Randwick Labor Club Limited

ABN 35 000 353 417

Annual Report - 31 October 2017

Randwick Labor Club Limited
Contents
31 October 2017

Randwick Labor Club Limited
Directors' report
31 October 2017

The directors present their report, together with the financial statements, on the Club for the year ended 31 October 2017.

Directors

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

Ken Murray (President)
Ann Bowen (Senior Vice President)
Brian Ferguson (Junior Vice President)
Vic Smith (Treasurer)
Dominic Sullivan (Secretary)
Peter Bell
Christina Curry
Chris Bastic
Tony Waller

Pursuant to the Registered Clubs Act the number on the Governing Body should not exceed nine.

Principal activities

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

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

Objectives

The Club’s short term objectives are to:

- Maintain the financial viability of the Club 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 Club’s long term objective is to promote and maintain the heritage and foundation principles in accordance with the Club’s Constitution.

Strategy for achieving the objectives

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

- Maintenance of a 5 year and 10 year Strategic Plan covering the following keys areas of business planning to ensure financial viability: Property Master planning to develop strategies to 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 Club’s investment to ensure ongoing success and best use of resources.

Performance measures

The Club 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 Club and whether the Club’s short term and long term objectives are being achieved.

Information on directors

Name:	Ken Murray
Title:	President
Qualifications:	Former Director Sydney Ports Corp., Former Chair Sydney Pilots Service
Experience and expertise:	30 years as President, 38 years as director
Special responsibilities:	Finance Committee and Building Committee

Name:	Ann Bowen
Title:	Senior Vice President
Qualifications:	Solicitor
Experience and expertise:	6 years as Senior Vice President, 25 years as director
Special responsibilities:	Building Committee

Name:	Brian Ferguson
Title:	Junior Vice President
Qualifications:	Former Director Environment Services and Chief Health & Building Inspector
Experience and expertise:	6 years as Junior Vice President, 12 years as director
Special responsibilities:	Building Committee

Name:	Vic Smith
Title:	Treasurer
Qualifications:	Former Director Sydney Ports Corp., Paul Harris Fellow Rotary International
Experience and expertise:	1 year as Treasurer, 8 years as director
Special responsibilities:	Building Committee

Name:	Dominic Sullivan
Title:	Secretary
Qualifications:	B.A.(Hons), LLB (Hons)
Experience and expertise:	10 years as Secretary, 11 years as director
Special responsibilities:	Finance Committee and Building Committee

Name:	Peter Bell
Title:	Director
Qualifications:	Retired
Experience and expertise:	36 years as director
Special responsibilities:	Finance Committee

Name:	Christina Curry
Title:	Director
Qualifications:	PhD; Master of Education; Bachelor of Physical Education
Experience and expertise:	5 years as director
Special responsibilities:	Building Committee

Name:	Chris Bastic
Title:	Director
Qualifications:	Stakeholder Relations Manager
Experience and expertise:	4 years as director
Special responsibilities:	Finance Committee

Name:	Tony Waller
Title:	Director
Qualifications:	Superintendent Fire Rescue NSW
Experience and expertise:	2 years as director
Special responsibilities:	Building Committee

Randwick Labor Club Limited
Directors' report
31 October 2017

Meetings of directors

The number of meetings of the Club's Board of Directors ('the Board') and of each Board committee held during the year ended 31 October 2017, 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	13	6	6
Ann Bowen (Senior Vice President)	14	13	4	4
Brian Ferguson (Junior Vice President)	14	10	4	3
Vic Smith (Treasurer)	14	13	4	4
Dominic Sullivan (Secretary)	14	11	4	3
Peter Bell	14	12	2	2
Christina Curry	14	13	4	3
Chris Bastic	14	13	2	1
Tony Waller	14	13	4	4

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 Club 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 Club.

At 31 October 2017, the total amount that members of the Club are liable to contribute if the Club is wound up is $133,220 (2016: $133,720).

