

Castle Hill RSL Club Limited
ABN 35 001 043 910
General Purpose (RDR) Financial
Report for the year ended
30 June 2018

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Directors' report

Your directors submit their report of Castle Hill RSL Club Limited (the "Company/Club") and its controlled entities (collectively referred to as the "Group") for the year ended 30 June 2018.

Directors

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Warren Edward Glenny	(Appointed: 29 June 1994)
Rick Anthony Cumming	(Appointed: 29 November 1995)
David Bruce Wood	(Appointed: 27 April 1994)
Robert Bruce Duncan	(Appointed: 12 October 1993)
Walter Hromow	(Appointed: 28 February 2002)
Ronald Mervyn Smith	(Appointed: 13 August 1975)
Annemarie Kate Christie	(Appointed: 25 October 2016)
Michael Yeo	(Appointed: 25 October 2016)
John Richard Payne	(Appointed: 25 October 2016)

Directors' meetings

The number of meetings of the Company's Board of Directors (the Board) and of each board committee meeting held during the year ended 30 June 2018, and the number of meetings attended by each director were:

Director	Board Meetings		Special Meetings	
	Number of meetings attended	Number of meetings held*	Number of meetings attended	Number of meetings held*
Warren Edward Glenny	10	12	5	8
Rick Anthony Cumming	9	12	7	8
David Bruce Wood	11	12	7	8
Robert Bruce Duncan	9	12	6	8
Walter Hromow	10	12	8	8
Ronald Mervyn Smith	9	12	8	8
Annemarie Kate Christie	12	12	8	8
Michael Yeo	12	12	8	8
John Richard Payne	10	12	6	8

* Number of meetings held during the time the director held office during the year. Mr Warren Glenny's absenteeism was a result of a serious motor vehicle accident.

Directors' report (continued)

Membership

The Group includes company's limited by guarantee and are without share capital. The number of members as at 30 June 2018 and the comparison with last year is as follows:

	2018	2017
Castle Hill RSL Club Limited		
Financial Members:		
Category 1	448	472
Category 2	36,598	36,563
Junior Members	1,007	1,535
	38,053	38,570
Parramatta RSL Club		
Service, Association and Social	7,397	7,443
Sub-Branch Members	522	571
	7,919	8,014
Lynwood Country Club		
Junior Members	30	20
Social Members	4,606	3,617
Golf Members	648	483
	5,284	4,120
	51,256	50,704

Member's limited liability

In accordance with the Constitution of the Company, every member of the Company undertakes to contribute an amount limited to \$22 per member for all Castle Hill RSL Club Limited, \$5.5 for all Lynwood Country Club members and \$5.50 for all Parramatta RSL Club members in the event of the winding up of the Company during the time that he/she is a member or within one year thereafter.

Principal activities

The principal activities of the Group during the year were to provide sporting, social and entertainment activities and amenities to the members of the Group and guests from conducting the business of a licensed social club. The Group's activities enhance, support and continue to develop and promote a range of sporting and social activities that have assisted the general club membership and broader community. These activities have not been limited to the provision of sporting infrastructure but also to the development and promotion of a wide range of activities including all forms of sport from novice to an elite level.

Operating result

The net profit after tax for the year amounted to \$1,389,102 compared with \$2,459,210 for the prior year, a decrease of \$1,070,108 (44%) from prior year. This result was achieved after recognising \$7,220,973 (2017: \$6,972,552) for depreciation and amortisation, \$379,637 (2017: \$414,912) for finance costs and \$2,147,158 (2017: \$2,073,890) for donations.

Directors' report (continued)

Operating result (continued)

	2018	2017
Revenue	64,409,755	63,711,674
Operating expenses	(53,272,885)	(51,791,110)
Earnings before other comprehensive income, depreciation and amortisation, finance costs, income tax expense, donations	11,136,870	11,920,564
Depreciation and amortisation	(7,220,973)	(6,972,552)
Finance costs	(379,637)	(414,912)
Donations	(2,147,158)	(2,073,890)
Profit before income tax expense	1,389,102	2,459,210

"Earnings before depreciation and amortisation, finance costs, income tax expense, donations" is a non-IFRS measure. A reconciliation to the statutory profit before tax is included in the above table.

Objectives

Short-term

The short-term organisational strategy is to continue operational reviews, implementing operational efficiencies to further enhance the existing strategies designed to improve the efficiencies and effectiveness of the organisation whilst upgrading plant / equipment and premises to ensure the Group is a modern state of the art sports, leisure and entertainment venue that is relevant to the changing needs of its' members and community.

Long-term

The long term strategic objective of the Group is to conduct its business affairs in a sound and responsible manner ensuring relevance to the membership and community including providing the facilities and amenities that improve the financial and future viability of the Group. This commitment is not limited to physical premises but also to our broader community activities and the development of sport and sporting activities within our shire.

