

Randwick Labor Club Limited

ABN 35 000 353 417

Annual Report - 31 October 2016

Randwick Labor Club Limited
Directors' report
31 October 2016

The directors present their report, together with the financial statements, on the company for the year ended 31 October 2016.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ken Murray (President)
Dominic Sullivan (Secretary)
Vic Smith (Treasurer) - Appointed 20 October 2016
Ann Bowen (Senior Vice President)
Brian Ferguson (Junior Vice President)
Peter Bell
John Johnson - Resigned 20 October 2016
Christina Curry
Chris Bastic
Anthony Bowen - Resigned 21 February 2016
Tony Waller - Appointed 21 February 2016

Pursuant to the Registered Clubs Act the number on the Governing Body should not exceed nine.
The Board resolved not to appoint a casual vacancy with the resignation of Mr. Johnson to achieve the required number.

Objectives

The company's short term objectives are to:

- Maintain the financial viability of the company through routine monitoring and control, by comparison and benchmarking within the Club Industry and through Key Performance Indicators (KPIs);
- Provide members with services and facilities that meet or exceed their expectation; and
- Monitor staff development and provide training to enhance career advancement.

The company's long term objective is to promote and maintain the heritage and foundation principles in accordance with the company's Constitution.

Strategy for achieving the objectives

To achieve these objectives, the company is developing the following strategies:

- Maintenance of a 5 year and 10 year Strategic Plans covering the following keys areas of business planning to ensure financial viability: Property Master planning to develop strategies to ensure, maximum returns from assets and satisfying the future needs of members, Market Segment, Services and Facilities, Food Operation, Gaming Operation, Entertainment, Promotional Activity, Marketing Strategy, Membership Communication, Staff Development and Succession Planning for Management and Directors;
- Payment of existing financial facilities through structured principal and interest repayments; and
- Maximising the financial returns from the company's investment to ensure ongoing success and best use of resources.

Principal activities

During the financial year the principal continuing activities of the company consisted of managing licensed social clubs and property investment.

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

Performance measures

The company measures its own performance through the use of both quantitative and qualitative KPIs. The KPIs, which include Bar Gross Profit Percentage, Food Operation Gross Profit Percentage, Gaming Machine Return to Player Minimum, Interest Cover Ratio, are used by the directors to assess the financial sustainability of the company and whether the company's short term and long term objectives are being achieved.

Information on directors

Information on directors is included elsewhere in the Annual Report.

Randwick Labor Club Limited
Directors' report
31 October 2016

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 October 2016, and the number of meetings attended by each director were:

	Full Board		Committee and Sub Committee Meetings	
	Held	Attended	Held	Attended
Ken Murray (President)	14	14	2	2
Dominic Sullivan (Secretary)	14	9	2	1
Vic Smith (Treasurer)	14	14	2	2
Ann Bowen (Senior Vice President)	14	12	2	2
Brian Ferguson (Junior Vice President)	14	13	2	2
Peter Bell	14	11	-	-
John Johnson	14	-	-	-
Christina Curry	14	14	2	1
Chris Bastic	14	12	-	-
Anthony Bowen	6	-	-	-
Tony Waller	8	8	2	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Contributions on winding up

Randwick Labor Club Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. In the event of the company being wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the company.

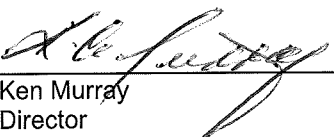
At 31 October 2016, the total amount that members of the company are liable to contribute if the company wound up is \$133,720 (2015: \$128,760).

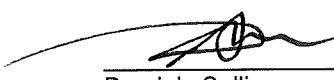
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors


 Ken Murray
 Director


 Dominic Sullivan
 Director

19 January 2017

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

I declare that, to the best of my knowledge and belief during the year ended 31 October 2016 there have been:

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

A handwritten signature in black ink that reads 'William Buck'.

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads 'P.A. Cordwell'.