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

18 January 2018

William Buck

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 2017 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.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

Domenic Molluso

Domenic Molluso
Director

18 January 2018

CHARTERED ACCOUNTANTS & ADVISORS

Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW 2000
Telephone: +61 2 8263 4000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150
PO Box 19
Parramatta NSW 2124
Telephone: +61 2 8836 1500

williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Randwick Labor Club Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 October 2017

	Note	2017 $	2016 $
Revenue	5	7,281,366	7,959,062
Other income	6	2,908,948	2,075,748
Expenses			
Raw materials and consumables used		(630,271)	(708,047)
Repairs and maintenance		(230,987)	(222,476)
Advertising and marketing expenses		(143,471)	(158,265)
Employee benefits expense		(1,839,528)	(2,198,403)
Depreciation and amortisation expense		(1,102,326)	(1,023,564)
Rental properties' expense		(489,878)	(456,698)
Poker machine duty		(656,480)	(756,019)
Professional fees		(213,418)	(188,877)
Promotion and games expense		(681,235)	(694,782)
Donations and community support		(105,830)	(158,154)
Central monitoring expenses		(67,193)	(57,758)
Other expenses		(309,915)	(273,024)
Finance costs		(298,055)	(317,518)
Occupancy		(641,648)	(670,890)
Surplus before income tax expense		2,780,079	2,150,335
Income tax expense	7	(754,371)	(606,332)
Surplus after income tax expense for the year attributable to the members of Randwick Labor Club Limited		2,025,708	1,544,003
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		-	1,196,561
Other comprehensive income for the year, net of tax		-	1,196,561
Total comprehensive income for the year attributable to the members of Randwick Labor Club Limited		2,025,708	2,740,564

Refer to note 4 for detailed information on Restatement of comparatives.

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 2017

	Note	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	8	657,332	252,492
Trade and other receivables	9	39,881	5,520
Inventories	10	79,378	99,988
Other	11	109,587	99,112
Total current assets		886,178	457,112
Non-current assets			
Investment properties	12	29,320,000	27,045,000
Property, plant and equipment	13	23,225,504	23,923,455
Deferred tax	14	25,477	36,699
Other	15	10,000	5,000
Total non-current assets		52,580,981	51,010,154
Total assets		53,467,159	51,467,266
Liabilities			
Current liabilities			
Trade and other payables	16	419,666	503,422
Borrowings	17	750,110	976,211
Employee benefits	18	477,164	494,636
Other	19	20,852	16,496
Total current liabilities		1,667,792	1,990,765
Non-current liabilities			
Borrowings	20	6,592,262	7,053,221
Deferred tax	21	5,015,468	4,272,319
Employee benefits	22	48,070	33,102
Total non-current liabilities		11,655,800	11,358,642
Total liabilities		13,323,592	13,349,407
Net assets		40,143,567	38,117,859
Equity			
Reserves	23	5,324,588	5,324,588
Retained surpluses		34,818,979	32,793,271
Total equity		40,143,567	38,117,859

Refer to note 4 for detailed information on Restatement of comparatives.

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 2017

	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	1,196,561	-	1,196,561
Total comprehensive income for the year	1,196,561	1,544,003	2,740,564
Prior period adjustment (note 4)	-	(691,625)	(691,625)
Balance at 31 October 2016	5,324,588	32,793,271	38,117,859

Refer to note 4 for detailed information on Restatement of comparatives.

	Revaluation surplus reserve $	Retained surplus $	Total equity $
Balance at 1 November 2016	5,324,588	32,793,271	38,117,859
Surplus after income tax expense for the year	-	2,025,708	2,025,708
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	2,025,708	2,025,708
Balance at 31 October 2017	5,324,588	34,818,979	40,143,567

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 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		7,976,487	8,746,127
Payments to suppliers and employees		(6,803,429)	(7,394,126)
		1,173,058	1,352,001
Interest received		2,737	13,439
Finance costs		(298,055)	(283,981)
Net cash from operating activities		877,740	1,081,459
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(451,367)	(3,425,463)
Purchase of investment property	12	-	(13,530)
Proceeds from disposal of property, plant and equipment		665,527	34,250
Net cash from/(used in) investing activities		214,160	(3,404,743)
Cash flows from financing activities			
Proceeds from borrowings		-	2,000,000
Repayment of borrowings		(679,213)	(759,357)
Net cash from/(used in) financing activities		(679,213)	1,240,643
Net increase/(decrease) in cash and cash equivalents		412,687	(1,082,641)
Cash and cash equivalents at the beginning of the financial year		244,645	1,327,286
Cash and cash equivalents at the end of the financial year	8	657,332	244,645

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

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 18 January 2018. 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 or amended Accounting Standards and Interpretations adopted
The Club has adopted all of the new or amended 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 Club.

