

## KOGARAH R.S.L. CLUB LIMITED

The Directors of Kogarah R.S.L. Club Limited submit herewith the accounts of the Club for the year ended 30 June 2011 and reports as follows:-

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

<b>Director</b>	<b>Occupation</b>	<b>Experience</b>
John William Samuel	Administration	28 years
Warwick Selwyn Hall	Qantas Hospitality	34 years
Edith Ellen Whelan	Director	18 years
Barry Jeffrey Clewett	Manager	24 years
Bret William Shanahan	Landscaper	11 years
Jack David Walker	Deputy superintendent	9 years
Brian Brown	Maintenance contractor	13 years
Craig John Elson	Air conditioning sales exec	8 years
Kenneth Rawson	Clerical	23 years

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

### COMPANY SECRETARY

David Laurence Smith who served as the Club Secretary of Kogarah RSL Club Limited for 8 years resigned on 9 June 2011. A new management team comprising of Grant Amer, Noel Buckley and Terry Stronach has been appointed to deal with the day to day operations until a new Secretary Manager is appointed. While the decision on a new Secretary Manager is being considered, Grant Amer has been appointed licensee and company secretary.

### DIVIDENDS

The Club is limited by guarantee and is prevented by its constitution from paying dividends.

### CORPORATE INFORMATION

Kogarah RSL Club Limited is a company limited by guarantees that is incorporated and domiciled in Australia.

The registered office is c/- Frank Clune & Son, Level 7, 60 Carrington Street, Sydney and the principal place of business is 254 Railway Parade, Kogarah.

### MEMBERSHIP

The Club is a company limited by guarantee and without share capital. The number of members as at 30 June 2011 and the comparison with last year is as follows:

	<u>2011</u>	<u>2010</u>
Ordinary Members	4,287	3,386
Honorary Life Members	6	7
Veteran Members	157	156
	<u>4,450</u>	<u>3,549</u>

### PRINCIPAL ACTIVITIES

The principal activities of the Club during the course of the financial year consisted of the conduct and promotion of a licensed social club for its members. There have been no significant changes in the nature of these activities during the year.

## **REVIEW AND RESULTS OF OPERATIONS**

The Operating loss after income tax for the year ended 30 June 2011 was \$167,127, compared to a \$521,910 loss after tax for the 2010 year. This resulted after charging \$234,190 (2010: \$278,252) for depreciation/amortisation. Net revenue from poker machine trading amounted to \$2,331,032 (2010: \$2,234,986). The Club contributed an aggregate amount of \$23,797 (2010: \$27,093) to community development and support as required under Part 4 of the Gaming Machine Tax Act 2001.

## **GOING CONCERN**

It is noted that current liabilities exceed current assets. Whilst the extent of current liabilities is impacted by payment timing issues, the Board is confident the Club can meet its liabilities as and when they fall due.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During April 2011, the Club entered a Deed of Agreement to lease part of the Club's premises to the Uniting Church in Australia Property Trust (Wesley Mission).

Before the lease begins, Wesley Mission is to refurbish the property and car park that is to be leased. Refurbishment is expected to be completed by 30 June 2012. In consideration of the Club consenting to Wesley Mission completing the building works, Wesley Mission paid a non refundable sum of \$190,000 plus GST upon execution of the Deed of Agreement.

Under the terms of the lease subject to the Deed of Agreement, the lessee (Wesley Mission) is to pay the Club the sum of \$1,070,000 plus GST (lease premium) upon occupation of the lease premises. The \$1,070,000 lease premium amount is the total of lease premiums over the term of lease.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There have been no significant events after the balance date which may affect either the Club's operations or results of those operations or the Club's state of affairs.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The directors do not anticipate any particular development in the operations of the Club which will affect the result in subsequent years.

## **DIRECTORS' MEETINGS**

The number of directors' meetings and number of meetings attended by each of the directors of the Club during the financial year are:

<b>Director</b>	<b>Attendance</b>	<b>Meetings Held</b>
John William Samuel	17	18
Warwick Selwyn Hall	16	18
Edith Ellen Whelan	17	18
Barry Jeffrey Clewett	15	18
Bret William Shanahan	16	18
Jack David Walker	17	18
Brian Brown	18	18
Craig John Elson	15	18
Kenneth Rawson	16	18

In addition to the above, the Directors attended a considerable number of sub-committee and special board meetings.

## **ENVIRONMENTAL REGULATIONS AND PERFORMANCE**

The Club's operations are subject to various environmental regulations under both Commonwealth and State legislation. The directors are not aware of any significant breaches during the period covered by this report.

## **PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the Club or intervene in any proceedings to which the Club is a party for the purpose of taking responsibility on behalf of the Club for all or any part of those proceedings. The Club was not a party to any such proceeding during the year.

## **RELATED PARTY DISCLOSURES**

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements, or the fixed salary of a full-time employee of the Club or a related corporation), by reason of a contract made by the Club or a related corporation with the Director or with a firm of which he is a member, or with a Club in which he has a substantial financial interest. This statement excludes a benefit included in the aggregate amounts of emoluments received or due and receivable by Directors shown in Note 7 to the Club's financial statements prepared in accordance with the Corporations Law.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Club has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Club or a related body corporate:

- (i) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- (ii) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings;

with the exception of the following matters:-

During or since the financial year the Club has paid premiums to insure directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Club, other than conduct involving a wilful breach of duty in relation to the Club.

## **AUDITOR INDEPENDENCE**

The auditor's independence declaration is included in this annual report.

## **NON AUDIT SERVICES**

The following non-audit services were provided by the Club's auditor, Frank Clune & Son. The directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Frank Clune & Son received or are due to receive the following amounts for the provision of non-audit services:

Tax advice & compliance services	\$16,800
Preparation of Financial Statements	\$ 7,000

Signed in accordance with the resolution of the Board of Directors.

**JOHN W. SAMUEL**  
Chairman

**BARRY J. CLEWETT**  
Junior Vice Chairman

Dated at Kogarah this 9 September 2011

**KOGARAH R.S.L. CLUB LIMITED**  
A.B.N. 75 001 032 355

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF KOGARAH RSL CLUB  
LIMITED**

I declare that, to the best of my knowledge and belief, during the year 30 June 2011 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.

