

Dee Why RSL Club Board of Directors



Arthur Dalgarno
President



Graeme Liddell
Vice President



Mark Pitt
Treasurer



Cliff Hall
Director



Graham Heiser
Director



Karl Parkes
Director



Mark Rendell
Director



Len Robinson
Director



Peter St John
Director

Dee Why RSL Club Executive Team



Clockwise from centre:

Grant Easterby – Chief Executive Officer

Amanda Quayle – Executive Manager Marketing & Communications

Durban Arnold – Executive Manager Operations & Gaming

Karly Boyce – Executive Manager Human Resources

Bruce McLean – Executive Manager Food & Beverage

Christian Cailleaux – Executive Chef

Sarah Sutherland – Chief Financial Officer

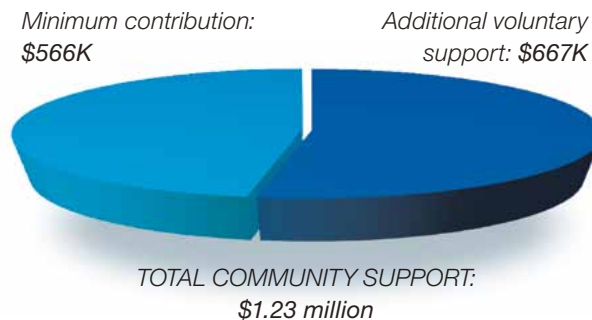
Dee Why RSL Club Past Presidents

| | | | |
|-------------------|-------------|---------------------|-------------|
| Usher, CAM | 1945 | Knapstein, PB | 1966 - 1969 |
| Hamilton, A | 1946 | Lecky, EC | 1969 - 1976 |
| Thew, EO | 1947 - 1955 | Poole, R | 1976 - 1977 |
| Skene, H | 1955 - 1958 | Shiels, H | 1977 - 1981 |
| Miles, AE | 1958 - 1961 | Jackson, EW | 1981 - 2004 |
| James, AG | 1961 - 1963 | Jeffery, SN | 2004 - 2007 |
| Jackson, EW | 1963 - 1966 | Olive, CC | 2007 - 2011 |

Dee Why RSL

Supporting Your Community

Dee Why RSL has a long standing tradition of providing community support. In 2010-2011 the Club assisted more than 110 high needs charities, social welfare organisations, sporting and social clubs. Through the strong support of our members, community groups and all who utilise the Club's facilities and services, we are able to give back to the community through cash and in-kind donations. Year on year the Club is exceeding the legislative requirements for charitable donations and the chart to the right demonstrates the amount of support that is given above and beyond to these much needed recipients.



Pink Ribbon Month

A long standing tradition of Dee Why RSL is its strong support of Breast Cancer Research and Awareness. Teaming up with the National Breast Cancer Foundation in October 2010 saw over \$80,000 raised for the foundation through individual donations, table sales for the Pink Ribbon breakfast, merchandise sales and in addition the Club donated a dollar from every main meal.



Cerebral Palsy Alliance

Dee Why RSL has made the commitment to pledge \$120,000 to the Cerebral Palsy Alliance. In December 2007 the head office in Allambie Heights was gutted by fire with an estimated damage bill of \$8 million. Demonstrating your Club's ongoing commitment to its local community, the funds will go towards building a Family Hub area where families will have the opportunity to interact and relax while visiting together.



Surf Life Saving Northern Beaches

Surf Life Saving Northern Beaches provides a centralised facility to train surf lifesavers across the Northern Beaches. Dee Why RSL has proudly supported Surf Life Saving Northern Beaches by funding new audio visual equipment within the facility. Lifesavers and lifeguards are trained to the highest standard in preparation for response to any emergency. 21 Surf Clubs across the Northern Beaches access these services and as such the benefits to the community are far reaching.



Aboriginal Support Group of Manly Warringah Pittwater

The Aboriginal Support Group of Manly Warringah Pittwater published *The Story of Bob Waterer and His Family 1803-2010* with the assistance of ongoing funding from Dee Why RSL. The book has been recognised for providing a significant contribution to the local cultural landscape by the Governor of NSW, Professor Marie Bashir who officially launched the book at the Warringah Council Chambers. Dee Why RSL is proud to be major contributor to this long term cultural project which was three years in the making.



Report from the President Arthur Dalgarno

On behalf of the Board of Directors I submit for your approval and adoption the Annual Report and Financial Statements for the year ending 30th June 2011. It is very pleasing to report such a strong financial performance with a substantial increase in profit and an extremely solid balance sheet. We have seen significant growth in gaming, and a successful completion of the Oceangrove Seniors' Living Village. Please refer to the Treasurer's report for more detail in relation to the financial performance.

The Club's Oceangrove Seniors' Living Village was completed in November 2010 and is a wonderful community asset that the residents of Oceangrove and the members of Dee Why RSL Club should be proud.

A major milestone during the year was the Club exercising the option to purchase the land. This will secure the future of the Dee Why RSL Club and its sub Branch indefinitely on the current site. I wish to sincerely thank the Trustees and the Committee of the sub Branch for their commitment in achieving our common goal.

The Club has been recognised yet again as the best in the country. Apart from winning Club of the Year for the second year in succession, we were formally recognised in the areas of Human Resources Management, Outstanding Financial Management, Community Support, our Food and Beverage offering and as always our outstanding Corporate Governance. In addition, for the fourth year in a row your Club was voted the best and most Responsible Gaming Venue.

I wish to thank and recognise all the members of our community support partners. They represent charitable, sporting and cultural organisations in a voluntary capacity across the Northern Beaches. Whilst the Club has a legislative requirement to support local organisations, your Club contributes more than double this amount. We truly believe that sound partnerships based on mutual support are the key to the continual growth of our community. In an age of diminishing volunteerism, it is indeed inspiring to work with all these organisations who further the interests of the elderly, the aged, the young and the underprivileged. We fundamentally believe that all members of our community should be afforded the opportunity of social inclusion and personal development, and as such we commit to supporting these community organisations well into the future.

I wish to recognise 2 Directors who retired during the year. Our immediate past President Mr. Chris Olive and Director Mr. Peter Bryant stood down from their positions after 24 years and 20 years respectively on the Board. Their commitment and persistence in carrying out their responsibility of Directorship is to be commended and in no small part has contributed to the current success of the Club. Gentlemen, we wish you every success and health in your retirement.

I wish to thank my fellow Directors who have at all times kept the interests of the members top of mind. Their dedication to the office and the responsibility to which it holds is commendable. Members can be confident that the integrity and loyalty of these gentlemen is unwavering in uncertain times.