Strategy for achieving the objectives

The primary strategies to achieve the club's objectives are through sound financial management and the use of financial ratios and key performance indicators (KPIs). This ensures that organisational Business Plans, Budgets and Cash Flows are current and relevant. Business activities are managed in a pro-active manner to ensure that goals, objectives and business strategies are achieved.

The recent organisational restructure and outsourcing of our catering in conjunction with current Departmental/Management reporting strategies support this objective and the organisational checks and control measures will be assessed against established ratio's and KPI's to provide relevant and accurate information against the decision-making process of the club.

The Board of Directors and Management have developed and are implementing specific Master Plan's for each of our sites. The respective Master Plan/s will provide diversity and enhance our existing revenue streams to ensure efficiency, sustainability and relevance, insulating the Group whilst fast tracking capital expenditure and significant improvements to the services, facilities and the long-term viability of the Group.

Directors' report (continued)

Performance measurement and key performance indicator

The Clubs have departmental and organisational business plans and corporate strategic plans and the documented KPIs are reviewed by executive management and the Board of Directors at monthly meetings.

These KPIs are reviewed on a regular basis to ensure relevance at any particular point in time. Business activities are reviewed and altered to adhere to these documents.

Key Performance Indicators

	2018	2017
Bar - Castle Hill RSL Club Limited		
Gross profit percentage	66.6%	66.9%
Wages to sales percentage	35.6%	31.3%
Catering - Castle Hill RSL Club		
Gross profit percentage	66.3%	66.4%
Wages to sales percentage	57.5%	52.1%
Bar - Parramatta RSL Club		
Gross profit percentage	58.0%	59.6%
Wages to sales percentage	49.2%	35.7%
Bar - Lynwood Country Club		
Gross profit percentage	64.6%	63.3%
Wages to sales percentage	28.9%	29.3%
Catering - Lynwood Country Club		
Gross profit percentage	63.4%	65.4%
Wages to sales percentage	54.1%	47.2%
Employee benefits - percentage of Consolidated Revenue and Other Income	33.8%	32.8%
	2018	2017
Earnings before interest, tax, depreciation and amortisation and donations (EBITDAD) percentage - Consolidated	17.3%	18.7%

Significant changes in the state of affairs

During the past 12 months the Group has facilitated major repairs/maintenance work and significant capital expenditure upgrades to the Castle Hill Fitness & Aquatic Centre and the internal and external food and beverage operations at Castle Hill RSL. These works have rejuvenated the operational areas and we will enjoy the benefits of these major upgrades for the next 5 - 10 years.

Major capital expenditure programs coupled with the rationalisation of our catering operation through the outsourcing to nationally recognised Trippas White Group saw some disruption to trade and operations, however this short-term disruption will provide us with significant long-term benefits and this will result in significant improvements to the operational efficiencies and profitability of the Group.

During the next 12 months there will be a major refurbishment and upgrade to the Cocktail Lounge, Rib Factory and the indoor and outdoor gaming areas. The modernisation of these areas will reposition the club to meet the anticipated increase in demand from the neighbouring residential developments and the expansion of Castle Towers. The proposed increase in population as a result of the medium/high density living developments will be extremely beneficial to our Group.

Directors' report (continued)

Significant changes in the state of affairs (continued)

The Board and Management have finalised and implementing the Groups Master Plan which will provide a secure revenue stream to the Group whilst providing a genuine diversification of income insulating the Club against legislative and operational issues that could have a negative impact on the future viability of the Club, particularly in the areas of gaming regulations.

The strategy is to utilise the valuable air space of our 5-hectare site to construct an over 55's Life Style Development present. This development will be owned and operated by the club and will add additional value to our existing trading activities. The development will work in perfect synergy with our existing activities and both the Life Style Development and the Registered Club and Sports Centre will benefit greatly from the possible cross pollination opportunities.

The development will be sympathetic to the site and would see the current concrete car park replaced with architecturally designed building, large green open recreational spaces and a significant increase in available parking which will be located underground allowing for greater comfort and ease of accessibility for members than the exist on grade car parking. The new and improved parking will be further enhanced by the new rail line less than 1000 metres away.

The development has the potential to generate development profits and annual re-occurring income stream ensuring the financial viability of the Club allowing significant reinvestment back into the Castle Hill Group and giving us the ability to retire debt, fast tracking capital expenditure projects at our other facilities and provide community and social support programs for our community.

Parramatta RSL development is now on track and the construction of the new \$45m modern hospitality and leisure precinct should be completed late 2019. The new state of the art facility will provide the Parramatta community with a serious option whilst creating an invaluable revenue stream for the Group.