**FRANK CLUNE & SON**

**Frank Catanzariti**  
**Partner**

**Date** 14<sup>th</sup> September 2011

**Level 7**  
**60 Carrington Street**  
**SYDNEY NSW 2000**

**KOGARAH R.S.L. CLUB LIMITED**  
A.B.N. 75 001 032 355

**DIRECTORS DECLARATION**

The Directors of the Kogarah RSL Club Limited declare that:-

1. The Financial Statements and Notes to and forming part of the Financial Statements are in accordance with the Corporations Act 2001.
  - (a) comply with Accounting Standards and the Corporations Regulations of 2001 and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the 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.

**JOHN W. SAMUEL**  
Chairman

**BARRY J. CLEWETT**  
Junior Vice Chairman

Dated at Kogarah this 9<sup>th</sup> September 2011

**INDEPENDENT AUDITORS REPORT  
TO THE MEMBERS OF THE KOGARAH R.S.L CLUB LIMITED**

A.B.N. 75 001 032 355

**Report on the financial report**

We have audited the accompanying financial report of the Kogarah RSL Club Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Club at the year's end.

***Directors' responsibility for the financial report***

The directors of the Club are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Kogarah RSL Club Limited, is in the same terms if provided to the directors as at the date of the auditor's report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### ***Audit Opinion***

In our opinion:

- a. the financial report of Kogarah RSL Club Limited entity is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Club's financial position as at 30 June 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**FRANK CLUNE & SON**  
Chartered Accountants

**Frank Catanzariti**  
**Partner**

Date this 14<sup>th</sup> day of September 2011

**KOGARAH R.S.L. CLUB LIMITED**

**A.B.N. 75 001 032 355**

**IMPORTANT INFORMATION FOR CLUB MEMBERS**

This document is in the approved form of the Director of Liquor and Gaming and must be sent to members of the club.

The reporting period for the Kogarah RSL Club Limited is 1st July 2010 to 30th June 2011.

**IMPORTANT NOTES**

The Registered Clubs Act 1976 defines a Top Executive as one of the five highest paid employees of the Club at each separate premises of the Club.

**DISCLOSURE OF INTERESTS OF DIRECTORS IN CONTRACTS WITH THE CLUB - SECTION 41C**

Club members may inspect the original of these disclosures and declarations by making a written application to the Secretary.

The Registered Club Act 1976 requires Directors who have a material personal interest in matters that relate to the affairs of the Club to declare the interest at a Board meeting and the Club to display the declaration on the Club's notice board. A contract is any commercial arrangement whether written or not.

In the reporting period there were no occasions when Directors reported a material personal interest in a matter relating to the Club's affairs.

**FINANCIAL INTERESTS IN HOTELS - SECTION 41D**

Club members may inspect the original of these disclosures and declarations by making a written application to the Secretary.

In the reporting period there were no occasions when Directors reported financial interest in a hotel in NSW. In the reporting period there were no occasions when Top Executives reported a financial interest in a hotel in NSW.

**GIFTS TO DIRECTORS AND STAFF - SECTION 41E AND SECTION 41F**

Club members may inspect the original of these disclosures and declarations by making a written application to the Secretary.

An affiliated body of the Club includes subsidiary clubs, and any body which the club made a grant to within the previous 12 months. A gift includes money, hospitality, or discounts. A gift values at more than \$500 must be disclosed: gifts from contractors must be disclosed if they total more than \$500 from an individual contractor in the reporting period.

**Directors**

In the reporting period there were no occasions when Directors of the Club reported receiving gifts from affiliated bodies. In the reporting period there were no occasions when Directors of the Club reported receiving gifts from contractors.

**Top Executives and Employees**

In the reporting period there were no occasions when Top Executives of the Club reported receiving gifts from affiliated bodies. In the reporting period there no occasions when employees of the Club reported receiving gifts from contractors.

**KOGARAH R.S.L. CLUB LIMITED**

**A.B.N. 75 001 032 355**

**IMPORTANT INFORMATION FOR CLUB MEMBERS**

**Value of Gifts**

The total value of the gifts that Directors and Top Executives received from affiliated bodies in the reporting period is \$Nil. The total value of gifts that Directors and employees received from contractors in the reporting is \$Nil.

**TOP EXECUTIVES - SECTION 41H (1) (b)**

One top executive of the Club received a total remuneration package which was in excess of \$100,000.

**OVERSEAS TRAVEL - SECTION 41H7 (1) (c)**

In the reporting period the Club incurred no costs for overseas travel of Directors and employees.

**LOANS TO STAFF - SECTION 41H (1) (d)**

The Registered Club Act 1976 requires the Club to report loans to employees of \$1,000 or more. In the reporting period the Club made no loans to employees.

**CONTRACTS APPROVED BY BOARD - SECTION 41H (1) (e)**

During the reporting period the Board did not approve a contract relating to the remuneration of the Club's Top Executive.

The Registered Clubs Act 1976 defines a Controlled Contract as being a club contract in which a Director or Top Executive has a pecuniary interest, or for provision of professional advice relating to the following:

- (a) significant change to management structures or governance of the Club;
- (b) significant change to financial management of the Club;
- (c) disposal of land, and
- (d) the amalgamation of the Club.

During the reporting period no controlled contracts were approved by the Board and forwarded to the Director of Liquor and Gaming of which:

- such contracts related to contracts in which a Director or Top Executive has pecuniary interest.
- such contracts related to the provision of professional advice. These contracts fall into the following advice categories:
  - significant change to the management structure or governance of the Club;
  - disposal of Club land;
  - amalgamation of the Club.

**EMPLOYEES RELATED TO DIRECTORS AND TOP EXECUTIVES - SECTION 41H (1) (f)**

A close relative is defined in section 41B of the Registered Clubs Act 1976 and includes the immediate family.

In the reporting period, the Club employed the following persons who were a close relative of a Director or Top Executive of the Club:

<b>Name of Close Relative</b>	<b>Related to</b>	<b>Total remuneration paid to close relative</b>
None		

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N. 75 001 032 355**  
**IMPORTANT INFORMATION FOR CLUB MEMBERS**

**PAYMENTS TO CONSULTANTS - SECTION 41H (1) (g) and (h)**

During the reporting period the Club did not engage a consultant.

**DETAILS OF SETTLEMENTS PAID BY THE CLUB - SECTION 41H (1) (i)**

In the reporting period the Club made no legal settlements with either a Director or employee. Being Nil with a Director of the Club and Nil with a Club employee. The total value of all legal settlements was \$Nil. The total legal costs paid by the Club for such settlements were \$Nil.