On behalf of the members and the Board of Directors, we would like to extend our sincere thanks to our CEO Grant Easterby, the Executive Management team and to the line staff and back of house support staff who constantly strive to deliver exceptional services and products all year round, thank you for your commitment.

In closing I would like to thank the members of Dee Why RSL Club, your patronage is never taken for granted and the Board of Directors understand implicitly that it is through valued membership of this Club that we continue to succeed.

I look forward to seeing you around the Club soon.



Report from the CEO Grant Easterby

President Arthur has mentioned a strong financial performance of the Club for the year under review. This is in fact an outstanding result given the current pressure on the industry and the economic climate generally. A strong continued performance in gaming and the successful completion of the Oceangrove Seniors' Living Village were the main contributors to the Club's record profit and were responsible for a very strong balance sheet.

Whilst beverage revenue reduced by 3%, this is slightly better than the national average of -4%. Catering revenue was also reduced by 1% which is consistent with the pressure on consumer confidence and retail spending nationally.

Members will have heard a lot regarding Mandatory Pre-Commitment on poker machines. This concept essentially requires every poker machine player to have a licence which they insert into the poker machine to track their play and only allow players to spend up to a certain limit which they will have set for themselves. The industry generally and Dee Why RSL Club in particular does not support the notion that this will reduce problem gambling. In fact it would be nonsensical to allow a known problem gambler to set his or her own limits to play poker machines. It is widely accepted amongst experts in the field of problem gambling that the only course of action is identification, intervention and counselling. Problem gamblers need to be extracted from the gaming environment totally, not given a licence to set their own limits. Your Club supports responsible gaming (and has been recognised nationally as the most responsible venue for the last 4 years) and continues to provide the necessary support networks for those requiring help. Notwithstanding this, clearly it is a strong indication of a responsible industry which can claim over 99% satisfaction rating from its consumers.

The completion of the Oceangrove Seniors' Living Village has resulted in creation of a significant community asset in the heart of Dee Why. Whilst diversifying the Club's interests we have always held a focus that the diversified interest must meet a community need and support the local area generally. This has indeed been the case with Oceangrove achieving unsurpassed presales and rates of sales since the completion of the village. The Club will continue to operate the village well into the future in the responsible manner with which it has conducted all of its activities. Special thanks must go to the Club's CFO who initiated and planned the development of the village and was resolute in her determination to deliver this valuable community asset – thank you Sarah.

The year's strong financial performance means that the Club is in a position to progress a number of major initiatives. Firstly, the Club has exercised the option to purchase the land which the Club currently leases from the sub Branch. By the time you have received this report the Club will have paid \$14.46 million to the sub Branch for the purchase of 932 Pittwater Road. In addition to this, the Club is in a position to conduct major upgrades to the Club which have been identified for some time. Principally in 2012 the Club will refurbish the Level 3 function areas, upgrade our food outlets and provide better access into the Club from Pittwater Rd and between Levels 2 and 3. Whilst this will cause a level of disruption, we will make every effort to accommodate all our community groups and functions in areas around the Club. At the completion of the works in 2013, I'm sure members will be impressed with the quality and standard of the new facilities. In anticipation of these works we ask for members' patience and support during that time.

I wish to thank the Board of Directors for their support and counsel over the past year. They are indeed the cultural custodians of this Club and ensure that the direction is consistent with the Club's charter and our founding values. Their commitment to the role in a voluntary capacity is significant. It is not only the time and effort they commit to the role but also the acceptance of significant responsibility of Directorship of a Registered Club. Their responsibilities are no different than those of listed companies and they take charge of this obligation with integrity and transparency. Members should applaud the performance of their Directors.

I am indeed fortunate to be surrounded by the most professional and innovative managers in the industry. The Executive Management Team excels in meeting the current industry challenges and progressing the Club in a financially sustainable manner. Of course they are supported by the middle management team, the front of house staff and the back of house support staff who meet challenges day in day out in every effort to provide excellent services and products to you the members.

Thank you to the members, every year we appreciate your loyalty and your support.

I hope to see you at the Club soon.



Report from the Treasurer

Mark Pitt

It is with great pleasure that I submit for your approval and adoption, the Financial Statements for the year ending 30th June 2011.

Your Club has completed another successful year with healthy growth in membership, revenue, profit and support to the local community. The core Club income streams (Food, Beverage, Gaming, Functions and Entertainment) have generated \$47m of income which reflects a 5% increase over last year. Increased gaming revenue was the main contributor. The hardened economic climate placed pressure on food and beverage revenue compared to last year's levels.

The completion of Oceangrove Seniors' Living Village was a major contributor to the years' success, generating a \$6m revenue gain on completion, prior to sales commissions and expenses. The carwash continues to face extensive competition with a decline in trade to \$0.5m. Ten pin bowling and the children's long day care centre (Dee Why Kindergarten) continue to be popular with the local community and together generated \$1.1m of lease income for your Club.

The strong revenue results reflect your Board's clear strategy of providing premium member facilities while investing in diversified income streams which meet community needs.

Overheads increased by 5% reflecting the increased revenue with the major contributors being gaming taxes (\$10.4m) and commissions on the sale of Oceangrove apartments (\$0.8m). Excluding these two factors, overheads increased by just 1.3% over last year.

Profit before income tax and local community support totalled \$12.9m which is a record year for your Club and the culmination of years of strategic planning and financial investment to ensure your Club is here for future generations to enjoy.

After providing support to the local community of \$1.2m (against a legislative requirement of \$566k) and a tax provision of \$2.5m, your Club reports a Net Profit for the year of \$9.2m. This is a solid result in times when the club industry as a whole is facing significant challenges.

Members will note in the Statement of Financial Position a negative working capital position. This reflects your Club's ownership of the Oceangrove Seniors' Living Village. The village was completed on schedule and on budget and is valued at \$53m. The village consists of 76 independent living apartments with extensive community spaces, onsite concierge and support facilities. The apartments are provided to residents under a 99 year lease with the amounts received appearing in the Statement of Financial

Position as *Seniors' living village residents' loans*. The loans on the 62 apartments which were occupied as at 30th June 2011 total \$42m. As the leases contain a commitment to repay the loan if an apartment is still for sale 6 months after it has been vacated, these loans appear as a Current Liability while the Oceangrove Village appears as a Fixed Asset. This is standard accounting treatment within the industry for villages with such a buy back guarantee and is reflective of the Australian Accounting Standards. This position is supported by your Club's auditors and bankers. In the normal course of events the loan would be repaid to the departing resident out of the new loan provided by a new resident moving into the apartment.

The village provides a long term income stream for your Club as well as a documented need in our community which is supported by the record sales levels and a waiting list which has now opened.