Lynwood Country Club is a medium/long term strategy and we have seen significant growth in patronage in all areas of the club, this growth will be accelerating during the next 24 months as thousands of new residents move into the Pitt Town and Box Hill areas. Lynwood has established itself as the leading family friendly sports, leisure and community Club in the Hawkesbury area and the Golf Course and Driving Range is gaining the reputation as the premier golf and practice facility in North Western Sydney.

The Board of Directors and management are planning today for tomorrow for markets that are not even there yet in each of our LGA areas. Each of our premises are situated in growth development areas and the market demographics are changing rapidly we are work to meet the changing demands and to be relevant to the new markets requiring us to adopt different management, design and Master Plan strategies to cater for this evolution.

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

Significant events after the reporting period

On the 3rd of July 2018, the Castle Hill RSL club site outsourced its catering operations to a third party contractor, Trippas White Group (TWG), under a rental lease agreement. Castle Hill RSL Group maintains and controls all assets and facilities in relation to catering, whilst charging a market rent in return for TWG providing catering operations/services.

The financial impact for the 2019 year is expected to be an expense of \$209,050 in respect of redundancy payments.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Indemnification and insurance of directors and officers

No indemnities have been given or insurance premiums paid during, or since the end of the financial year for any person who is, or has been an officer of the Company.

Directors' report (continued)

Auditor indemnification

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor's independence

The directors have received a declaration from the auditor of Castle Hill RSL Club Limited. This has been included on page 7 of the report.

Signed in accordance with a resolution of the directors.



Warren Edward Glenny
Director
Castle Hill, 5 September 2018



Robert Bruce Duncan
Director
Castle Hill, 5 September 2018

Auditor's Independence Declaration to the Directors of Castle Hill RSL Club Limited

As lead auditor for the audit of Castle Hill RSL Club Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Castle Hill RSL Club Limited and the entities it controlled during the financial year.



Ernst & Young



Daniel Cunningham
Partner
5 September 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue			
Sale of goods		15,526,145	15,623,533
Rendering of services		48,523,561	47,767,361
Total revenue	4	64,049,706	63,390,894
Other income	4	360,049	320,780
Total revenue and other income		64,409,755	63,711,674
Expenses			
Raw materials and consumables used		(6,134,129)	(5,981,416)
Employee benefit expense		(21,790,025)	(20,901,996)
Poker machine license and taxes		(8,415,782)	(8,146,308)
Marketing and entertainment expenses		(1,626,669)	(1,787,266)
Members benefits and promotions		(3,507,991)	(3,480,722)
Occupancy and property expenses		(8,532,135)	(8,514,196)
Leases and rental expenses		(118,421)	(163,370)
Other expenses		(3,147,733)	(2,815,836)
Depreciation and amortisation	5	(7,220,973)	(6,972,552)
Finance costs	5	(379,637)	(414,912)
Donations		(2,147,158)	(2,073,890)
Profit before income tax expense		1,389,102	2,459,210
Income tax benefit/(expense)		-	-
Net profit after tax expense attributable to members		1,389,102	2,459,210
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income for the year attributable to members		1,389,102	2,459,210

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

Consolidated statement of financial position

As at 30 June 2018

	Notes	2018 \$	2017 \$
Assets			
Current assets			
Cash and short-term deposits	6	4,218,378	4,811,077
Trade and other receivables	7	444,453	338,396
Inventories	9	837,336	876,661
Assets held for sale	10	6,739,668	6,739,668
Prepayments		1,027,884	919,956
Total current assets		13,267,719	13,685,758
Non-current assets			
Financial assets	8	2,516	2,516
Property, plant and equipment	10	98,667,505	92,074,043
Intangible assets	11	5,998,887	5,431,677
Total non-current assets		104,668,908	97,508,236
Total assets		117,936,627	111,193,994
Liabilities and equity			
Current liabilities			
Trade and other payables	12	4,313,832	4,879,994
Employee benefit liabilities	13	1,859,629	1,736,275
Interest-bearing loans and borrowings	14	2,037,243	8,079,191
Other liabilities	15	876,313	879,735
Total current liabilities		9,087,017	15,575,195
Non-current liabilities			
Employee benefit liabilities	13	288,697	287,243
Interest-bearing loans and borrowings	14	15,086,348	3,264,300
Other liabilities	15	276,876	258,669
Total non-current liabilities		15,651,921	3,810,212
Total liabilities		24,738,938	19,385,407
Members' funds			
Equity attributable to equity holders of the parent			
Reserves	16	24,283,986	24,283,986
Retained earnings		68,913,703	67,524,601
Total members' funds		93,197,689	91,808,587
Total liabilities and members' funds		117,936,627	111,193,994