**LEGAL FEES PAID BY THE CLUB - SECTION 41H (1) (i)**

In the reporting period, there were no instances when the Club paid legal fees for Directors and employees. This included Nil instances for Directors and Nil instances for employees. In the reporting period the Club paid a total of \$Nil being for legal fees paid for Directors and employees.

**GAMING MACHINE PROFIT - SECTION 41H (1) (k)**

Gaming machine profit and the gaming machine tax period are defined in the Gaming Machine Act 2001. In the most recent gaming machine tax period, the total profit from gaming machines was \$ 2,331,032.

Taxes paid to the State Government in the Gaming Machine tax period \$357,757 (\$374,937 less gaming rebate of \$17,180).

**AMOUNT PAID TO COMMUNITY DEVELOPMENT - SECTION 41H (l)**

Clubs earning in excess of \$1,000,000 p.a in gaming machine profit must apply part of such profit to community development and support. Total payments made during the period were \$ 20,400.

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N. 75 001 032 355**

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	30 June 2011	30 June 2010
<b>Revenues from ordinary activities</b>	3 (a)	3,215,075	3,108,583
<b>Other Revenue</b>	3 (b)	365,440	179,026
		3,580,515	3,287,609
Cost of sales	4 (a )	409,884	405,305
Depreciation and Amortisation		234,190	278,252
Finance costs	5	168,368	115,883
Promotions & Entertainment		404,305	429,677
Occupancy		257,665	225,522
Administration and general expenses		2,273,230	2,354,880
<b>Expenses from ordinary activities</b>		3,747,642	3,809,519
<b>Profit/(Loss) from ordinary activities before income tax expense</b>		(167,127)	(521,910)
(Income tax expense)/benefit relating to ordinary activities	6 (c )	-	-
<b>Profits (loss) from ordinary activities after (income tax expense)/benefit</b>		\$ (167,127)	\$ (521,910)
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income</b>		\$ -	\$ -
<b>Total Profit/(Loss) attributable to members</b>		\$ (167,127)	\$ (521,910)
<b>Total comprehensive Income attributable to members</b>		\$ -	\$ -

*The above statement should be read in conjunction with the accompanying notes.*

**KOGARAH R.S.L. CLUB LIMITED****A.B.N. 75 001 032 355****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	30 June 2011	30 June 2010
<b>Current assets</b>			
Cash and cash equivalents	9	114,279	116,438
Trade or other receivables	10	4,620	2,136
Inventories	11	31,502	30,374
Other	12	2,618	2,905
<b>Total current assets</b>		<b>153,019</b>	<b>151,851</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	5,873,867	6,093,647
<b>Total non-current assets</b>		<b>5,873,867</b>	<b>6,093,647</b>
<b>Total assets</b>		<b>6,026,886</b>	<b>6,245,498</b>
<b>Current liabilities</b>			
Trade and other payables	14	269,084	231,269
Borrowings	15	1,640,295	1,652,379
Short-term provisions	16	124,813	145,914
Current tax liabilities	17	-	-
Other current liabilities	18	8,982	11,938
<b>Total current liabilities</b>		<b>2,043,174</b>	<b>2,041,500</b>
<b>Non-current liabilities</b>			
Financial liabilities	15	-	18,464
Long-term provisions	16	48,841	83,537
<b>Total non-current liabilities</b>		<b>48,841</b>	<b>102,001</b>
<b>Total liabilities</b>		<b>2,092,015</b>	<b>2,143,500</b>
<b>Net assets</b>		<b>\$ 3,934,871</b>	<b>\$ 4,101,998</b>
<b>Equity</b>			
Reserves	19	72,777	72,777
Retained profits	20	3,862,094	4,029,221
<b>Total equity</b>		<b>\$ 3,934,871</b>	<b>\$ 4,101,998</b>

*The above statement should be read in conjunction with the accompanying notes.*

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N. 75 001 032 355**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<b><u>Reserves</u></b>	<b><u>Retained Earnings</u></b>	<b><u>Total</u></b>
<b>Balance 1 July 2009</b>	72,777	4,551,131	4,623,908
<b>Attributable to members</b>			
- Profit (loss)	-	(521,910)	(521,910)
- Other comprehensive income	-	-	-
<b>Balance 30 June 2010</b>	<u>72,777</u>	<u>4,029,221</u>	<u>4,101,998</u>
<b>Attributable to members</b>			
- Profit (loss)	-	(167,127)	(167,127)
- Other comprehensive income	-	-	-
<b>Balance 30 June 2011</b>	<u><u>72,777</u></u>	<u><u>3,862,094</u></u>	<u><u>3,934,871</u></u>

*The above statement should be read in conjunction with the accompanying notes.*

**KOGARAH R.S.L. CLUB LIMITED****A.B.N. 75 001 032 355****STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
	Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>		
Receipts from members and guests	3,380,686	3,281,359
Payments to suppliers and employees	(3,366,867)	(3,455,993)
Interest received	14	107
Rent received	5,447	16,364
Lease Deposit (non-refundable)	190,000	-
Finance costs	(168,368)	(108,806)
Income taxes (paid) refund	1,885	(1,885)
<b>Net cash provided by operating activities</b>	<b>42,797</b>	<b>(268,855)</b>
	<b>23(a)</b>	
<b>Cash flows from investing activities</b>		
Purchase of plant, equipment & refurbishment	(14,410)	(99,928)
<b>Net cash flows from investing activities</b>	<b>(14,410)</b>	<b>(99,928)</b>
<b>Cash flows from financing activities</b>		
Repayment of finance lease principal	-	(16,714)
Borrowings	105,518	33,947
<b>Net cash provided by ( used in) financial activities</b>	<b>105,518</b>	<b>17,233</b>
<b>Net increase/(decrease) in cash held</b>	<b>133,905</b>	<b>(351,550)</b>
<b>Cash at start of the financial year</b>	<b>(241,458)</b>	<b>110,092</b>
<b>Cash at close of the financial year</b>	<b>\$ (107,553)</b>	<b>\$ (241,458)</b>
	<b>23(b)</b>	

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N. 75 001 032 355**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**1. Corporate Information**

The financial report of Kogarah RSL Club Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors.