Your Club drew \$21.8m of debt to fund the Village and I am pleased to advise that this was fully repaid by the 31st December 2010.

Your Club had \$23m of funds as at 30th June 2011. These funds will be invested into the purchase of the land on which your Club resides (932 Pittwater Rd, Dee Why) as well as to further improve member facilities as noted in the CEO report. In line with your Board's strategic plan, your Club will continue its strategy of responsibly balancing the reinvestment of funds while retaining sufficient funds and bank funding facilities to protect the future of your Club.

I thank our Chief Financial Officer, Sarah Sutherland and her staff for their constant focus on your Club's performance and ongoing development. Your Club's auditor, in handing down their final report, commented on the high benchmark set by the finance team in maintaining the controls and reporting at a level that would be the envy of any other organisation or company.

Finally I take this opportunity to thank you, the members, for your continued support and patronage of the facilities provided. It is certainly not taken for granted.

Directors' Report

Your Directors submit their report for the year ended 30 June 2011.

DIRECTORS AND DIRECTORS' MEETINGS

The names and details of the Club'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. The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

| | | | | Directors' Meetings | Audit and Compliance Committee Meetings |
|-------------------------------------|----------------|------------------------------|--------------------------|------------------------|---|
| Number of meetings held: | | | | 22 | 11 |
| Number of meetings attended: | | | | | |
| A. Dalgarno | President | Retired Marketing Manager | 11 years on the Board | 20 | - |
| G. Liddell | Vice President | Retired School Teacher | 3 years on the Board | 21 | 11 |
| M. Pitt | Treasurer | Strata Manager | 6 years on the Board | 22 | 11 |
| C. B. Hall | | Retired Marketing Consultant | 24 years on the Board | 18 | 10 |
| K. Parkes | | Retired Businessman | 3 years on the Board | 20 | - |
| L. E. Robinson | | Retired Telecom Supervisor | 10 years on the Board | 21 | - |
| P. St John | | Retired Businessman | 11 years on the Board | 19 | - |
| G. Heiser | | Managing Director | Appointed: 15 July 2011 | - | - |
| M. Rendell | | Retired School Teacher | Appointed: 15 July 2011 | - | - |
| S. P. Bryant | | Retired Businessman | Retired: 30th June 2011 | 22 | - |
| C. C. Olive | | Retired Retail Trader | Retired: 13th April 2011 | 15 of 15 | - |

DIVIDENDS

The Club is prevented by its constitution from paying dividends.

CORPORATE INFORMATION

Dee Why RSL Club Limited is a company limited by guarantee and without a share capital. It is incorporated and domiciled in Australia. The Club is a not-for-profit entity. In accordance with the Constitution the liability of members in the event of the Club being wound up would not exceed \$5 per member. The registered office and principal place of business of the Club is: 932 Pittwater Road, Dee Why NSW 2099.

PRINCIPAL ACTIVITIES

The principal activity of the Club during the year was the conducting of a licensed club. There have been no significant changes in the nature of these activities during the year.

The Club's objectives are focused on two key areas - the provision of premium recreational and leisure facilities and services to the local community, and the promotion of the social welfare of its members and local community. This is achieved through the provision of excellent customer service and facilities which are targeted at the local demographic while maintaining the objective of the Club and the RSL movement through prudent resource management and social responsibility. The Club operates a structured community support program which focuses on the needs of the local community and intentionally exceeds all legislated requirements. The Club continues its long term strategy of solid financial investment in the building infrastructure and operations to drive the club forward for the long term while continuing to diversify income streams to reduce its reliance on gaming.

REVIEW AND RESULTS OF OPERATIONS

Key Trading Highlights

- Membership increased to 40,810
- Revenue from activities up 19% to \$56m
- Oceangrove Seniors' Living Village was completed generating \$6m of income before sales commissions and expenses
- Gaming revenue increased 7%
- Beverage and catering revenue reduced slightly with revenues of \$5m and \$6m respectively
- Ten pin bowling generated \$0.9m of income and \$0.7m direct profit before tax
- The carwash saw a decline in both revenue and profit contributing \$0.1m direct profit before tax
- The childcare centre generated \$0.3m income and \$0.2m direct profit before tax
- Total support to the community \$1.2m
- Net Assets increased to \$67.8m
- The Club has nil debt

MEASUREMENT OF SUCCESS

Management and the Board monitor the Club's overall performance, from the implementation of its mission statement and strategic plan through to the performance of the Club against operating plans and financial budgets.

Directors' Report (continued)

MEASUREMENT OF SUCCESS (continued)

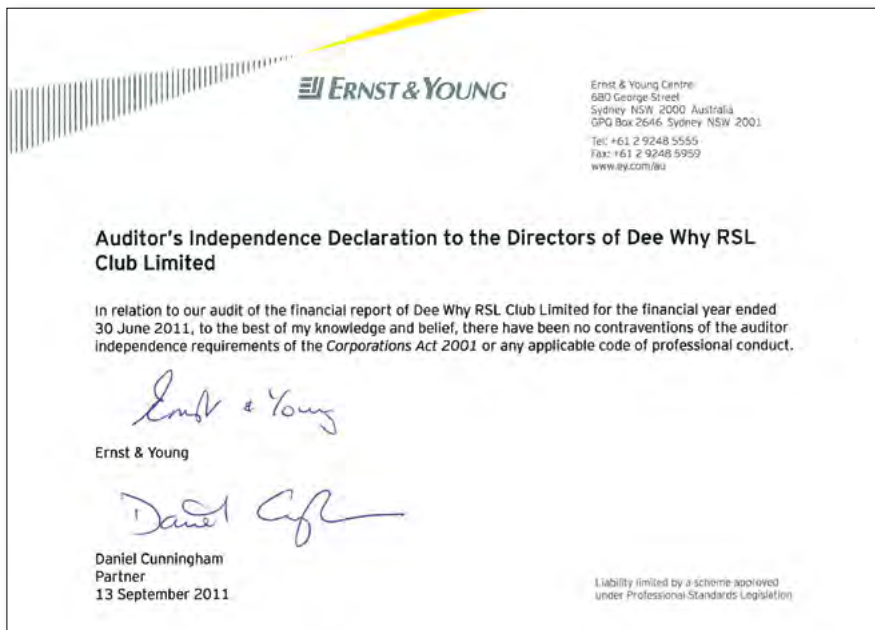
The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Key management monitor these KPIs on a regular basis. The second Board meeting of each month is focused on the Club's operating performance and the Directors receive the KPIs for review prior to the meeting allowing all Directors to actively monitor the Club's performance.