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

Consolidated statement of changes in equity

For the year ended 30 June 2018

	Reserve (Note 16) \$	Retained earnings \$	Total \$
At 1 July 2017	24,283,986	67,524,601	91,808,587
Profit for the year	-	1,389,102	1,389,102
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>1,389,102</u>	<u>1,389,102</u>
At 30 June 2018	<u>24,283,986</u>	<u>68,913,703</u>	<u>93,197,689</u>
 At 1 July 2016	 24,283,986	 65,065,391	 89,349,377
Profit for the year	-	2,459,210	2,459,210
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>2,459,210</u>	<u>2,459,210</u>
At 30 June 2017	<u>24,283,986</u>	<u>67,524,601</u>	<u>91,808,587</u>

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

Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Operating activities			
Receipts from customers		70,362,535	70,316,065
Payments to suppliers and employees		(56,003,840)	(60,832,246)
Interest received		1,199	4,373
Interest paid		(209,798)	(246,773)
Rent received		205,852	176,950
Net cash flows from operating activities		14,355,948	9,418,369
Investing activities			
Proceeds from disposal of assets		231,847	34,000
Payments for purchase of property, plant and equipment		(12,485,672)	(7,304,331)
Payments for purchase of intangibles		(567,210)	(661,606)
Net cash flows used in investing activities		(12,821,035)	(7,931,937)
Financing activities			
Finance lease and hire purchase repayments		(1,384,040)	(1,029,272)
Proceeds from borrowings		6,686,428	2,207,338
Repayments of borrowings		(7,430,000)	(3,430,000)
Net cash flows used in financing activities		(2,127,612)	(2,251,934)
Net decrease in cash and cash equivalents		(592,699)	(765,502)
Cash and cash equivalents at 1 July		4,811,077	5,576,579
Cash and cash equivalents at 30 June	6	4,218,378	4,811,077

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

Notes to the consolidated financial statements

For the year ended 30 June 2018

1. Corporate information

The consolidated financial report for Castle Hill RSL Club Limited (the "Company/Club") and its controlled entities (the "Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 5 September 2018.

Castle Hill RSL Club Limited is a not-for-profit company limited by guarantee, incorporated and domiciled in Australia.

The Group's registered office and principal place of business is 77 Castle Street, Castle Hill, NSW, 2154.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, unless otherwise stated.

The financial report is presented in Australian dollars (\$).

Parent entity information

In accordance with the *Corporation Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 22.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2018, the Club's total current assets exceed total current liabilities by \$4,180,702 (2017: current liabilities exceeded current assets by \$1,889,437). The directors have concluded that the use of the going concern assumption in the preparation of the financial statements is appropriate for the following reasons:

- management have projected the company will continue to generate positive cash flows for the 2019 financial year (2018: actual net cash flows of \$14,355,948 from operating activities)

2.2 Changes in accounting policy, disclosures, standards and interpretations

New amended standards and interpretations

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2017/2018 do not materially impact the financial statements of the Group.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 30 June 2018. The directors have not early adopted any of these new or amended standards or interpretations. The directors are in the process of assessing the impact of the applications of AASB 9 *Financial Instruments* (effective 1 January 2018), AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2018), and AASB 16 *Leases* (effective 1 January 2019) and its amendments to the extent relevant to the financial statements of the Group.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

a) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Castle Hill RSL Club Limited as at 30 June and the results of all controlled entities for the year then ended. Castle Hill RSL Club Limited and its controlled entities together are referred to in these financial statements as the 'Group'.

Controlled entities are all those entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The name of the controlled entity is Reltsac Pty Limited with 100% ownership interest held by the Company. The controlled entity is a dormant company incorporated in Australia.

All inter-group balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

c) Cash and short-term deposits

Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

d) Business combinations and goodwill

Club amalgamations are accounted for in accordance with AASB 3 *Business Combinations* using the acquisition method, with transaction costs directly attributable to the amalgamation forming part of the acquisition costs.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

d) Business combinations and goodwill (continued)

This method involves recognising the fair values of the identifiable assets acquired and liabilities assumed. The difference between the above items and the fair value of the consideration represents either goodwill or gain on amalgamation in other comprehensive income.

e) Trade and other receivables

Trade and other receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Current trade and other receivables are non-interest bearing and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for doubtful debt is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

f) Inventories

Inventories are measured at the cost. Costs have been assigned to inventory quantities on hand at balance date using the weighted average cost basis.

g) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset and its sale is highly probable.

Assets classified as held for sale are measured at their previous carrying amount.

h) Financial instruments - initial recognition and subsequent measurement

Available-for-sale ("AFS") financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss.

Initial recognition

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

AFS financial assets

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of profit or loss and other comprehensive income in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

h) Financial instruments - initial recognition and subsequent measurement (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

i) Property, plant and equipment

Capital work in progress, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the costs of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land and buildings are shown at historical cost less accumulated depreciation for buildings and accumulated impairment losses for land and buildings.