Kogarah RSL Club Limited is a company limited by guarantee ('the Company') that is incorporated and domiciled in Australia. In accordance with the Company's constitution, every member of the company undertakes to contribute an amount limited by \$2 per member in the event of winding up of the company during the time that they are a member or within one year thereafter. As at 30 June 2011 there were 4,450 members.

The registered office of the company is located at:  
C/- Frank Clune & Son, Level 7, 60 Carrington Street, Sydney NSW 2000.

**2. Summary of Significant Accounting Policies**

**a) Basis of Preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and the Gaming Machine Tax Act 2001. The financial report has also been prepared on a historical cost basis and except where stated, does not take into account changing money values or fair values of non-current assets.

The financial report is represented in Australian Dollars(\$).

**b) Going concern**

It is noted that current liabilities exceed current assets. Whilst the extent of current liabilities is impacted by payment timing issues, the Board is confident the Club can meet its liabilities as and when they fall due.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the entity not be able to continue as a going concern.

**c) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by an Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

**d) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured.

Following are additional recognition criteria:

*Sales Revenue*: Sales revenue comprises revenue earned from the Club's trading activities, including poker machine takings and bar sales. It is recognised when goods and services are provided.

*Subscriptions*: Subscription fees are taken into account on a cash basis, and the portion relating to the ensuing year is transferred to subscriptions in advance.

*Interest Income*: Interest income is recognised as it accrues.

*Commission Revenue*: Commission revenue is recognised when control of a right to receive consideration for the provision of services has been attained.

*Poker Machine Revenue*: Poker Machine revenue is recognised net of payouts.

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

**KOGARAH R.S.L. CLUB LIMITED**

**A.B.N. 75 001 032 355**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**2. Summary of Significant Accounting Policies (continued)**

**e) Inventories**

Inventories are valued at the lower of cost and net realisable value.

**f) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

**g) Income Tax**

Income Tax has been brought to account using the 'tax payable' basis.

Deferred tax assets arising from deductible temporary differences and unused tax losses have not been recognised to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

**h) Property, Plant and Equipment**

Property, plant and equipment are included at cost. All assets excluding freehold land, are measured on a 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalue carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

**i) Goods and services tax**

Revenues, 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 Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO is included as a current asset (Receivables) or current liability (Account payables) in the Statement of Financial Position.

**KOGARAH R.S.L. CLUB LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**j) Provisions**

Provisions are recognised when the group 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.

**k) Cash and Cash Equivalents**

Cash and Cash Equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**l) Depreciation**

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

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

<b><u>Class of Fixed Asset</u></b>	<b><u>Depreciation Rate</u></b>
Buildings	2.50%
Plant and equipment	5 - 66.67%
Leased plant and equipment	5 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

**Impairment**

The carrying values of property, plant and equipment are reviewed for impairment of each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less cost to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (continued)**

**m) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset 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.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

**n) Trade and other payables**

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect to of the purchase of these goods and services.

	<u>30 June</u> <u>2011</u>	<u>30 June</u> <u>2010</u>
<b>3. Revenue</b>		
(a) <b>Revenue from ordinary activities</b>		
Bar sales	824,214	814,841
Poker machine trading	2,331,032	2,234,986
Keno commission	37,815	47,369
Tab commission	22,014	11,386
	<u>3,215,075</u>	<u>3,108,583</u>
(b) <b>Other revenue:</b>		
Interest	14	107
Rent - unit	5,447	16,121
Lease Deposit (non-refundable)	190,000	-
Members subscriptions	18,628	16,060
Sundry revenue	138,678	133,226
Other commission	12,673	13,513
	<u>365,440</u>	<u>179,026</u>
<b>Total revenue</b>	<u>\$ 3,580,515</u>	<u>\$ 3,287,609</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<u>30 June</u> <u>2011</u>	<u>30 June</u> <u>2010</u>
<b>4. Expenses from ordinary activities</b>		
(a) <u>Cost of goods sold</u>		
Bar trading	\$ 409,884	\$ 405,305
(b) <u>Trading Expenses</u>		
Bar trading	355,470	376,575
Poker machine, Tab and Keno trading	1,051,150	1,065,041
	\$ 1,406,620	\$ 1,441,615
<b>5. Finance costs</b>		
Commercial Bill Interest	81,650	63,227
Interest on Hire Purchase of Poker Machines	-	300
Interest on Hire Purchase Other	6,810	7,077
Interest - Other	-	1,516
Bank Facility Fees	32,987	25,850
Bank Interest on Overdraft	46,921	17,914
	\$ 168,368	\$ 115,883
<b>6. Income Tax</b>		
(a) Under the income tax convention known as 'mutuality' Registered Clubs are not taxed on subscriptions or trading profits derived from members. However, profits from operations derived from visitors to the Club including guests of members are subject to income tax. Further, income of the Club from outside sources (for example interest on investments) are taxed at normal company rates.		
25.08% of trading results are treated as applicable to visitors to the club. Certain items of income (e.g. subscriptions are treated as wholly derived from members).		
	Accounting Income (loss)	Taxable Income (loss)
(b) Net income (loss) not taxable	(29,446)	-
Income Taxable in full	57,369	57,369
Income Taxable as to 25.08%	(195,050)	(48,919)
Prior year losses recouped this year	-	(8,450)
	\$ (167,127)	\$ -
Income tax at 30%		\$ -
(c) Income Tax charged in the profit and loss account comprises:-		
Prior years overprovision of tax	-	-
	\$ -	\$ -
(d) Income Tax payable (refund) comprises:-		
Current year taxes	-	-
	\$ -	\$ -

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>e) Deferred tax assets not taken to account</b>		
As stated in Note 1, income tax is brought to account on a 'tax payable' basis. Accordingly, deferred tax assets arising from timing differences or tax losses have not been brought to account. The estimated deferred tax assets has been calculated at 30%.		
Timing Differences as to 25.08%	4,198	524
	\$ 4,198	\$ 524
<b>7. Remuneration of Auditors</b>		
Total amounts received and receivable by the auditors of the company for:		
a) Audit of the company's accounts	14,450	14,500
b) Other services	23,800	10,700
	\$ 38,250	\$ 25,200
<b>8. Directors' Emoluments</b>		
Amounts received, or due and receivable by directors of Kogarah R.S.L. Club. The directors did not receive any other remuneration from the company.		
	\$ 5,000	\$ 5,000
The number of directors whose income was within the following bands:	<b>No.</b>	<b>No.</b>
\$ 100 - 1,000	-	-
\$1,001 - 2,000	1	1
\$2,001 - 3,000	-	-
\$3,001 - 4,000	1	1
<b>9. Cash and Cash Equivalents</b>		
<b>Current</b>		
Cash on Hand	105,000	105,000
Cash at Bank	9,279	11,438
	\$ 114,279	\$ 116,438
<b>10. Receivables</b>		
<b>Current</b>		
Sundry Receivable	4,620	2,136
	\$ 4,620	\$ 2,136