DIRECTORS' BENEFITS

Other than those benefits shown in the Financial Statements and since the end of the previous financial year, no Director of the Club has received or become entitled to receive a benefit by reason of a contract made by the Club or related entity with a Director or with a firm of which he is a member, or with a Club in which he has a substantial financial interest.

AUDITOR INDEPENDENCE

The Directors received an independence declaration from the auditor, Ernst & Young. A copy has been included below.



Signed in accordance with a resolution of the Directors.

A. Dalgarno
President
13 September 2011

M. Pitt
Treasurer
13 September 2011

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Dee Why RSL Club Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Club are in accordance with the *Corporations Act 2001*, including:
 - (ii) giving a true and fair view of the Club's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A. Dalgarno
President
13 September 2011

Statement of Comprehensive Income

For the year ended 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|---|-------|--------------------|--------------------|
| Membership | | 114,707 | 118,996 |
| Poker machines | | 35,210,128 | 32,699,358 |
| Beverage | | 4,906,292 | 5,052,306 |
| TAB and Keno | | 156,973 | 143,385 |
| Catering | | 5,990,384 | 6,075,876 |
| Functions and entertainment | | 901,326 | 938,606 |
| Ten pin bowling - lease | | 855,290 | 822,394 |
| Carwash | | 538,804 | 625,171 |
| Income from investment properties | | 562,027 | - |
| Lease income from childcare centre | | 264,452 | 259,163 |
| Other revenue | 5(a) | 499,620 | 233,088 |
| Gain on revaluation of investment property (Oceangrove) | 14 | 6,018,133 | - |
| Revenue | | 56,018,136 | 46,968,343 |
| Purchases net of movement in inventories of finished goods and work in progress | 5(b) | (4,810,303) | (4,573,332) |
| Employee benefits expense | 5(c) | (12,534,432) | (11,968,306) |
| Depreciation and amortisation expense | 5(d) | (4,761,598) | (5,014,600) |
| Impairment of non-current assets | 13 | (151,499) | (435,031) |
| Other expenses | 5(e) | (20,839,879) | (18,879,830) |
| Finance costs | 5(f) | (11,011) | (11,777) |
| Profit before income tax and support to the community | | 12,909,414 | 6,085,467 |
| Donations and other cash support to community groups | | (452,500) | (386,454) |
| Support to Dee Why RSL sub-branch | | (144,275) | (145,930) |
| Free room hire to community groups | | (200,900) | (204,352) |
| Subsidies to community groups | | (201,646) | (216,395) |
| Dee Why RSL sporting and cultural clubs including cash donations | | (233,543) | (241,122) |
| Total support to the community | | (1,232,864) | (1,194,253) |
| Profit before income tax | | 11,676,550 | 4,891,214 |
| Income tax expense | 6 | (2,452,445) | (462,773) |
| Net profit for the year | | 9,224,105 | 4,428,441 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 9,224,105 | 4,428,441 |

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

Statement of Financial Position

As at 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|--|-------|--------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 22,962,065 | 2,310,618 |
| Trade and other receivables | 8 | 336,771 | 267,995 |
| Inventories | 9 | 206,105 | 164,762 |
| Other current assets | 10 | 581,058 | 733,321 |
| Property loan to employee | 12 | 67,756 | 67,756 |
| Total Current Assets | | 24,153,755 | 3,544,452 |
| Non-current Assets | | | |
| Receivables | 11 | - | 11,926 |
| Deferred tax assets | 6 | 379,132 | 482,526 |
| Property loan to employee | 12 | - | 67,757 |
| Property, plant and equipment | 13 | 34,868,155 | 62,233,040 |
| Investment properties | 14 | 55,378,929 | 9,542,008 |
| Intangible assets | 15 | 3,353,027 | 2,985,697 |
| Total Non-current Assets | | 93,979,243 | 75,322,954 |
| TOTAL ASSETS | | 118,132,998 | 78,867,406 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 16 | 3,974,217 | 5,738,511 |
| Income tax payable | | 112,102 | 316,234 |
| Provisions | 17 | 746,156 | 629,242 |
| Interest-bearing loans and borrowings | 18 | 101,423 | 12,195,429 |
| Other liabilities | 19 | 724,784 | 681,849 |
| Seniors' living village residents' loans | 2(l) | 41,999,922 | - |
| Total Current Liabilities | | 47,658,604 | 19,561,265 |
| Non-current Liabilities | | | |
| Provisions | 17 | 225,955 | 199,092 |
| Other liabilities | 19 | 196,088 | 215,445 |
| Deferred tax liabilities | 6 | 2,216,223 | 178,159 |
| Interest-bearing loans and borrowings | 18 | 27,041 | 128,463 |
| Total Non-current Liabilities | | 2,665,307 | 721,159 |
| TOTAL LIABILITIES | | 50,323,911 | 20,282,424 |
| NET ASSETS | | 67,809,087 | 58,584,982 |
| EQUITY | | | |
| Retained earnings | | 67,340,728 | 58,116,623 |
| Asset revaluation reserve | 21 | 468,359 | 468,359 |
| TOTAL EQUITY | | 67,809,087 | 58,584,982 |

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

Statement of Cash Flows

For the year ended 30 June 2011

| | Notes | 2011 \$ | 2010 \$ |
|--|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 53,749,854 | 46,787,636 |
| Payments to suppliers and employees | | (45,129,338) | (37,608,189) |
| Interest received | | 291,045 | 12,248 |
| Interest paid | | (11,011) | (11,777) |
| Income tax paid | | (515,119) | (270,020) |
| Net cash flows from operating activities | 29 | 8,385,431 | 8,909,898 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 29,000 | 44,655 |
| Purchase of property, plant and equipment | | (3,751,695) | (22,555,834) |
| Purchase of investment property | | (14,364,275) | - |
| Receipt of resident contributions from investment property | | 42,903,744 | - |
| Purchase of intangible assets | | (367,330) | (186,179) |
| Loans to related parties - proceeds from repayments | | 12,000 | 12,000 |
| Net cash flows from investing activities | | 24,461,444 | (22,685,358) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings – other | | - | 12,100,000 |
| Repayments of borrowings – other | | (12,195,428) | - |
| Net cash flows (used in)/from financing activities | | (12,195,428) | 12,100,000 |
| Net increase/(decrease) in cash and cash equivalents | | 20,651,447 | (1,675,460) |
| Cash and cash equivalents at beginning of year | | 2,310,618 | 3,986,078 |
| Cash and cash equivalents at end of year | 7 | 22,962,065 | 2,310,618 |

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

Statement of Changes in Equity

For the year ended 30 June 2011

| | Retained earnings \$ | Asset revaluation reserve (Note 21) \$ | Total Equity \$ |
|---|----------------------------|---|--------------------|
| At 1 July 2009 | 53,688,182 | 468,359 | 54,156,541 |
| Profit for the year | 4,428,441 | - | 4,428,441 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | 8,856,882 | - | 8,856,882 |
| At 30 June 2010 | 58,116,623 | 468,359 | 58,584,982 |
| Profit for the year | 9,224,105 | - | 9,224,105 |
| Other comprehensive income for the year | - | - | - |
| Total comprehensive income for the year | 9,224,105 | - | 9,224,105 |
| At 30 June 2011 | 67,340,728 | 468,359 | 67,809,087 |

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

Notes to the Financial Statements

For the year ended 30 June 2011

1 CORPORATE INFORMATION

The financial report of Dee Why RSL Club Limited (the "Club") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 13 September 2011.