P.A. Cordwell
Partner

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3 Horwood Place
Parramatta NSW 2150

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Randwick Labor Club Limited

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Randwick Labor Club Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 October 2016

	Note	2016 \$	2015 \$
Revenue	4	7,959,062	8,828,877
Other income	5	2,075,748	1,571,090
Expenses			
Raw materials and consumables used		(708,047)	(798,277)
Repairs and maintenance		(222,476)	(227,034)
Advertising and marketing expenses		(158,265)	(120,864)
Employee benefits expense		(2,198,403)	(2,220,686)
Depreciation and amortisation expense		(1,023,564)	(975,899)
Rental properties' expense		(455,296)	(345,892)
Poker machine duty		(756,019)	(906,839)
Professional fees		(188,877)	(167,917)
Promotion and games expense		(696,184)	(746,599)
Donations and community support		(158,154)	(159,478)
Central monitoring expenses		(57,758)	(54,117)
Other expenses		(306,561)	(272,246)
Finance costs		(283,981)	(382,468)
Occupancy		(670,890)	(706,898)
Surplus before income tax expense		2,150,335	2,314,753
Income tax expense	6	(606,332)	(441,638)
Surplus after income tax expense for the year attributable to the members of Randwick Labor Club Limited		1,544,003	1,873,115
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		1,287,550	-
Other comprehensive income for the year, net of tax		1,287,550	-
Total comprehensive income for the year attributable to the members of Randwick Labor Club Limited		<u>2,831,553</u>	<u>1,873,115</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of financial position
As at 31 October 2016

	Note	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	8	252,492	1,327,286
Trade and other receivables	9	5,520	7,960
Inventories	10	99,988	77,506
Other	11	99,112	122,151
Total current assets		<u>457,112</u>	<u>1,534,903</u>
Non-current assets			
Investment properties	12	27,045,000	24,985,000
Property, plant and equipment	13	23,923,455	19,951,771
Deferred tax	14	36,699	29,091
Other	15	5,000	5,000
Total non-current assets		<u>51,010,154</u>	<u>44,970,862</u>
Total assets		<u>51,467,266</u>	<u>46,505,765</u>
Liabilities			
Current liabilities			
Trade and other payables	16	503,422	538,853
Borrowings	17	976,211	593,918
Employee benefits	18	494,636	489,672
Other	19	16,496	12,994
Total current liabilities		<u>1,990,765</u>	<u>1,635,437</u>
Non-current liabilities			
Borrowings	20	7,053,221	5,899,819
Deferred tax	21	3,489,705	2,875,765
Employee benefits	22	33,102	25,824
Total non-current liabilities		<u>10,576,028</u>	<u>8,801,408</u>
Total liabilities		<u>12,566,793</u>	<u>10,436,845</u>
Net assets		<u>38,900,473</u>	<u>36,068,920</u>
Equity			
Reserves	23	5,415,577	4,128,027
Retained surpluses		<u>33,484,896</u>	<u>31,940,893</u>
Total equity		<u>38,900,473</u>	<u>36,068,920</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of changes in equity
For the year ended 31 October 2016

	Revaluation surplus reserve \$	Retained surplus \$	Total equity \$
Balance at 1 November 2014	4,128,027	30,067,778	34,195,805
Surplus after income tax expense for the year	-	1,873,115	1,873,115
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	1,873,115	1,873,115
Balance at 31 October 2015	<u>4,128,027</u>	<u>31,940,893</u>	<u>36,068,920</u>
	Revaluation surplus reserve \$	Retained surplus \$	Total equity \$
Balance at 1 November 2015	4,128,027	31,940,893	36,068,920
Surplus after income tax expense for the year	-	1,544,003	1,544,003
Other comprehensive income for the year, net of tax	1,287,550	-	1,287,550
Total comprehensive income for the year	1,287,550	1,544,003	2,831,553
Balance at 31 October 2016	<u>5,415,577</u>	<u>33,484,896</u>	<u>38,900,473</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Statement of cash flows
For the year ended 31 October 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		8,746,127	9,676,956
Payments to suppliers and employees		<u>(7,394,126)</u>	<u>(7,595,037)</u>
Interest received		1,352,001	2,081,919
Finance costs		<u>13,439</u>	<u>19,654</u>
		<u>(283,981)</u>	<u>(382,468)</u>
Net cash from operating activities		<u>1,081,459</u>	<u>1,719,105</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,425,463)	(628,400)
Purchase of investment property		(13,530)	(13,910)
Proceeds from disposal of property, plant and equipment		<u>34,250</u>	<u>-</u>
Net cash used in investing activities		<u>(3,404,743)</u>	<u>(642,310)</u>
Cash flows from financing activities			
Proceeds from borrowings		2,000,000	-
Repayment of borrowings		<u>(759,357)</u>	<u>(660,622)</u>
Net cash from/(used in) financing activities		<u>1,240,643</u>	<u>(660,622)</u>
Net increase/(decrease) in cash and cash equivalents		(1,082,641)	416,173
Cash and cash equivalents at the beginning of the financial year		<u>1,327,286</u>	<u>911,113</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>244,645</u></u>	<u><u>1,327,286</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 1. General information

The financial statements cover Randwick Labor Club Limited as an individual entity, incorporated and domiciled in Australia. The financial statements are presented in Australian dollars, which is Randwick Labor Club Limited's functional and presentation currency.