No provision for impairment of receivables has been made in either of the years 2011 or 2010. Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

**KOGARAH R.S.L. CLUB LIMITED****A.B.N. 75 001 032 355****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>11. Inventories</b>		
<b>Current</b>		
Stock on hand		
Bar	26,663	25,535
Glassware	4,839	4,839
	<u>\$ 31,502</u>	<u>\$ 30,374</u>
<b>12. Other</b>		
<b>Current</b>		
Prepayments	<u>\$ 2,618</u>	<u>\$ 2,905</u>
<b>13. Property, Plant and Equipment</b>		
<b>Current</b>		
Blake and English Street - at cost	640,333	640,333
English Street car park	(i) 28,554	29,811
Building improvements	(ii) 3,108,654	3,204,446
258-260 Railway Parade Kogarah	13(b) 474,334	474,334
262-266 Railway Parade Kogarah	-	-
254-256 Railway Parade Kogarah	1,162,407	1,162,407
Plant, Furniture and Equipment	13(c) 459,585	582,316
Leased Assets	13(d) -	-
<b>Total Current Property, Plant and Equipment</b>	<u>\$ 5,873,867</u>	<u>\$ 6,093,647</u>
(i) English Street car park - at cost	53,797	53,797
Less: Accumulated depreciation	(25,243)	(23,986)
	<u>\$ 28,554</u>	<u>\$ 29,811</u>
(ii) Buildings - at cost		
Buildings	3,831,678	3,831,678
Less: Accumulated depreciation	(723,024)	(627,232)
	<u>\$ 3,108,654</u>	<u>\$ 3,204,446</u>

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**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>(b)</b> 258-260 Railway Parade, Kogarah - at cost	456,875	456,875
Add: additions and demolition costs	17,459	17,459
	<u>\$ 474,334</u>	<u>\$ 474,334</u>
<b>(c)</b> Plant, Furniture and Equipment, etc. - at cost	2,314,556	2,306,560
Less: Accumulated depreciation	(1,854,971)	(1,724,244)
	<u>\$ 459,585</u>	<u>\$ 582,316</u>
<b>(d)</b> Leased Assets		
Leased Poker Machines	210,191	210,191
Less: Amortisation	(210,191)	(210,191)
	<u>\$ -</u>	<u>\$ -</u>

Movement in the carrying amounts for  
each class or property, plant and  
equipment

Balance at 1 July 2009	2,277,074	3,321,151	673,744	-	6,271,970
Additions	-	10,089	89,839	-	99,928
Disposals	-	-	-	-	-
Residual	-	-	-	-	-
Depreciation	-	96,984	181,268	-	278,252
Carrying amount at 30 June 2010	<u>2,277,074</u>	<u>3,234,256</u>	<u>582,315</u>	<u>-</u>	<u>6,093,647</u>
Additions	-	-	14,410	-	14,410
Disposals	-	-	-	-	-
Residual	-	-	-	-	-
Depreciation	-	97,049	137,141	-	234,190
Carrying amount at 30 June 2011	<u>2,277,074</u>	<u>3,137,208</u>	<u>459,585</u>	<u>-</u>	<u>5,873,867</u>

**KOGARAH R.S.L. CLUB LIMITED****A.B.N. 75 001 032 355****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>14. Trade and other Payables</b>		
<b>Current</b>		
Trade Payables	197,148	179,583
GST Payable	71,936	51,686
	<u>\$ 269,084</u>	<u>\$ 231,269</u>
<p>Trade Payables are non interest bearing and normally settled on 30-60 day terms. Due to the short term nature of these payables, their carrying amount is assumed to approximate their fair value.</p>		
<b>15. Borrowings</b>		
Bank Overdraft Secured	221,832	386,896
Bill Facility Secured	1,400,000	1,250,000
Lease Liability	-	-
Hire Purchase Liability	19,475	17,977
Less: Unexpired Hire Purchase Liability	(1,012)	(2,495)
	<u>1,640,295</u>	<u>1,652,379</u>
<b>Non Current</b>		
Lease Liability	-	-
Hire Purchase Liability	-	19,475
Less: Unexpired Hire Purchase Liability	-	(1,012)
	<u>\$ -</u>	<u>\$ 18,464</u>
<p>The bank overdraft, asset financing and bill facility are secured by a registered first mortgage over the properties 254 - 260 Railway Parade as well as a floating and a fixed charge over the assets of Kogarah RSL Club Limited. Lease liabilities are secured by the underlying leased assets. The bank bill facility is a 31 day facility and is expected to be continually rolled over for the next 12 months.</p>		
<b>16. Provisions</b>		
<b>Current</b>		
Provision for Sick Leave	39,690	52,060
Provision for Annual Leave	85,123	93,854
	<u>\$ 124,813</u>	<u>\$ 145,914</u>
<b>Non Current</b>		
Provision for Long Service Leave	<u>\$ 48,841</u>	<u>\$ 83,537</u>
<b>17. Tax</b>		
Provision for Income Tax	<u>\$ -</u>	<u>\$ -</u>
<b>18. Other</b>		
<b>Current</b>		
Bonus Point System	8,982	11,938
	<u>\$ 8,982</u>	<u>\$ 11,938</u>

**KOGARAH R.S.L. CLUB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>19. Equity</b>		
<b>Reserves</b>		
Capital Profits Reserve	\$ 72,777	\$ 72,777
<b>20. Retained profits</b>		
Retained Profits	\$ 3,862,093	\$ 4,029,221
Movement:		
Balance at beginning of the year	4,029,221	4,551,131
Net profits (losses) for the year	(167,127)	(521,910)
	\$ 3,862,094	\$ 4,029,221
<b>21. Capital and Leasing Commitment</b>		
<b>(a) Finance Lease Commitments</b>		
Payable		
- not later than 1 year	19,475	17,977
- later than 1 year but not later than 5 years	-	19,475
Minimum lease payments	19,475	37,452
Less future finance charges	1,012	3,506
Less GST Deferred	-	-
Total Lease Liability	\$ 18,464	\$ 33,946
<b>(b) Operating Lease</b>		
Future minimum rentals payable under non-cancellable leases as at 30 June 2011 are as follows:		
Within one year	67,994	67,994
After one year but not more than five years	19,296	87,290
	\$ 87,290	\$ 155,284

**22. Contingent Receivable**

The Club sought approval from council to receive exit as well as entry access to the car park by way of Railway Parade but was unsuccessful. The Club is still attempting to obtain approval from council and if approved, the Club will have an option to transfer its right of way providing access to English Street from the car park, to Energy Australia. The consideration for the transfer of the right of way will be \$400,000 (\$307,425 net of tax).