Dee Why RSL Club Limited is a company limited by guarantee and without share capital. It is incorporated and domiciled in Australia. The Club is a not-for-profit entity. In accordance with the Constitution the liability of members in the event of the Club being wound up would not exceed \$5 per member.

The nature of the operations and principal activities of the Club are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and the *Gaming Machine Tax Act 2001*. The financial report has also been prepared on a historical cost basis, except for owner-occupied and investment properties which have been measured at fair value.

Both the functional and presentation currency of Dee Why RSL Club Limited is Australian dollars (\$).

(b) 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 2011, the Club's total current liabilities exceeded total current assets by \$23,504,849 (2010: \$16,016,813). Under the Resident Lease Agreements, the Club has an obligation to repay the resident loans (totalling \$41,999,922) within six months of the residents departing Oceangrove. As such, the resident loans are classified in the financial report as a current liability. The Directors are of the view that it is highly unlikely that a significant number of residents would depart Oceangrove without new residents entering, thereby replenishing the resident loans balance. Consequently, the Directors have concluded that the use of the going concern assumption in the preparation of the financial report is appropriate.

(c) New accounting standards and interpretations

(i) *Changes in accounting policy and disclosures.*

The accounting policies adopted are consistent with those of the previous financial year.

(ii) *Accounting standards and interpretations issued but not yet effective.*

Certain Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Club for the annual reporting year ended 30 June 2011. The Directors have not yet fully assessed the impact of the other new or amended standards (to the extent relevant to the Club) and interpretations.

(d) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity 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 purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Club will not be able to collect the receivable.

(f) Inventories

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings and any impairment losses recognised after the date of the revaluation. Valuations are performed frequently to ensure that the value of the assets has not been impaired.

Depreciation of buildings and leasehold improvements is on a diminishing value basis up to the expiration of the lease and option period in the year 2037 for acquisitions prior to 1 July 1993 and major building and car parking extensions. Depreciation of other items is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Leasehold improvements - over 5 to 20 years

Land - not depreciated

Buildings - over 5 to 10 years

Plant and equipment - over 2.5 to 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(h) Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are recognised in the statement of comprehensive income in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of comprehensive income in the year of retirement or disposal.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Club as a lessee

Finance leases, which transfer to the Club substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the 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 statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Club will obtain ownership by the end of the lease term.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Club as a lessor

Leases in which the Club retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(j) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(k) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated impairment losses. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(l) Seniors' living village residents' loans

These loans, which are repayable on the departure of the resident, are classified as financial liabilities at fair value through profit or loss with resulting fair value adjustments recognised in the statement of comprehensive income. The fair value of the obligation is measured as the ingoing contribution plus the resident's share of capital appreciation, less legally accrued DMF, at reporting date. Although the expected average residency term is around 12 years, these obligations are classified as current liabilities, as required by Accounting Standards, because the Club does not have an unconditional right to defer settlement to more than twelve months after reporting date.

(m) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(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 effective interest 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 Club has an unconditional right to defer settlement of the liability for a least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Provisions

Provisions are recognised when the Club 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 Club 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 any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(q) Employee leave benefits

(i) Wages, salaries, annual leave and time in lieu

Liabilities for wages and salaries, including non-monetary benefits and annual leave 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.

(ii) Long service leave

The liability for long service leave is recognised and 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.

(r) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Poker machines, beverage and catering sales

Revenue is recognised at the time of receipt.

(ii) Membership

Membership subscriptions are deferred to the period in which the income relates. All costs associated with the procurement of membership subscriptions are expensed as incurred.

(iii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Donated room hire

The Club accounts for donated room hire by bringing to account the expected income and showing the opportunity cost in Free Room Hire to Community Groups in the statement of comprehensive income. All revenue is stated net of the amount of goods and services tax (GST).

(v) Rental revenue

Rental income from investment properties is accounted for on a straight-line basis over the lease term.

(s) Income tax

The Income Tax Assessment Act 1997 (Amended) provides that under the concept of mutuality, Clubs are only liable for income tax on income derived from non-members and from outside entities. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(t) Other taxes

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which 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 statement of financial position. Cash flows are included in the 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. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Dee Why RSL Bowling Club

The Club accounts for the Dee Why RSL Bowling Club by bringing to account the net cost of the facility and showing it as a community expense within the total cost of supporting all the Dee Why RSL Sporting and Cultural Clubs.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Impairment of non-financial assets

The Club assesses impairment of all assets at each reporting date by evaluating conditions specific to the Club and to the particular asset that may lead to impairment. These include technology, economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations which incorporate a number of key estimates and assumptions as disclosed in note 15.

Taxation

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

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

(ii) Significant accounting estimates and assumptions

Impairment of intangibles with indefinite useful lives

The Club determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 15.

Estimation of useful lives of assets

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

Depreciation charges are included in note 13.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Club's principal financial instruments comprise receivables, payables and cash. The main purpose of these financial instruments is to raise finance for the Club's operations. The Club has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Club manages its exposure to key financial risks, including interest rate risk in accordance with the Club's financial risk management policy. The objective of the policy is to support the delivery of the Club's financial targets whilst protecting future financial security. The main risks arising from the Club's financial instruments are interest rate risk, credit risk and liquidity risk. The Club uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below and is primarily responsible for identification and control of financial risks.

Risk Exposures and Responses

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Club's exposure to market interest rates relates primarily to the Club's cash and cash equivalent balances. The amount of cash and cash equivalents is disclosed in note 7.