Randwick Labor Club Limited is a company limited by guarantee.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 January 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), and the Corporations Act 2001. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised upon the delivery of goods to customers.

Rendering of services

Rendering of services revenue is recognised upon the delivery of goods to customers.

Investment property

Investment property revenue is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Interest

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

Note 2. Significant accounting policies (continued)

Other revenue

Other revenue, including membership fees, is recognised when the right to receive the revenue has been established.

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

Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

The charge for income tax expense is based on the profit adjusted for any non-assessable or disallowed items. It is calculated using the proportion of net income attributable to non-members together with investment and property income and is provided at tax rates that have been enacted or are substantially enacted as at the end of the reporting period.

Deferred income tax expense represents movements in deferred tax expense and deferred tax liability balances during the year.

Current and deferred income tax expense (income) is charged directly to equity instead of the profit or loss when the tax relates to items that are credited directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised at amortised cost, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Note 2. Significant accounting policies (continued)

Inventories

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

Investment properties

Investment properties principally comprise freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	2.5%
Plant and equipment	5% - 50%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 2. Significant accounting policies (continued)

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparative Figures

Comparative figures have been adjusted, where necessary, to conform with changes in presentation for the current financial year.

Note 3. Critical 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, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment of property, plant and equipment

The company assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

The Club freehold land and buildings were independently valued on a fair value basis on 19 October 2016 (The Randwick Club and Randwick Bowling Club) by Global Valuation Services Pty Limited. The fair value was derived by adding the assessed depreciated replacement cost of the improvements and special features of the buildings to the underlying market value of the land, relative to the improvements thereon and enterprise conducted, i.e. as an operating registered Club, together with its ancillary improvements. The valuation resulted in a revaluation increment being recognised for the year ended 31 October 2016.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 4. Revenue

	2016	2015
	\$	\$
Poker machine takings	4,774,941	5,394,272
Bar trading	1,437,024	1,511,581
Bistro and dining trading	263,990	447,371
Membership fees	18,985	15,399
TAB and KENO commissions	91,366	94,336
Rental revenue - investment properties	1,225,666	1,184,049
Interest received	13,439	19,654
Functions and room hire	38,055	65,020
Sundry revenue	95,596	97,195
	<u>7,959,062</u>	<u>8,828,877</u>

Note 5. Other income

	2016	2015
	\$	\$
Net fair value gain on investment properties	2,046,470	1,571,090
Net gain on disposal of property, plant and equipment	29,278	-
	<u>2,075,748</u>	<u>1,571,090</u>

Note 6. Income tax expense

	2016	2015
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Surplus before income tax expense	2,150,335	2,314,753
Tax at the statutory tax rate of 30%	645,101	694,426
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
-adjusted profit on non-taxable member income, arising from the principle of mutuality.	(38,769)	(252,788)
Income tax expense	<u>606,332</u>	<u>441,638</u>

Note 7. Key management personnel compensation

Any persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any director (whether executive or otherwise) of that company is considered key management personnel.

	2016	2015
	\$	\$
The totals of remuneration paid to the key management personnel of the company during the year are as follows:		
Key management personnel compensation	<u>456,454</u>	<u>453,481</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 8. Current assets - cash and cash equivalents

	2016	2015
	\$	\$
Cash on hand	183,100	183,100
Cash at bank	52,756	372,109
Cash on deposit	16,636	772,077
	<u>252,492</u>	<u>1,327,286</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	252,492	1,327,286
Bank overdraft (note 17)	(7,847)	-
	<u>244,645</u>	<u>1,327,286</u>
Balance as per statement of cash flows	<u>244,645</u>	<u>1,327,286</u>

Note 9. Current assets - trade and other receivables

	2016	2015
	\$	\$
Trade receivables	<u>5,520</u>	<u>7,960</u>

Note 10. Current assets - inventories

	2016	2015
	\$	\$
Bistro stock	782	8,514
Bar stock	99,206	68,992
	<u>99,988</u>	<u>77,506</u>