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	30 June 2011	30 June 2010
<b>23. (a) Reconciliation of Cash Flow from Operations with Operating Profit after Income Tax</b>		
Operating Profit (loss) after income tax	(167,127)	(521,910)
Non-cash flows in operating profit from ordinary activities		
Depreciation & Amortisation	234,191	278,252
Net gain on disposal of assets	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in Trade Receivables	(4,369)	9,977
(Increase)/decrease in Inventory	(1,129)	11,959
(Increase)/decrease in Prepayments	286	4,859
Increase/(decrease) in Trade Payable	37,815	(33,746)
Increase/(decrease) in Income Taxes Payable	1,885	(1,885)
Increase/(decrease) in Other Liabilities	(2,957)	(22,891)
Increase/(decrease) in Employee Provisions	(55,797)	6,529
	<u>\$ 42,797</u>	<u>\$ (268,855)</u>

- (b) **Reconciliation of Cash**  
**Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheet as follows:-**

Cash on hand	105,000	105,000
Cash at Bank	9,279	11,438
Bank overdrafts - secured	(221,832)	(357,895)
	<u>\$ (107,553)</u>	<u>\$ (241,458)</u>

- (c) **Credit Stand-by Arrangement and Loan Facilities**

The company has a bank overdraft, bank guarantees, bank bill and business cards facilities amounting to \$1,855,569 (2010 - \$1,731,050).  
At the 30 June, \$1,699,530 of these facilities were used.

- (d) **Cash flows presented on a net basis**

Cash flows arising from poker machines, Keno and Tab trading are presented on a net basis in the statement of cash flows.

**KOGARAH R.S.L. CLUB LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**24. Financial reporting by segment**

The entity operates predominately in one industry only, with the principal activity being that of a licensed Club.

The Club operates in one geographic area only, being Kogarah of New South Wales.

The Club derived income mainly from the following activities:

- Providing poker machines for members and guests:
- Acting as an agent for providing Keno and Tab to members and guests; and
- Providing beverages through its bars.

**25. Contingent Liabilities**

*Bank Guarantees*

The club has given total bank guarantees of \$37,105 expiring on 31 December 2999.

**26. Subsequent events**

None

**27. Financial Risk Management**

The Club's financial instruments consist mainly of deposits with banks, cash held with Armguard, accounts receivable and payable, bank overdrafts, bills and leases.

The totals for each category of financial instruments are as follows:

	Note	30 June 2011	30 June 2010
<b>Financial assets</b>			
Cash and cash equivalents	9	114,279	116,438
Loans and receivables	10	4,620	2,136
		<u>\$ 118,899</u>	<u>\$ 118,574</u>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
- trade and other payables	14	269,084	231,269
- borrowings	15	1,640,295	1,652,379
- Hire Purchase liabilities	15	-	18,464
		<u>\$ 1,909,379</u>	<u>\$ 1,902,112</u>
<b>Net exposure</b>		<u>\$ (1,790,480)</u>	<u>\$ (1,783,538)</u>

**Financial Risk Management Policies**

The directors' overall risk management strategy seeks to assist the Club in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies include the review of credit risk policies and future cash flow requirements.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**27. Financial Risk Management (continued)**

**Specific Financial Risk Exposures and Management**

The main risks the club is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

**a. Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Club is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt.

The net effective variable interest rate borrowings exposes the Club to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Note	30 June 2011	30 June 2010
<b>Floating rate instruments</b>			
Bank overdrafts	14	\$ 221,832	\$ 386,896

**b. Foreign exchange risk**

The Club is not exposed to fluctuations in foreign currencies.

**c. Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Club.

The majority of the Club revenue is on a cash basis. For credit issued, credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Customers that do not meet the Club's strict credit policies may only purchase in cash or using recognised credit cards.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

Trade and other receivables that are neither past due or impaired are considered to be a high credit quality. Aggregates of such amounts are as detailed at Note 10.

Credit risk related to balance with banks and other financial institutions is managed by management in accordance with approved Board policy.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**27. Financial Risk Management (continued)**

**d. Liquidity risk**

Liquidity risk arises from the possibility that the Club might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Club manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational and financing activities;
- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Bank overdraft and bank bills have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities.

The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts and bank bills outstanding at year end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the Club has no control.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

## 27. Financial Risk Management (Cont'd)

Financial Instruments	Within 1 Year		1 to 5 Years		Over 5 Years		Total contractual cash flow	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Liabilities</b>								
<b>due for payment</b>								
Bank Overdrafts and bills	1,621,832	1,636,896	-	-	-	-	1,621,832	1,636,896
Hire Purchase Liabilities	18,464	15,483		18,464			18,464	33,947
Trade and other payables (excluding Annual Leave est)	269,084	231,269	-	-	-	-	269,084	231,269
Financial guarantees	37,105	37,105	-	-	-	-	37,105	37,105
<b>Total contractual outflows</b>	<b>1,946,485</b>	<b>1,920,753</b>	<b>-</b>	<b>18,464</b>	<b>-</b>	<b>-</b>	<b>1,946,485</b>	<b>1,939,217</b>
Less bank overdrafts and bills	(1,621,832)	(1,636,896)	-	-	-	-	(1,621,832)	(1,636,896)
<b>Total expected outflows</b>	<b>324,653</b>	<b>283,857</b>	<b>-</b>	<b>18,464</b>	<b>-</b>	<b>-</b>	<b>324,653</b>	<b>302,321</b>
<b>Financial assets</b>								
<b>- cash flows realisable</b>								
Cash and cash equivalents	114,279	116,438	-	-	-	-	114,279	116,438
Trade and other receivables	4,620	2,136	-	-	-	-	4,620	2,136
<b>Total anticipated inflows</b>	<b>118,899</b>	<b>118,574</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,899</b>	<b>118,574</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>( 205,754)</b>	<b>( 165,283)</b>	<b>-</b>	<b>( 18,464)</b>	<b>-</b>	<b>-</b>	<b>( 205,754)</b>	<b>( 183,747)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N.75 001 032 355**

**KOGARAH R.S.L. CLUB LIMITED**  
**A.B.N. 75 001 032 355**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**e. Net Fair Values**

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transactions.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Club. Most of these instruments which are carried at amortised cost (i.e. term receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Club.