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

Buildings and improvements	2.5% - 10%
Plant and equipment	7.5% - 40%
Motor vehicles	13% - 20%
Leased plant and equipment	7.5% - 20%
Poker machines	20% - 25%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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 (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

j) Leases (continued)

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

k) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit (CGU) to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

l) Intangible assets

Poker machine entitlements

Poker machine entitlements are not amortised and have been determined to have indefinite useful lives. Instead, poker machine entitlements are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

Water licenses

Water usage licenses are not amortised and have been determined to have indefinite useful lives. Instead, water usage licenses are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

m) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 60 days.

n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

o) Borrowing costs

All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other cost the Group incurs in connection with the borrowing of funds.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

p) Provisions and employee benefit liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits, which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave and annual leave

The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave measured as 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 currencies that match, as closely as possible, the estimated future cash outflows.

q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, if any.

Rendering of services

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest income

Interest income is recorded using the EIR. Interest income is included in other income in the consolidated statement of profit or loss and other comprehensive income.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

2. Summary of significant accounting policies (continued)

r) Taxes

No charge has been made for an income tax expense as the Company received an exemption from Income Tax under Section 50-45 of the Income Tax Assessment Act (1997).

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies, if any, are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

s) Comparatives

Certain numbers of the prior year have been reclassified to be consistent with current year's disclosure presentation.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. 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.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Intangible assets

As discussed above, impairment of poker machine entitlements is recognised based on a value in use calculations and is measured at the present value of the estimated future cash inflows available to the Group from the use of these licenses. In determining the present value of the cash inflows growth rate and appropriate discount factor have been considered.

Water usage licenses are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

Customer loyalty program

The Group operates a loyalty program where customers accumulated points for dollars spent. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale. Expense from the award points is recognised when the points are redeemed. The amount of expense is based on the number of points redeemed relative to the total number expected to be redeemed.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

3. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Long service leave provision

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

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

4. Revenue and other income

	2018	2017
	\$	\$
Sale of goods		
Bar sales	5,922,426	6,190,606
Catering sales	9,603,719	9,432,927
Total sale of goods	15,526,145	15,623,533
Rendering of services		
Poker machines - net clearances	33,793,832	32,891,561
Fitness centre income	8,559,604	8,867,524
Functions centre income	1,426,292	1,475,378
Golf income	1,597,944	1,277,499
Pro shop income	376,098	343,690
Members' subscription	768,923	747,856
Commission received	530,888	580,775
Sundry income	1,469,980	1,583,078
Total rendering of services	48,523,561	47,767,361
Total revenue	64,049,706	63,390,894
Other income		
Rental income	205,852	176,950
Interest received	1,199	4,373
Gain on disposal of non-current assets	152,998	139,457
Total other income	360,049	320,780
Total revenue and other income	64,409,755	63,711,674

5. Expenses

Profit before income tax includes the following specific expenses:

	2018	2017
	\$	\$
Finance costs		
Bank loans and overdrafts	209,798	246,773
Finance lease charges	169,839	168,139
	379,637	414,912
Depreciation		
Buildings and improvements	2,369,884	2,342,470
Plant and equipment	2,469,519	2,323,223
Poker machines	1,254,599	1,282,401
Motor vehicles	24,126	22,733
Amortisation		
Leased plant and equipment	1,102,845	1,001,725
	7,220,973	6,972,552

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

6. Cash and short-term deposits

	2018	2017
	\$	\$
Cash at bank and on hand	3,809,787	2,824,790
Short-term bank deposits	408,591	1,986,287
	<u>4,218,378</u>	<u>4,811,077</u>

Non-cash investing activities

During the year, property, plant and equipment amounting to \$1,748,339 (2017: \$1,283,493) was acquired by the way of hire purchase transactions and finance leases. These transactions are not reflected in the consolidated statement of cash flows.

7. Trade and other receivables

	2018	2017
	\$	\$
Current		
Trade receivables	42,432	27,860
Provision for doubtful debts	(20,273)	(25,093)
	<u>22,159</u>	<u>2,767</u>
 Other debtors and deposits	 422,294	 335,629
	<u>444,453</u>	<u>338,396</u>

See below for the movement in the provision for doubtful debts:

	Individually impaired
	\$
At 1 July 2016	1,301
Charge for the year	23,792
Utilised	-
Unused amounts reversed	-
Discount rate adjustment	-
At 30 June 2017	25,093
 Charge for the year	 -
Utilised	(4,820)
Unused amounts reversed	-
Discount rate adjustment	-
At 30 June 2018	20,273

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

8. Financial assets

	2018	2017
	\$	\$
Shares - available for sale	<u>2,516</u>	<u>2,516</u>

9. Inventories

	2018	2017
	\$	\$
Finished goods - at cost	<u>837,336</u>	<u>876,661</u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