At balance date, the Club had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

| | 2011 | 2010 |
|---------------------------------------|-------------------|---------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash at bank and in hand | 2,937,818 | 2,310,618 |
| Short-term deposits | 20,024,247 | - |
| | <u>22,962,065</u> | <u>2,310,618</u> |
| Financial Liabilities | | |
| Interest-bearing loans and borrowings | 128,464 | 12,323,892 |
| <i>Net exposure</i> | <u>22,833,601</u> | <u>(10,013,274)</u> |

The Club constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant and excluding interest rate swaps in place at year end, post tax profit and equity would have been affected as follows (judgements of reasonably possible movements):

| | Higher/(Lower) | |
|------------------------|----------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Post Tax profit | | |
| +1% (100 basis points) | 228,336 | (100,133) |
| -.5% (50 basis points) | (114,168) | 50,066 |

The movements in profit are due to higher/lower interest income from cash balances.

There is no sensitivity effect on 'other comprehensive income' as the Club has no assets classified as 'available for sale' or designated hedging instruments.

(b) Foreign currency risk

The Club does not have any exposure to foreign currency risk as it does not have any trade denominated in a foreign currency.

(c) Credit risk

Credit risk arises from the financial assets of the Club, which comprise cash and cash equivalents and trade and other receivables. The Club's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Club does not hold any credit derivatives to offset its credit exposure. The Club deposits funds only with reputable banks. The trade and other receivable balance is negligible and does not have a specific credit risk policy. There are no significant concentrations of credit risk within the Club.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Club's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

The remaining contractual maturities of financial liabilities are:

| | 2011 \$ | 2010 \$ |
|------------------|-------------------|-------------------|
| 6 months or less | 3,730,597 | 17,683,949 |
| 6-12 months | 42,344,965 | 249,992 |
| 1-5 years | 27,041 | 128,463 |
| | 46,102,602 | 18,062,403 |

Maturity analysis of financial assets and liability based on management's expectation.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Club's overall liquidity risk.

| | ≤6 months \$ | 6-12 months \$ | 1-5 years \$ | >5years \$ | Total \$ |
|--|---------------------|---------------------|------------------|---------------|---------------------|
| Year ended 30 June 2011 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 22,962,065 | - | - | - | 22,962,065 |
| Trade and other receivables | 330,845 | 5,926 | - | - | 336,771 |
| | 23,292,910 | 5,926 | - | - | 23,298,836 |
| Financial liabilities | | | | | |
| Trade and other payables | 3,680,658 | 293,560 | - | - | 3,974,217 |
| Interest-bearing loans and borrowings | 49,939 | 51,483 | 27,041 | - | 128,463 |
| Seniors' living village residents' loans | - | 41,999,922 | - | - | 41,999,922 |
| | 3,730,597 | 42,344,965 | 27,041 | - | 46,102,602 |
| Net maturity | 19,562,314 | (42,339,039) | (27,041) | - | (22,803,766) |
| Year ended 30 June 2010 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 2,310,618 | - | - | - | 2,310,618 |
| Trade and other receivables | 255,995 | 12,000 | 11,926 | - | 279,921 |
| | 2,566,613 | 12,000 | 11,926 | - | 2,590,539 |
| Financial liabilities | | | | | |
| Trade and other payables | 5,488,520 | 249,992 | - | - | 5,738,512 |
| Interest-bearing loans and borrowings | 12,195,429 | - | 128,463 | - | 12,323,893 |
| | 17,683,949 | 249,992 | 128,463 | - | 18,062,405 |
| Net maturity | (15,117,336) | (237,992) | (116,537) | - | (15,471,866) |

The Club monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. At balance date, the Club has available approximately \$23 million (2010: approximately \$2.3 million) of cash reserves available for its immediate use.

(e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

| | 2011 \$ | 2010 \$ |
|--|-------------------|-------------------|
| 5 REVENUE AND EXPENSES | | |
| (a) Other revenue | | |
| Interest received | 291,045 | 12,248 |
| Other | 208,575 | 220,840 |
| Total other revenue | <u>499,620</u> | <u>233,088</u> |
| (b) Purchases net of movement in inventories of finished goods and work in progress | | |
| Beverage | 1,932,903 | 1,915,624 |
| Catering | 2,843,043 | 2,616,968 |
| Car Wash | 34,357 | 40,740 |
| Total purchases net of movement in inventories of finished goods and work in progress | <u>4,810,303</u> | <u>4,573,332</u> |
| (c) Employee benefits expense | | |
| Wages and salaries | 9,956,055 | 9,618,309 |
| Defined contribution superannuation expense | 955,336 | 902,900 |
| Provision for leave | 913,209 | 785,320 |
| Fringe benefits tax | 177,257 | 181,708 |
| Other employee benefit expense | 532,575 | 480,069 |
| Total employee benefits expense | <u>12,534,432</u> | <u>11,968,306</u> |
| (d) Depreciation and amortisation expense | | |
| Amortisation of leasehold improvements | 1,298,780 | 1,328,221 |
| Depreciation of owner occupied property | 37,071 | 37,070 |
| Depreciation of plant and equipment | 3,322,221 | 3,558,659 |
| Depreciation of investment properties | 135,842 | 135,880 |
| Total depreciation and amortisation expense | <u>4,793,914</u> | <u>5,059,830</u> |
| Depreciation and amortisation included in Dee Why RSL Bowling Club and Support | <u>(32,316)</u> | <u>(45,230)</u> |
| Total depreciation and amortisation expense within Core Activities | <u>4,761,598</u> | <u>5,014,600</u> |
| (e) Other expenses | | |
| Bad and doubtful debts | 15,924 | - |
| Promotion costs including member events | 1,636,626 | 1,610,315 |
| Repair, maintenance and cleaning | 1,531,352 | 1,506,375 |
| Payroll tax and workers compensation | 958,785 | 960,883 |
| Rates, taxes and insurance | 570,835 | 567,547 |
| Loss on disposal of property, plant and equipment | 160,659 | 141,906 |
| Minimum lease payments - operating lease | 50,000 | 44,807 |
| Direct operating expense from rental earnings | - | 7,437 |
| Licences and taxes | 10,385,465 | 9,554,872 |
| Oceangrove sales commissions | 801,690 | - |
| Other expenses | 4,728,543 | 4,485,688 |
| Total other expenses | <u>20,839,879</u> | <u>18,879,830</u> |
| (f) Finance costs | | |
| Interest expense | 11,011 | 11,777 |
| Total finance costs | <u>11,011</u> | <u>11,777</u> |
| 6 INCOME TAX | | |
| (a) Income tax expense | | |
| The major components of income tax expense are: | | |
| Statement of comprehensive income | | |
| <i>Current income tax</i> | | |
| Current income tax charge | 363,539 | 394,959 |
| Adjustments in respect of current income tax of previous years | (52,553) | (95,258) |
| <i>Deferred income tax</i> | | |
| Relating to origination and reversal of temporary differences | 2,141,459 | 163,072 |
| Income tax expense reported in the statement of comprehensive income | <u>2,452,445</u> | <u>462,773</u> |