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 Club 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 investment properties and certain classes of property, plant and equipment.

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 Club'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 Club 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 services to customers.

Rent
Rent revenue is recognised on a 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 Club'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 Club'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)

Other receivables are recognised at amortised cost, less any provision for impairment.

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 Club. 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 Club. 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 Club will obtain ownership at the end of the lease term.

Note 2. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the Club 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.

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.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Club assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Club's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Club remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Note 2. Significant accounting policies (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment of property, plant and equipment
The Club assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Club 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's 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 was recognised for the year ended 31 October 2016.

At 31 October 2017, the directors have performed a directors' valuation on the freehold land and buildings. The directors have reviewed the key assumptions adopted by the valuers in the 2016 financial year and do not believe there has been a significant change in the assumptions, except for the additional building renovations performed after the 2016 revaluation which have been recognised at cost at 31 October 2017. The directors therefore believe the carrying amount of the land and buildings correctly reflects the fair value at 31 October 2017.

Estimation of useful lives of assets
The Club 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 Club 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 Club recognises liabilities for anticipated tax audit issues based on the Club'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 Club 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.

Note 4. Restatement of comparatives

Prior period adjustment
During the 2017 financial year previously unrecorded adjustments pertaining to the tax effect of historical revaluations of investment properties and land and buildings were identified. At 31 October 2016, the deferred tax liability was understated by $782,614, reserves were overstated by $90,989 and retained surpluses were overstated by $691,625.

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income

Extract	2016 $ Reported	$ Adjustment	2016 $ Restated
Other comprehensive income			
Gain on the revaluation of land and buildings, net of tax	1,287,550	(90,989)	1,196,561
Other comprehensive income for the year, net of tax	1,287,550	(90,989)	1,196,561
Total comprehensive income for the year attributable to the members of Randwick Labor Club Limited	2,831,553	(90,989)	2,740,564

Statement of financial position at the beginning of the earliest comparative period
When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 November 2015. However, as there were no adjustments made as at 1 November 2015, the Club has elected not to show the 1 November 2015 statement of financial position.

Statement of financial position at the end of the earliest comparative period

Extract	2016 $ Reported	$ Adjustment	2016 $ Restated
Liabilities			
Non-current liabilities			
Deferred tax	3,489,705	782,614	4,272,319
Total non-current liabilities	10,576,028	782,614	11,358,642
Total liabilities	12,566,793	782,614	13,349,407
Net assets	38,900,473	(782,614)	38,117,859
Equity			
Reserves	5,415,577	(90,989)	5,324,588
Retained surpluses	33,484,896	(691,625)	32,793,271
Total equity	38,900,473	(782,614)	38,117,859

Note 5. Revenue

	2017 $	2016 $
Poker machine takings	4,199,526	4,774,941
Bar trading	1,427,166	1,437,024
Bistro and dining trading	80,827	263,990
Membership fees	16,433	18,985
TAB and KENO commissions	92,002	91,366
Rental revenue - investment properties	1,248,883	1,225,666
Interest received	2,737	13,439
Functions and room hire	41,176	38,055
Sundry revenue	172,616	95,596
Revenue	7,281,366	7,959,062

Note 6. Other income

	2017 $	2016 $
Net fair value gain on investment properties	2,275,000	2,046,470
Net gain on disposal of gaming entitlements and property, plant and equipment	633,948	29,278
Other income	2,908,948	2,075,748

Note 7. Income tax expense

	2017 $	2016 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Surplus before income tax expense	2,780,079	2,150,335
Tax at the statutory tax rate of 30%	834,024	645,101
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable member income arising from the principle of mutuality	(79,653)	(38,769)
Income tax expense	754,371	606,332