10. Property, plant and equipment

	Freehold land	Buildings and improvements	Plant and equipment	Poker machines	Motor vehicles	Leased plant and equipment	Capital works in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost								
At 1 July 2017	13,650,000	78,810,667	39,672,456	18,502,482	176,804	10,993,371	4,488,405	166,294,185
Additions	-	2,350,445	2,346,688	1,311,348	-	1,748,339	10,452,681	18,209,501
Disposals	-	-	-	(79,950)	-	(266,400)	-	(346,350)
Transfers	-	-	-	-	-	-	(4,316,218)	(4,316,218)
At 30 June 2018	13,650,000	81,161,112	42,019,144	19,733,880	176,804	12,475,310	10,624,868	179,841,118
Depreciation								
At 1 July 2017	-	20,036,012	30,748,554	16,182,820	80,345	7,172,410	-	74,220,141
Depreciation expense	-	2,369,884	2,469,519	1,254,599	24,126	1,102,845	-	7,220,973
Depreciation write off	-	-	-	(78,280)	-	(189,221)	-	(267,501)
At 30 June 2018	-	22,405,896	33,218,073	17,359,139	104,471	8,086,034	-	81,173,613
Net book value								
At 30 June 2017	13,650,000	58,774,655	8,923,902	2,319,662	96,458	3,820,961	4,488,405	92,074,043
At 30 June 2018	13,650,000	58,755,216	8,801,071	2,374,741	72,333	4,389,276	10,624,868	98,667,505

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

10. Property, plant and equipment (continued)

Refer to Note 14 for details of security over property, plant and equipment.

Finance leases

The carrying value of motor vehicles held under finance leases and hire purchase contracts at 30 June 2018 was \$72,332 (2017: \$96,458). Additions during the year include \$Nil (2017: \$83,254) of motor vehicles under finance leases and hire purchase contracts. Leased assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Assets classified as held for sale

In 2018, the directors of the Company decided to sell certain land and buildings. These assets have been classified as assets held for sale with net book value amounting to \$6,739,668 as at 30 June 2018 (2017: \$6,739,668). There have been several interested parties but to date no sale of contract has been issued.

Valuation

The independent valuation of the Group's land and buildings (located at Castle Hill) carried out as at 24 February 2015 by Global Valuation Services Pty Limited on the basis of the market value for existing use resulted in a valuation of land and buildings of \$ 75,820,000. As land and buildings are recorded at cost, the valuation has not been brought to account.

The independent valuation of the Group's land and buildings (located at Parramatta) carried out as at 24 February 2015 by Global Valuation Services Pty Limited on the basis of the market value for existing use resulted in a total valuation of \$ 20,950,000. As land and buildings are recorded at cost, the valuation has not been brought to account.

The independent valuation of the Group's land and buildings (located at Lynwood Country Club at Pitttown) carried out as at 24 March 2016 by Global Valuation Services Pty Limited on the basis of market value for existing use resulted in a valuation of land and buildings of \$ 12,125,000. As land and buildings are recorded at cost, the valuation has not been brought to account.

The directors do not believe that there has been a material movement in the fair value since the valuation date.

Core properties

The following are core properties:

- 77 Castle St, Castle Hill NSW 2154 (Physical building of the Registered Club and CHFAC)
- 2 Macquarie Street, Parramatta NSW 2150 (New DA approved Registered Club site)
- 253 Pitt Town Bottoms Road, Pitt Town NSW 2756

The following are non-core properties:

- 7 Macquarie Street, Parramatta NSW 2150
- 77 Castle St, Castle Hill NSW 2154 (Carpark and grounds)
- 2 Macquarie Street, Parramatta NSW 2150 (All other land and buildings other than the new DA approved Registered Club site)

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

11. Intangible assets

	2018	2017
	\$	\$
<i>Poker machines entitlements</i>		
Cost (gross carrying amount)	5,743,887	5,176,677
Net carrying amount	5,743,887	5,176,677
<i>Water usage license</i>		
Cost (gross carrying amount)	255,000	255,000
Net carrying amount	255,000	255,000
<i>Total intangible assets</i>		
Cost (gross carrying amount)	5,998,887	5,431,677
Net carrying amount	5,998,887	5,431,677

As at 30 June 2018, these assets were tested for impairment.