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

| | 2011 \$ | 2010 \$ |
|--|-------------------|------------------|
| 6 INCOME TAX (continued) | | |
| (b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate | | |
| A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Club's applicable income tax rate is as follows: | | |
| Total accounting profit before income tax | 11,676,550 | 4,891,214 |
| At the Club's statutory income tax rate of 30% (2010: 30%) | 3,502,965 | 1,467,364 |
| Over provision of previous year | (52,552) | (95,258) |
| Non-temporary differences | 10,631 | (23,463) |
| Member only income | (35,672) | (40,192) |
| Member only expenses | 467,291 | 457,598 |
| Effect of mutuality | (2,138,268) | (1,712,657) |
| Other items (net) | 698,050 | 409,381 |
| Aggregate income tax expense | <u>2,452,445</u> | <u>462,773</u> |
| (c) Recognised deferred tax assets and liabilities | | |
| Deferred tax at 30 June relates to the following: | | |
| <i>Statement of financial position</i> | | |
| <i>(i) Deferred tax liabilities</i> | | |
| Work-in-progress | - | 48,969 |
| Land - owner-occupied | 2,195,581 | 117,779 |
| Prepayments and other | 20,642 | 11,411 |
| Gross deferred tax liabilities | <u>2,216,223</u> | <u>178,159</u> |
| <i>(ii) Deferred income tax assets</i> | | |
| Borrowing costs | 16,541 | - |
| Capital works | 230,915 | 377,956 |
| Black hole expenditure | 3,443 | - |
| Accruals | 7,718 | 14,860 |
| Provision for employee entitlements | 109,383 | 82,527 |
| Provision for various jackpots | 11,132 | 7,183 |
| Gross deferred tax assets | <u>379,132</u> | <u>482,526</u> |
| <i>Statement of comprehensive income</i> | | |
| <i>Deferred income tax charge</i> | | |
| <i>(i) Deferred tax liabilities</i> | | |
| Prepayments and other | - | 6,485 |
| Land - owner-occupied | 2,077,800 | 77,563 |
| Work-in-progress | (48,969) | 48,969 |
| <i>(ii) Deferred income tax assets</i> | | |
| Borrowing costs | (16,541) | - |
| Capital works | 147,042 | 4,386 |
| Prepayments and other | 9,233 | - |
| Accruals | 7,142 | 16,016 |
| Provision for employee entitlements | (26,856) | 7,911 |
| Provision for various jackpots | (3,949) | 1,742 |
| Black hole expenditure | (3,443) | - |
| Deferred tax expense | <u>2,141,459</u> | <u>163,072</u> |
| 7 CASH AND CASH EQUIVALENTS | | |
| Cash at bank and in hand | 2,937,818 | 2,310,618 |
| Short-term deposits | 20,024,247 | - |
| | <u>22,962,065</u> | <u>2,310,618</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

| | 2011 \$ | 2010 \$ |
|--|-----------------------|-----------------------|
| 8 TRADE AND OTHER RECEIVABLES (CURRENT) | | |
| Trade receivables | 337,108 | 275,675 |
| Allowance for impairment loss | (12,263) | (19,680) |
| | <u>324,845</u> | <u>255,995</u> |
| Related party receivables: | | |
| Amount due from related party (Note 25) | 11,926 | 12,000 |
| Carrying amount of trade and other receivables | <u><u>336,771</u></u> | <u><u>267,995</u></u> |

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired.

Movements in the allowance for impairment loss were as follows:

| | | |
|--|-----------------|-----------------|
| At 1 July | (19,680) | (19,680) |
| Charge for the year net of amounts written off | 7,417 | - |
| At 30 June | <u>(12,263)</u> | <u>(19,680)</u> |

At 30 June, the analysis of trade receivables that were past due but not impaired is as follows:

| | | |
|-------------------------------|-----------------------|-----------------------|
| Neither past due nor impaired | 241,719 | 211,906 |
| Past due but not impaired* : | | |
| < 30 days | 61,078 | 16,207 |
| 30 - 60 days | 3,809 | 10,060 |
| 60 - 90 days | 18,239 | 17,822 |
| | <u>83,126</u> | <u>44,089</u> |
| Total | <u><u>324,845</u></u> | <u><u>255,995</u></u> |

* Payment terms on these amounts have not been re negotiated however the Club is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Fair value, credit risk and interest rate risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

9 INVENTORIES

| | | |
|---|-----------------------|-----------------------|
| Catering stock at cost | 45,923 | 29,748 |
| Liquor stock at cost | 160,182 | 135,014 |
| Total inventory at the lower of cost and net realisable value | <u><u>206,105</u></u> | <u><u>164,762</u></u> |

10 OTHER CURRENT ASSETS

| | | |
|-------------|-----------------------|-----------------------|
| Prepayments | 428,663 | 544,589 |
| Deposits | 51,969 | 47,444 |
| Other | 100,426 | 141,288 |
| | <u><u>581,058</u></u> | <u><u>733,321</u></u> |

11 RECEIVABLES (NON-CURRENT)

| | | |
|---|----------|---------------|
| Related party receivables: | | |
| Amount due from related party (Note 25) | - | 11,926 |
| | <u>-</u> | <u>11,926</u> |

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

12 PROPERTY LOAN TO EMPLOYEE

Current

| | | |
|--------------------------------------|----------------------|----------------------|
| Property loan to employees (Note 26) | 67,756 | 67,756 |
| | <u><u>67,756</u></u> | <u><u>67,756</u></u> |

Non-current

| | | |
|--------------------------------------|----------|---------------|
| Property loan to employees (Note 26) | - | 67,757 |
| | <u>-</u> | <u>67,757</u> |