Note 8. Current assets - cash and cash equivalents

	2017 $	2016 $
Cash on hand	148,100	183,100
Cash at bank	494,232	52,756
Cash on deposit	15,000	16,636
	657,332	252,492

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:

	2017 $	2016 $
Balances as above	657,332	252,492
Bank overdraft (note 17)	-	(7,847)
Balance as per statement of cash flows	657,332	244,645

Note 9. Current assets - trade and other receivables

	2017 $	2016 $
Trade receivables	7,231	5,520
Other receivables	32,650	-
	39,881	5,520

Note 10. Current assets - inventories

	2017 $	2016 $
Bistro stock	-	782
Bar stock	79,378	99,206
	79,378	99,988

Note 11. Current assets - other

	2017 $	2016 $
Prepayments	75,750	99,112
Other current assets	33,837	-
	109,587	99,112

Note 12. Non-current assets - investment properties

	2017 $	2016 $
Investment property - at independent valuation	29,320,000	27,045,000

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

	2017 $	2016 $
Opening fair value	27,045,000	24,985,000
Additions	-	13,530
Revaluation increments	2,275,000	2,046,470
Closing fair value	29,320,000	27,045,000

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 18 September 2017.

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 for the year ended 31 October 2017.

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

	2017 $	2016 $
Freehold land - at independent valuation	6,700,000	6,700,000
Buildings - at directors valuation	14,400,000	-
Buildings - at independent valuation	-	14,400,000
Buildings - at cost	103,980	43,988
Less: Accumulated depreciation	(448,310)	-
	14,055,670	14,443,988
Plant and equipment - at cost	6,946,524	6,958,521
Less: Accumulated depreciation	(4,503,652)	(4,210,219)
	2,442,872	2,748,302
Motor vehicles - at cost	50,452	50,452
Less: Accumulated depreciation	(23,490)	(19,287)
	26,962	31,165
	23,225,504	23,923,455

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 2016	6,700,000	14,443,988	2,748,302	31,165	23,923,455
Additions	-	59,992	391,375	-	451,367
Disposals	-	-	(46,992)	-	(46,992)
Depreciation expense	-	(448,310)	(649,813)	(4,203)	(1,102,326)
Balance at 31 October 2017	6,700,000	14,055,670	2,442,872	26,962	23,225,504

Asset revaluation
The Club's 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 was recognised for the year ended 31 October 2016.

At 31 October 2017, the directors reviewed the key assumptions adopted by the valuers in the 2016 financial year and do not believe there has been a significant change in the assumptions, except for the additional building renovations performed after the 2016 revaluation which have been recognised at cost at 31 October 2017. The directors therefore believe the carrying amount of the land and buildings correctly reflects the fair value at 31 October 2017.

Note 14. Non-current assets - deferred tax

	2017 $	2016 $
Deferred tax asset	25,477	36,699

Note 15. Non-current assets - other

	2017 $	2016 $
Security deposits	10,000	5,000

Note 16. Current liabilities - trade and other payables

	2017 $	2016 $
Trade payables	127,233	170,916
Other payables	292,433	332,506
	419,666	503,422

Note 17. Current liabilities - borrowings

	2017 $	2016 $
Bank overdraft	-	7,847
Bank loans	579,040	858,623
Lease liabilities	171,070	109,741
	750,110	976,211

Note 18. Current liabilities - employee benefits

	2017 $	2016 $
Employee benefits	477,164	494,636

Note 19. Current liabilities - other

	2017 $	2016 $
Deferred revenue	20,852	16,496

Note 20. Non-current liabilities - borrowings

	2017 $	2016 $
Bank loans	6,495,267	6,949,307
Lease liabilities	96,995	103,914
	6,592,262	7,053,221

Note 20. Non-current liabilities - borrowings (continued)

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

	2017 $	2016 $
Bank overdraft	-	7,847
Bank loans	7,074,307	7,807,930
Lease liabilities	268,065	213,655
	7,342,372	8,029,432

Assets pledged as security
The bank facilities are secured by:
- a registered first mortgage over freehold property 141 - 151 Alison Road, Randwick (2017: $17,500,000; 2016: $16,200,000);
- a registered first mortgage over freehold property 127 - 129 Alison Road, Randwick (2017: $3,200,000; 2016: $3,000,000);
- a general security interest over all rights, property and undertakings of the Club; and
- a negative pledge from the Club not to encumber any of its assets without the consent of the bank.