	2018	2017
	\$	\$
Movement		
<i>Poker machines entitlements</i>		
Opening net book amount	5,176,677	4,515,071
Additions	567,210	661,606
Closing carrying value	5,743,887	5,176,677
<i>Water usage license</i>		
Opening net book amount	255,000	255,000
Closing carrying value	255,000	255,000

12. Trade and other payables

	2018	2017
	\$	\$
Current		
Trade payables	1,767,273	2,323,859
Goods and services tax (GST) payable	177,591	189,076
Other creditors and accruals	2,368,968	2,367,059
	4,313,832	4,879,994

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

13. Employee benefit liabilities

	2018	2017
	\$	\$
Current		
Employee benefits	<u>1,859,629</u>	<u>1,736,275</u>
Non-current		
Employee benefits	<u>288,697</u>	<u>287,243</u>

Superannuation plans

Contributions

The Group is under a legal obligation to contribute 9.5% of each employee's base salary to a superannuation fund.

14. Interest-bearing loans and borrowings

	2018	2017
	\$	\$
Current		
Unsecured with amortised cost		
Secured		
Commercial bill facility 1	390,000	6,700,000
Hire purchase liabilities	1,292,606	1,022,024
Finance lease liabilities	-	71,015
	<u>1,682,606</u>	<u>7,793,039</u>
Unsecured		
Insurance premium funding	354,637	286,152
	<u>2,037,243</u>	<u>8,079,191</u>
Non-current		
Secured		
Commercial bill facility 1	4,880,000	-
Commercial bill facility 2	6,773,811	1,207,338
Commercial bill facility 3	1,119,954	-
Hire purchase liabilities	2,312,583	2,056,962
	<u>15,086,348</u>	<u>3,264,300</u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

14. Interest-bearing loans and borrowings (continued)

Financing facilities

	2018	2017
	\$	\$
<i>Total facilities available:</i>		
Commercial bill facility 1	6,291,666	7,721,666
Commercial bill facility 2	8,000,000	6,000,000
Commercial bill facility 3	3,000,000	-
Commercial bill facility 4	2,000,000	-
Business card	50,000	50,000
Asset/equipment finance	5,000,000	6,000,000
Insurance premium funding	443,296	357,690
	<u>24,784,962</u>	<u>20,129,356</u>
<i>Facilities utilised at reporting date:</i>		
Commercial bill facility 1	5,270,000	6,700,000
Commercial bill facility 2	6,773,812	1,207,338
Asset/equipment finance	3,605,188	3,150,001
Commercial bill facility 3	1,119,954	-
Insurance premium funding	354,637	286,152
	<u>17,123,591</u>	<u>11,343,491</u>

Commercial bill facility

Commercial bill facility 1 is based on a variable interest rate which at year end was 2.06%, repayment terms are \$130,000 per month up until May 2018. From June 2018, repayment terms are \$130,000 per month commencing in April 2019. This facility matures in April 2020.

Commercial bill facility 2 is based on a variable interest rate which at year end was 2.06%, repayment terms are \$50,000 per month with payments not commencing until February 2020. This facility matures in April 2020.

Commercial bill facility 3 is based on a variable interest rate which at year end was 2.06%, which is paid every month. The facility amount owing is payable at the maturity in April 2020.

Commercial bill facility 4 is based on a variable interest rate which at year end was 2.06%, which is paid every month. The facility amount owing is payable at the maturity in April 2020.

Hire purchase and leases

The Group purchased certain plant and equipment under finance leases and hire purchase arrangements from the bank. This facility is also secured by a fixed and floating charge of the assets of the Group together with the commercial bill facility.

Security

The commercial bill facility are secured over:

- First Registered Mortgage registration number AG49452 dated 1 February 2011, being the property at 77 Castle Street, Castle Hill, New South Wales, being the land described in Certificate of Title Folio Identifier 1/1080161
- Registered Charge (Mortgage Debenture) dated 1 February 2011, all present and future undertakings (including goodwill) and unpaid or uncalled capital of the Castle Hill RSL Club Ltd ACN 001 043 910
- Tripartite Agreement dated 1 February 2011, being the liquor license and poker machine entitlements for the property situate at 77 Castle Street, Castle Hill, New South Wales

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

14. Interest-bearing loans and borrowings (continued)

Security (continued)

- (d) All present and after acquired property of Castle Hill RSL Club Ltd ACN 001 043 910 as described in the General Security Agreement
- (e) First Registered Mortgage for the property at 2 Macquarie Street, Parramatta, New South Wales being the land described in the Certificate of Title Folio Identifier 362/752058
- (f) Builder's Side Deed; and
- (g) Liquor Licence Side Deed for Licence Number LIQC300226425

The carrying amount of the pledged assets is as follows:

	2018	2017
	\$	\$
Freehold land	13,650,000	13,650,000
Buildings	58,755,216	58,774,655
Total pledged assets	<u>72,405,216</u>	<u>72,424,655</u>

15. Other liabilities

	2018	2017
	\$	\$
Current		
Income received in advance	<u>876,313</u>	<u>879,735</u>
Non-current		
Income received in advance	<u>276,876</u>	<u>258,669</u>

16. Reserves

	2018	2017
	\$	\$
Capital profit reserve	19,127,467	19,127,467
Amalgamation reserve	5,156,519	5,156,519
	<u>24,283,986</u>	<u>24,283,986</u>

Capital profits reserve

The capital profits reserve represents realised capital profit on sale of freehold property in prior years.