Note 11. Current assets - other

	2016	2015
	\$	\$
Prepayments	<u>99,112</u>	<u>122,151</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 12. Non-current assets - investment properties

	2016	2015
	\$	\$
Investment property - at independent valuation	<u>27,045,000</u>	<u>24,985,000</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	24,985,000	23,400,000
Additions	13,530	13,910
Revaluation increments	<u>2,046,470</u>	<u>1,571,090</u>
Closing fair value	<u>27,045,000</u>	<u>24,985,000</u>

The fair value model is applied to investment properties, which were revalued to their fair market value as determined by an independent valuation performed by Global Valuation Services Pty Limited on 19 October 2016.

The basis of the valuation was market value for the existing commercial and residential leases. Sales and leasing information was obtained for residential and commercial sites and units in nearby and surrounding areas as well as normal sales enquiries from local real estate agents with regard to the current state of the market. The valuation resulted in a revaluation increment being recognised in the statement of profit or loss and other comprehensive income.

Note 13. Non-current assets - property, plant and equipment

	2016	2015
	\$	\$
Freehold land - at independent valuation	<u>6,700,000</u>	<u>4,950,000</u>
Buildings - at independent valuation	14,400,000	13,100,000
Buildings - at cost	43,988	286,773
Less: Accumulated depreciation	-	(655,000)
	<u>14,443,988</u>	<u>12,731,773</u>
Plant and equipment - at cost	6,958,521	7,060,721
Less: Accumulated depreciation	(4,210,219)	(4,826,102)
	<u>2,748,302</u>	<u>2,234,619</u>
Motor vehicles - at cost	50,452	50,452
Less: Accumulated depreciation	(19,287)	(15,073)
	<u>31,165</u>	<u>35,379</u>
	<u>23,923,455</u>	<u>19,951,771</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 13. Non-current assets - property, plant and equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts of 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 \$	Total \$
Balance at 1 November 2015	4,950,000	12,731,773	2,234,619	35,379	19,951,771
Additions	-	1,355,306	2,386,374	-	3,741,680
Disposals	-	-	(33,982)	-	(33,982)
Revaluation increments / (decrements)	1,750,000	(462,450)	-	-	1,287,550
Transfers in/(out)	-	1,146,859	(1,146,859)	-	-
Depreciation expense	-	(327,500)	(691,850)	(4,214)	(1,023,564)
Balance at 31 October 2016	<u>6,700,000</u>	<u>14,443,988</u>	<u>2,748,302</u>	<u>31,165</u>	<u>23,923,455</u>

Asset revaluation

The Club freehold land and buildings were independently valued on a fair value basis on 19 October 2016 (The Randwick Club and Randwick Bowling Club) by Global Valuation Services Pty Limited. The fair value was derived by adding the assessed depreciated replacement cost of the improvements and special features of the buildings to the underlying market value of the land, relative to the improvements thereon and enterprise conducted, i.e. as an operating registered Club, together with its ancillary improvements. The valuation in a revaluation increment being recognised for the year ended 31 October 2016.

Note 14. Non-current assets - deferred tax

	2016 \$	2015 \$
Deferred tax asset	<u>36,699</u>	<u>29,091</u>

Note 15. Non-current assets - other

	2016 \$	2015 \$
Security deposits	<u>5,000</u>	<u>5,000</u>

Note 16. Current liabilities - trade and other payables

	2016 \$	2015 \$
Trade payables	170,916	186,230
Other payables	<u>332,506</u>	<u>352,623</u>
	<u>503,422</u>	<u>538,853</u>

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 17. Current liabilities - borrowings

	2016	2015
	\$	\$
Bank overdraft	7,847	-
Bank loans	858,623	500,000
Lease liabilities	109,741	93,918
	<u>976,211</u>	<u>593,918</u>

Note 18. Current liabilities - employee benefits

	2016	2015
	\$	\$
Employee benefits	<u>494,636</u>	<u>489,672</u>

Note 19. Current liabilities - other

	2016	2015
	\$	\$
Deferred revenue	<u>16,496</u>	<u>12,994</u>

Note 20. Non-current liabilities - borrowings

	2016	2015
	\$	\$
Bank loans	6,949,307	5,875,000
Lease liabilities	103,914	24,819
	<u>7,053,221</u>	<u>5,899,819</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	2016	2015
	\$	\$
Bank overdraft	7,847	-
Bank loans	7,807,930	6,375,000
Lease liabilities	213,655	118,737
	<u>8,029,432</u>	<u>6,493,737</u>