	Note	2011		2010	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
<b>Financial assets</b>					
Cash and cash equivalents	(i)	114,279	114,279	116,438	116,438
Trade and other receivables	(i)	4,620	4,620	2,136	2,136
<b>Total financial assets</b>		<b>118,899</b>	<b>118,899</b>	<b>118,574</b>	<b>118,574</b>
<b>Financial liabilities</b>					
Trade and other payables	(i)	269,084	269,084	231,269	231,269
Bank Bills	(ii)	1,400,000	1,392,383	1,250,000	1,243,862
Hire Purchase Liabilities	(iii)	18,464	18,464	33,945	33,945
Bank overdraft		221,832	221,832	386,896	386,896
<b>Total financial liabilities</b>		<b>1,909,380</b>	<b>1,901,763</b>	<b>1,902,110</b>	<b>1,895,972</b>
<b>Net maturity</b>		<b>(1,790,481)</b>	<b>(1,782,864)</b>	<b>(1,783,536)</b>	<b>(1,777,398)</b>

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave which is not considered a financial instrument.
- (ii) Discounted cash flow models are used that incorporate a yield curve appropriate to the remaining maturity of the debenture, bill or promissory note.
- (iii) Fair values are determined using a discounted cash flow model incorporating current commercial borrowing rates. The fair value of fixed rate bank debt may differ to carrying values.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**28. Significant Accounting Judgements, Estimates and Assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experiences and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial position reported in future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

***(i) Significant accounting judgements***

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

*Poker Machine Licences*

The entity holds poker machines licences granted for no consideration by the NSW government. AIFRS requires that licences outside of a pre AIFRS transition business combination be recognised initially at its fair value as at the date it was granted with a corresponding adjustment to profit and loss to recognise the grant immediately as income. Until new gaming legislation taking effect in April 2002 allowing poker machine licences to be traded for the first time, the entity has determined that fair value at grant date for licences granted pre April 2002 to be zero. Licences granted to the entity post April 2002 are initially recognised at fair value. The entity has determined that the market for poker machine licences does not meet the definition of an active market and consequently licences recognised will not be revalued each year.

*Impairment of non-financial assets*

The Club assesses impairment of all assets at each reporting date by evaluating conditions specific to the Club and to particular asset that may lead to impairment. These include product and manufacturing performances, technology, economic and political environments and future product expectations. If an impairment trigger exist the recoverable amount of the asset is determined. Management do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested from impairment in this financial period.

*Taxation*

The Club's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

***(ii) Significant accounting estimates and assumptions***

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future business expectations, operating costs, capital expenditure and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Depreciation charges are included in note 13.

*Long Service leave provision*

As discussed in note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at reporting date. In determining the present value of the liability, attrition rates and pay increase through promotion and inflation have been taken into account.

**29. Related Party Disclosures**

**(a) Directors**

The Club's directors in office during the financial year and until the date of this report are as follows:

John William Samuel	Jack David Walker
Warwick Selwyn Hall	Brian Brown
Edith Ellen Whelan	Craig John Elson
Barry Jeffrey Clewet	Kenneth Rawson
Bret William Shanahan	

Apart from the details disclosed in this note, no director has entered into a material contract with the Club since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

**(b) Directors' transactions with the Club**

From time to time directors of the Club may purchase goods from the Club or participate in other Club activities. These purchases and participation are on the same terms and conditions as those entered into by any other member of the Club.

Details relating to key management personnel, including remuneration paid, are included in Note 30.

**KOGARAH R.S.L. CLUB LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**30. Key Management Personnel**

The key management personnel of Kogarah RSL Club Limited during the financial year was David Smith (Secretary Manager). Mr David Smith resigned on 9 June 2011 and a management team has been appointed by the board consisting of Grant Amer, Noel Buckley and Terry Stronach to deal with the day to day operations of the club. While the decision on a new key management personnel is considered, Grant Amer has been appointed the licensee and company secretary.

**Compensation of key management personnel**

	30 June 2011	30 June 2010
Short-term employee benefits	\$ 135,673	\$ 124,189

**31. Events after Balance Date**

There have been no significant events occurring after balance date which may affect either the Club's operations or results of those operations or the Club's state of affairs.

**ADDITIONAL FINANCIAL  
INFORMATION**

The additional financial information, being the attached Supplementary Information to the Financial Statements, has been compiled by the management of Kogarah RSL Club Limited.

No audit or review has been performed by us and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than Kogarah RSL Club Limited may suffer arising from any negligence on our part. No person should rely on the additional financial information without having an audit or review conducted.

**Frank Clune & Son  
Sydney**

Date:

**KOGARAH R.S.L. CLUB LIMITED**  
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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b>Bar Sales</b>	824,214	814,841
	824,214	814,841
<b><u>Less: Cost of Sales</u></b>		
Opening stock	30,374	37,494
Purchases	411,012	398,184
	441,386	435,678
Less: Closing stock	31,502	30,374
	409,884	405,304
<b>Gross Profit</b>	414,330	409,537
<b>Gross Percentage</b>	50.27%	50.26%
 <b>Poker machine, TAB and Keno</b>		
Tab commission	22,014	11,386
Keno commission	37,815	47,369
Poker machine revenue	2,331,032	2,234,986
Profit on Sale of Poker Machines	-	-
	2,390,861	2,293,742
 <b>Other Income</b>		
Net rent	5,447	16,121
Members subscriptions	18,628	16,060
Interest received	14	107
Commission Received	12,673	13,513
Hire of Rooms	39,287	30,984
Sundry revenue	99,391	102,242
Lease Deposit (non-refundable)	190,000	-
	365,440	179,027
 <b><u>Less: Bar Expenses</u></b>		
Bar stocktake	4,800	3,650
Bar expenses & requisites	31,185	37,949
Depreciation bar	10,190	12,578
Payroll Tax	5,778	8,347
Repairs and Maintenance	-	3,500
Superannuation	24,614	24,822
Wages	278,903	285,728
	355,470	376,575

