Year Ended 31 December 2016

Detailed trading account

	2016	2015
	\$	\$
Catering		
Sales revenue		
Sales	5,455,895	3,959,301
Recoups - discounts and specials	803,101	587,353
	<u>6,258,996</u>	<u>4,546,654</u>
Cost of sales		
Opening stock	73,888	53,098
Purchases	1,861,972	1,414,348
Closing stock	(71,796)	(73,888)
	<u>1,864,064</u>	<u>1,393,558</u>
Cost of goods sold	<u>1,864,064</u>	<u>1,393,558</u>
Gross profit	<u>4,394,932</u>	<u>3,153,096</u>
Less: Direct expenses		
Advertising	246	234
Electricity	48,000	48,000
Gas	24,000	24,182
Laundry	37,056	30,624
Payroll tax	130,588	113,591
Repairs and maintenance	59,310	29,727
Requisites	117,983	97,427
Salaries and wages	2,739,342	2,488,489
Staff training	(7,563)	5,454
Superannuation	225,921	206,060
	<u>3,374,883</u>	<u>3,043,788</u>
Net profit / (loss)	<u>1,020,049</u>	<u>109,308</u>

Detailed Profit and Loss
For the Year Ended 31 December 2016

	2016	2015
	\$	\$
Net contribution from bar and bottleshop	478,282	273,760
Net contribution from gaming machines	5,590,074	5,223,004
Net contribution from catering	1,020,049	109,308
Net profit from trading	7,088,405	5,606,072
Other income		
Interest received	1,554	2,321
Rent received	29,250	28,469
Commission	241,984	225,627
Sundry revenue	6,051	15,922
Lease receipts	202,341	184,496
Member subscriptions	132,666	109,196
Sports and Recreation	(24,630)	(21,301)
Utilities reimbursements - Springs Motel	23,169	28,543
Total other income	612,385	573,273
Total operating income	7,700,790	6,179,345
Expenditure		
Advertising	119,985	120,293
Annual leave paid	321,058	268,064
Auditors remuneration	49,680	49,280
Bank charges	121,842	129,344
Borrowing charges	5,792	6,427
Cash discrepancy	2,436	2,958
Cleaning material and waste disposal	95,840	77,663
Club promotions - general	270,051	263,599
Club promotions - members only	992,027	688,678
Commission - motel	4,906	4,588
Consultants	32,431	37,382
Directors expenses	6,545	6,220
Directors professional development	8,213	10,526
Donations and sponsorships	1,250	1,350
Electricity and gas	124,803	107,882
Employees' leave entitlements	86,193	(4,400)
Entertainment	61,430	58,968
Fringe benefits tax	26,811	20,271
General expenses	2,772	10,763
Hire of plant and equipment	4,668	4,668
Insurance	203,914	189,681
Interest paid	278,441	217,284
Legal expenses	2,791	-
Licences and permits	5,488	4,125
Long service leave paid	26,526	31,741

Detailed Profit and Loss
For the Year Ended 31 December 2016

	2016	2015
	\$	\$
Magazines, journals and periodicals	668	728
Management expenses	11,894	8,107
Management professional development	6,926	6,393
Motor vehicle expenses	14,076	15,639
Payroll tax	120,592	105,799
Printing, postage and stationery	49,708	61,222
Rates and taxes	93,651	83,477
Repairs and maintenance	333,580	199,938
Salaries and wages	1,496,409	1,360,403
Security	114,274	108,181
Sick leave paid	101,191	73,915
Sky Channel and Fox Sports	67,577	64,508
Staff expenses	104,451	121,908
Subscriptions	30,834	23,290
Superannuation contributions	202,195	184,325
Telephone	28,614	26,744
Total expenditure	5,632,533	4,751,932
Operating profit for the year before depreciation and income tax	2,068,257	1,427,413
Depreciation	1,611,275	1,222,020
Profit on sale of non-current assets	(5,792)	112
Profit for the year attributable to members	451,190	205,505