Amalgamation reserve

The amalgamation reserve is used to record differences between the fair value of net asset acquired through amalgamation and consideration paid.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

17. Commitments

Finance lease commitments

	2018	2017
	\$	\$
Within one year	-	73,248
After one year but not more than five years	-	-
Total minimum lease payments	-	73,248
Future finance charges	-	(2,233)
Finance lease liability	-	71,015
Comprises:		
Current liability	-	71,015
Non-current liability	-	-
	-	71,015

The Group leases property, plant and equipment under finance leases expiring from one to five years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option. The lease facility is secured against the assets purchased under this facility.

Hire purchase commitments

	2018	2017
	\$	\$
Within one year	1,442,113	1,144,666
After one year but not more than five years	2,433,480	2,155,556
Total minimum lease payments	3,875,593	3,300,222
Future finance charges	(270,404)	(221,236)
Hire purchase liability	3,605,189	3,078,986
Comprises:		
Current liability	1,292,606	1,022,024
Non-current liability	2,312,583	2,056,962
	3,605,189	3,078,986

The Group hires property, plant and equipment under hire purchase agreements expiring from one to five years. At the end of the hire purchase term the consolidated entity has the option to purchase the equipment. The hire purchase facility is secured against the assets purchased under this facility.

Capital commitments

Capital expenditure of \$2,931,358 (2017: \$3,547,697) has been contracted at balance date but not provided in the financial statements.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

18. Contingent liabilities

	2018	2017
	\$	\$
Bank guarantees		
<i>The Group has given the following bank guarantees:</i>		
Endeavour Energy	20,000	-
TAB Corp Limited	17,000	17,000
	<u>37,000</u>	<u>17,000</u>

19. Key management personnel details

(a) Directors

The following persons were non-executive directors of the Group during the financial year:

Warren Edward Glenny (Chairman)
 Rick Anthony Cumming
 David Bruce Wood
 Robert Bruce Duncan
 Walter Hromow
 Ronald Mervyn Smith
 Annemarie Kate Christie
 Michael Yeo
 John Richard Payne

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the financial year:

Name	Position
David O'Neil	Group Chief Executive Officer
Brett Crastin	Group Chief Operations Officer
Nadeem Ali	Group Chief Financial Officer
Allan DePaoli	Group Building Services Manager

(c) Key management personnel compensation

	2018	2017
	\$	\$
Benefits and payments made to the directors and other key management personnel	<u>1,360,607</u>	<u>1,233,480</u>

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

19. Key management personnel details (continued)

(d) Transactions with related parties

From time to time, directors of the Company, or their director-related entities, may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by other company employees or customers.

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

20. Related parties

Key management personnel

Disclosures relating to key management personnel are set out in Note 19.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

21. Events after the reporting period

On the 3rd of July 2018, the Castle Hill RSL club site outsourced its catering operations to a third party contractor, Trippas White Group (TWG), under a rental lease agreement. Castle Hill RSL Group maintains and controls all assets and facilities in relation to catering, whilst charging a market rent in return for TWG providing catering operations/services.

The financial impact for the 2019 year is expected to be an expense of \$209,050 in respect of redundancy payments.

There have been no other significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Notes to the consolidated financial statements (continued)

For the year ended 30 June 2018

22. Parent entity disclosure

	2018	2017
	\$	\$
Assets		
Current assets	13,267,719	13,685,758
Non-current assets	104,678,908	97,518,236
Total assets	117,946,627	111,203,994
Liabilities		
Current liabilities	9,097,017	15,585,195
Non-current liabilities	15,651,921	3,810,212
Total liabilities	24,748,938	19,395,407
Members' funds		
Capital profit reserve	24,283,986	24,283,986
Retained earnings	68,913,703	67,524,601
	93,197,689	91,808,587
Net profit after income tax expense	1,389,102	2,459,210
Other comprehensive income	-	-
Total comprehensive income for the year	1,389,102	2,459,210
Contingent liabilities	37,000	17,000

Directors' declaration

In accordance with a resolution of the directors of Castle Hill RSL Club Limited, we state that:

In the opinion of the directors:

- (a) the consolidated financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board



Warren Edward Glenny
Director
Castle Hill, 5 September 2018



Robert Bruce Duncan
Director
Castle Hill, 5 September 2018

Independent Auditor's Report to the Members of Castle Hill RSL Club Limited

Opinion

We have audited the financial report of Castle Hill RSL Club Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 Group'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 Group'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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.



Ernst & Young



Daniel Cunningham
Partner
Sydney
5 September 2018