**KOGARAH R.S.L. CLUB LIMITED**  
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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	30 June 2011	30 June 2010
<b><u>Less: Poker Machine, Keno and Tab Expenses</u></b>		
Amortisation	-	-
Cash shortfalls	768	-
Bonus prizes & Redemption	4,892	5,744
Depreciation	43,152	61,397
Donations - CDSE	23,797	23,700
Interest Expense on Leased Poker Machines	-	300
Monitoring statewide link	72,358	79,203
Poker Machine Game Licence Fee	48,240	36,180
Keno expenses	307	5,068
Payroll tax	7,671	2,523
Redemptions	5,392	9,145
Repairs and maintenance	82,780	85,950
Superannuation	32,674	33,669
Poker Machine Duty	357,757	339,520
Tab expenses	1,133	3,310
Wages	370,229	379,331
	1,051,150	1,065,041
<b><u>Less: Administration Expenses</u></b>		
Accounting services	23,800	10,700
Auditing fees	14,450	14,500
Artists' fees & club entertainment	404,305	429,677
Bank & Borrowing charges	38,995	32,154
Catering expenses	33,832	49,486
Cleaning and laundry	80,022	61,764
Courtesy Bus	10,088	11,335
Depreciation	180,848	204,277
Donations - general	123	3,393
Fringe Benefit Tax	2,714	1,315
Fines	306	370
General expenses	153	1,387
Hire of equipment	14,495	13,110
Honoraria	5,000	5,000
Interest paid	135,382	89,734
Insurance (workers comp and general)	89,558	82,240
Leasing & maintenance of ATM and photocopier	54,801	52,517
Legal expenses	6,440	-
Light and power	129,842	127,110
License fees - other	2,826	4,394
Payroll tax	9,739	8,541
Postage, printing and stationery	33,998	34,383
Provision for AL LSL & SL	(55,797)	6,529
Publicity	3,329	6,100
Rates and taxes	47,801	36,648
Repairs and maintenance	99,197	98,117
Salaries and wages	470,061	481,595
Security expenses	3,853	4,205
Staff amenities	-	55
Balance carried forward	1,840,161	1,870,636

**KOGARAH R.S.L. CLUB LIMITED**

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**SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 30 JUNE 2011**

	<u>30 June</u> <u>2011</u>	<u>30 June</u> <u>2010</u>
Balance brought forward	1,840,161	1,870,636
Staff training	2,739	2,026
Software Maintenance	3,685	4,743
Subscriptions	5,968	3,275
Superannuation	41,485	42,356
Telephone	18,636	14,630
Uniforms	5,426	5,295
Waste removal and grease trap service	13,038	19,638
	<u>1,931,138</u>	<u>1,962,599</u>
<b>NET OPERATING PROFIT /(LOSS)</b>	<b>(167,127)</b>	<b>(521,910)</b>
Less: (Income tax expense)/Benefit	-	-
<b>Net profit/(Loss) for the year after income tax</b>	<b>\$ (167,127)</b>	<b>\$ (521,910)</b>

**ACCUMULATED FUNDS ACCOUNT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

Accumulated funds -		
Beginning of year	4,029,221	4,551,131
Net profit/(loss) for the year	(167,127)	(521,910)
Total accumulated funds	<u>\$ 3,862,094</u>	<u>\$ 4,029,221</u>

**RENTAL INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	<u>30 June</u> <u>2011</u>	<u>30 June</u> <u>2010</u>
Gross rent - Bistro	16,364	16,364
<b><u>Less Expenses</u></b>		
Repairs & maintenance	10,917	243
	<u>10,917</u>	<u>243</u>
<b>Net Profit</b>	<b>\$ 5,447</b>	<b>\$ 16,121</b>

**KOGARAH R.S.L. CLUB LIMITED****A.B.N. 75 001 032 355****SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS**

	30 June 2011	30 June 2010
<b><u>DONATIONS</u></b>		
Alzheimers Australia NSW	2,797	-
Camp Kookaburra	10,000	-
CDSE Donations Accrued 31.8.10	-	4,300
St George Children with Disabilities Fund	-	3,000
Intellectual Disability Fund of St George	-	2,400
Rainbow Foundation Sutherland	-	5,000
St. George School for Handicapped Kids	1,000	1,000
Clarie Quill Memorial Scholarship	-	200
Raise a Glass	-	300
Brighton Seagulls JRLFC Inc	7,500	7,500
	<u>\$ 21,297</u>	<u>\$ 23,700</u>
<b><u>GRANTS</u></b>		
Golf Club	1,000	1,485
Table Tennis NSW	500	-
Table Tennis Club	1,000	1,908
	<u>\$ 2,500</u>	<u>\$ 3,393</u>
<b><u>ANALYSIS OF PROMOTIONS AND ENTERTAINMENT</u></b>		
Chairman's Christmas Party	137	882
Rugby League Promotion	947	-
TAB promotion	1,320	-
Saturday Football Promotion	545	-
Saturday BBQ	1,433	-
Smoko & Christmas Dinner	-	1,954
Annual Meeting	6,281	1,466
Anzac Day	220	-
Floral Arrangement for members	523	285
Christmas Hams	-	4,463
Board Family Dinner	258	620
Members Free Drinks	7,486	10,127
Sundry Entertainment	-	21,887
Bar Counter Snacks	87	160
Poker Tournament	32,881	4,644
Ent - Management & Directors conferences	1,752	3,331
Showpoker Vouchers & Other Vouchers	27,271	16,363
Neverfail Springwater	4,061	-
Saturday Night Dance	10,199	20,800
One man Band	3,399	10,609
Trivia Prizes	-	3,272
Staff Christmas Party	1,238	-
Gifts for members	1,474	2,494
Cab charges for members	4,011	2,865
Melbourne Cup Day	155	-
Lucky Members Draw	85,454	93,182
Sunday Meat Raffle & Other Raffles	50,966	52,021
Mid Week functions - Trading Post	48,448	53,270
Mid Week functions - Market Night	52,711	52,342
Mid Week functions - Bingo	19,553	33,896
Newspapers	314	723
Members & Guests - Fox Sports	41,181	38,021
	<u>\$ 404,305</u>	<u>\$ 429,677</u>