Assets pledged as security

The bank facilities are secured by:

- a registered first mortgage over freehold property 141 - 151 Alison Road, Randwick (2016: \$16,200,000; 2015: \$15,200,000);
- a registered first mortgage over freehold property 127 - 129 Alison Road, Randwick (2016: \$3,000,000; 2015: \$2,730,000);
- a general security interest over all rights, property and undertakings of the company; and
- a negative pledge from the company not to encumber any of its assets without the consent of the bank.

Leased liabilities are secured by the underlying leased assets.

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 21. Non-current liabilities - deferred tax

	2016	2015
	\$	\$
Deferred tax liability	<u>3,489,705</u>	<u>2,875,765</u>

Note 22. Non-current liabilities - employee benefits

	2016	2015
	\$	\$
Employee benefits	<u>33,102</u>	<u>25,824</u>

Note 23. Equity - reserves

	2016	2015
	\$	\$
Revaluation surplus reserve	<u>5,415,577</u>	<u>4,128,027</u>

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Note 24. Contingent liabilities

The company had no contingent liabilities as at 31 October 2016 and 31 October 2015.

Note 25. Commitments

The company had no significant commitments for expenditure as at 31 October 2016 and 31 October 2015.

Note 26. Related party transactions

For details of key management personnel compensation, refer to Note 7.

Transactions with related parties

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

Note 27. Events after the reporting period

No matter or circumstance has arisen since 31 October 2016 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 28. Leasing commitments

	2016	2015
	\$	\$
Finance lease commitments		
Payable:		
- not later than 12 months	109,741	93,918
- between 12 months and 5 years	<u>103,914</u>	<u>24,819</u>
	<u>213,655</u>	<u>118,737</u>

Finance lease relates to poker machines and an Ebet IT system and are for a period of 3 years.

Randwick Labor Club Limited
Notes to the financial statements
31 October 2016

Note 29. Financial risk management

The main risks the company is exposed to through its financial instruments are interest rate risk and liquidity risk. The company's financial instruments consists mainly of deposits with banks, short-term investments, accounts receivable and payable and bank loans. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2016	2015
	\$	\$
Financial assets		
Cash and cash receivables	252,492	1,327,286
Loans and receivables	5,520	7,960
	<u>258,012</u>	<u>1,335,246</u>
Total financial assets	2016	2015
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	503,422	538,853
Borrowings	8,029,432	6,493,737
	<u>8,532,854</u>	<u>7,032,590</u>
Total financial liabilities		

The fair values of financial assets approximate their carrying value.

Randwick Labor Club Limited
Directors' declaration
31 October 2016

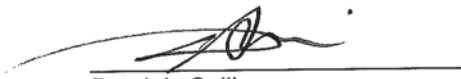
In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the , the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 October 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors


Ken Murray
Director


Dominic Sullivan
Director

19 January 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANDWICK LABOR CLUB LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Randwick Labor Club Limited on pages 5 to 21, which comprise the statements of financial position as at 31 October 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the 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 Regime and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 was given to the directors of Randwick Labor Club Limited on the same date as this this auditor's report.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RANDWICK LABOR CLUB LIMITED (CONT)

Auditor's Opinion

In our opinion the financial report of Randwick Labor Club Limited on pages 5 to 21 is in accordance with the Corporations Act 2001, including:

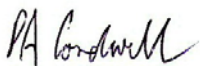
- a) giving a true and fair view of the company's financial position as at 31 October 2016 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Randwick Labor Club Limited for the year ended 31 October 2016 included on Randwick Labor Club Limited's web site. The company's directors are responsible for the integrity of the Randwick Labor Club Limited's web site. We have not been engaged to report on the integrity of the Randwick Labor Club Limited's web site. The auditor's report refers only to the financial report. 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.

A handwritten signature in black ink that reads 'William Buck'.

William Buck
Chartered Accountants
ABN 16 021 300 521

A handwritten signature in black ink that reads 'P.A. Cordwell'.

P.A. Cordwell
Partner

Level 7
3 Horwood Place
Parramatta NSW 2150

Dated this 19th day of January 2017