Leased liabilities are secured by the underlying leased assets.

Note 21. Non-current liabilities - deferred tax

	2017 $	2016 $
Deferred tax liability	5,015,468	4,272,319

Note 22. Non-current liabilities - employee benefits

	2017 $	2016 $
Employee benefits	48,070	33,102

Note 23. Equity - reserves

	2017 $	2016 $
Revaluation surplus reserve	5,324,588	5,324,588

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. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Club is set out below:

	2017 $	2016 $
Aggregate compensation	469,740	456,454

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

During the year, total director related expenses and senior management expenses paid by the Club amounted to $50,164 (2016: $58,131).

Note 25. Contingent liabilities

The Club had no contingent liabilities as at 31 October 2017 and 31 October 2016.

Note 26. Commitments

The Club had no significant commitments for expenditure as at 31 October 2017 and 31 October 2016.

Note 27. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

The President, Treasurer and Secretary combined were paid a honorarium totalling $20,000 during the year (2016: $20,000).

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

Note 28. Amalgamations

On 1 November 2017, the Club amalgamated with Coogee Sports Club Limited. The values of assets and liabilities identified in relation to the amalgamation with Coogee Sports Club Limited, as outlined below, are provisional as at 31 October 2017:

	Fair value $
Cash and cash equivalents	4,400
Inventories	15,432
Trade payables	(57,000)
Employee benefits	(14,000)
Net liabilities acquired	(51,168)

In November 2017, the licence to occupy the Coogee premises was transferred to the Club. The licence expires in March 2018 and the future licence fee commitment associated with the unexpired licence period totals $18,482.

Note 29. Events after the reporting period

Effective 1 November 2017, the Club amalgamated with Coogee Sports Club Limited. Refer to Note 28 for further details.

No other matter or circumstance has arisen since 31 October 2017 that has significantly affected, or may significantly affect the Club's operations, the results of those operations, or the Club's state of affairs in future financial years.

Note 30. Leasing commitments

	2017 $	2016 $
Finance lease commitments		
Payable:		
- not later than 12 months	171,070	109,741
- between 12 months and 5 years	96,995	103,914
	268,065	213,655

Finance lease relates to poker machines and are for a period of 3 years.

	2017	2016
Operating lease commitments		
Payable:		
- not later than 12 months	12,744	12,744
- between 12 months and 5 years	7,437	20,181
	20,181	32,925

Operating lease relates to a photocopier and is for a period of 5 years.

Note 31. Financial risk management

The main risks the Club is exposed to through its financial instruments are interest rate risk and liquidity risk. The Club'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:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	657,332	252,492
Trade and other receivables	39,881	5,520
Total financial assets	697,213	258,012

	2017	2016
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	419,666	503,422
Borrowings	7,342,372	8,029,432
Total financial liabilities	7,762,038	8,532,854

The fair values of financial assets approximate their carrying value.

Randwick Labor Club Limited
Directors' declaration
31 October 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Club's financial position as at 31 October 2017 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Club 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

18 January 2018

Randwick Labor Club Limited
Independent auditor’s report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Randwick Labor Club Limited (the Club), which comprises the statement of financial position as at 31 October 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

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

(i) giving a true and fair view of the Club’s financial position as at 31 October 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Club on the same date as this auditor’s report.

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

CHARTERED ACCOUNTANTS & ADVISORS

Sydney Office
Level 29, 66 Goulburn Street
Sydney NSW 2000
Telephone: +61 2 8263 4000

Parramatta Office
Level 7, 3 Horwood Place
Parramatta NSW 2150
PO Box 19
Parramatta NSW 2124
Telephone: +61 2 8836 1500

williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Other Information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the directors' report but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

— Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner which gives a true and fair view.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

William Buck

William Buck
Chartered Accountants
ABN 16 021 300 521

Domenic Molluso
Director

18 January 2018