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

13 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements | Land - owner occupied - non core | Buildings - owner occupied - non core | Plant and equipment | Capital works | Total |
|---|---------------------------|--|--|------------------------|---------------|--------------|
| Year ended 30 June 2011 | | | | | | |
| At 1 July 2010 net of accumulated depreciation and impairment | 20,157,487 | 2,174,969 | 809,203 | 10,982,480 | 28,108,901 | 62,233,040 |
| Additions | 599,220 | - | - | 2,801,544 | 350,931 | 3,751,695 |
| Disposals | - | - | - | (186,669) | (2,990) | (189,659) |
| Reclassification | - | - | - | (21) | (26,117,329) | (26,117,350) |
| Transfer | 1,807,039 | - | - | 130,175 | (1,937,214) | - |
| Impairment | - | - | - | - | (151,499) | (151,499) |
| Depreciation charge for the year | (1,298,780) | - | (37,071) | (3,322,221) | - | (4,658,072) |
| Net of accumulated depreciation and impairment | 21,264,966 | 2,174,969 | 772,132 | 10,405,288 | 250,800 | 34,868,155 |
| At 30 June 2011 | | | | | | |
| Cost or fair value | 34,911,125 | 2,174,969 | 941,235 | 35,610,949 | 250,800 | 73,889,078 |
| Accumulated depreciation and impairment | (13,646,159) | - | (169,103) | (25,205,661) | - | (39,020,923) |
| Net carrying amount | 21,264,966 | 2,174,969 | 772,132 | 10,405,288 | 250,800 | 34,868,155 |
| Year ended 30 June 2010 | | | | | | |
| At 1 July 2009 net of accumulated depreciation and impairment | 21,027,781 | 2,174,969 | 846,273 | 12,989,711 | 8,199,756 | 45,238,490 |
| Additions | 835,694 | - | - | 1,664,080 | 20,056,060 | 22,555,834 |
| Disposals | (1,012) | - | - | (201,291) | - | (202,303) |
| Reclassification | - | - | - | 146,915 | (146,915) | - |
| Impairment | (376,755) | - | - | (58,276) | - | (435,031) |
| Depreciation charge for the year | (1,328,221) | - | (37,070) | (3,558,659) | - | (4,923,950) |
| Net of accumulated depreciation and impairment | 20,157,487 | 2,174,969 | 809,203 | 10,982,480 | 28,108,901 | 62,233,040 |
| At 30 June 2010 | | | | | | |
| Cost or fair value | 32,504,879 | 2,174,969 | 941,235 | 33,876,452 | 28,108,901 | 97,606,436 |
| Accumulated depreciation and impairment | (12,347,392) | - | (132,032) | (22,893,972) | - | (35,373,396) |
| Net carrying amount | 20,157,487 | 2,174,969 | 809,203 | 10,982,480 | 28,108,901 | 62,233,040 |

Asset impairment

During the year ended 30 June 2011, the club commenced plans for a new club entry, outdoor gaming area, new function rooms and refurbishment of the existing club. The Development Application is due to be submitted in October 2011. The Development Application will replace an existing approval for a new outdoor area and the cost of the original DA has therefore been written off. As a result, as at 30 June 2011 an impairment loss of \$151,499 was recognised to reduce the carrying amount to nil. This has been recognised in the statement of comprehensive income in the line item 'Impairment of non-current assets'.

During 2010, the book value of the lower foyer and gaming areas were written down to make way for the new foyer and outdoor gaming area. As a result, as at 30 June 2010 an impairment loss of \$435,031, comprising \$435,031 for property, plant and equipment and \$nil for investment properties, was recognised to reduce the carrying amount to \$nil. This was recognised in the statement of comprehensive income in the line item 'Impairment of non-current assets'.

14 INVESTMENT PROPERTIES

| | Land - Investment - Non Core Property | Buildings - Investment - Non Core Property - Seniors' Living Village | Buildings - Investment - Non Core Property - Childcare Centre | Total |
|---|--|---|--|------------|
| Year ended 30 June 2011 | | | | |
| Opening balance at 1 July | 8,100,000 | - | 1,442,008 | 9,542,008 |
| Additions | - | 14,364,275 | - | 14,364,275 |
| Reclassification | (6,700,000) | 6,700,000 | - | - |
| Reclassification from capital works | - | 26,117,329 | - | 26,117,329 |
| Revaluation gain on seniors' living village | - | 6,018,133 | - | 6,018,133 |
| Depreciation charge for the year | - | - | (135,842) | (135,842) |
| Less: DMF receivable | - | (526,974) | - | (526,974) |
| Closing balance at 30 June | 1,400,000 | 52,672,763 | 1,306,166 | 55,378,929 |
| Year ended 30 June 2010 | | | | |
| Opening balance at 1 July | 8,100,000 | - | 1,577,888 | 9,677,888 |
| Depreciation charge for the year | - | - | (135,880) | (135,880) |
| Closing balance at 30 June | 8,100,000 | - | 1,442,008 | 9,542,008 |

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

| | 2011 \$ | 2010 \$ |
|---|------------------|------------------|
| 15 INTANGIBLE ASSETS | | |
| Poker machine licences at cost (gross carrying amount) | 3,353,027 | 2,985,697 |
| Accumulated impairment | - | - |
| Net carrying amount | <u>3,353,027</u> | <u>2,985,697</u> |
| (a) Reconciliation of carrying amount at beginning and end of the period | | |
| Poker machine licences at cost (gross carrying amount) | 2,985,697 | 2,799,518 |
| Accumulated impairment | - | - |
| Carrying amount - opening | 2,985,697 | 2,799,518 |
| Additions | 367,330 | 186,179 |
| Carrying amount - closing | <u>3,353,027</u> | <u>2,985,697</u> |

(b) Description of the Club's intangible assets

Poker machine licences are carried at cost less accumulated impairment losses and have been determined to have indefinite useful lives.

(c) Impairment tests for intangibles with indefinite useful lives

Poker machine entitlements have been considered as one cash generating unit. The recoverable amount of the cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

(i) Key assumptions used in value in use calculations for the cash generating unit for 30 June 2011

The discount rate reflects management's estimate of the time value of money and risks specific to the poker machine licence CGU. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates, regard has been given to the yield on a ten-year government bond at the beginning of the budgeted year. The growth rate reflects management's estimate of projected revenue growth over the next 5 years.

(ii) Sensitivity to changes in assumptions

Further changes in legislation, competition and the economic climate could affect both the projected growth rate and discount rate. Management notes that both rates would have to change significantly for the recoverable amount of the poker machine licences to fall below their carrying amount.

16 TRADE AND OTHER PAYABLES (CURRENT)

| | | |
|-------------------------------|------------------|------------------|
| Trade payables | 1,418,365 | 1,053,471 |
| Accrued construction expenses | - | 2,659,435 |
| Accrued expenses | 1,696,699 | 1,322,814 |
| Goods and services tax | 272,034 | 202,808 |
| Annual leave accrued | 587,119 | 499,983 |
| | <u>3,974,217</u> | <u>5,738,511</u> |

Due to the short-term nature of payables, their carrying value is assumed to approximate their fair value. Trade payables are non-interest bearing and normally settled on 30 day terms.

17 PROVISIONS

Current

| | | |
|----------------------------|----------------|----------------|
| Long service leave | 596,588 | 509,506 |
| Poker machine link jackpot | 139,568 | 105,191 |
| Members jackpot | 10,000 | 14,545 |
| | <u>746,156</u> | <u>629,242</u> |

Non-current

| | | |
|--------------------|----------------|----------------|
| Long service leave | 225,955 | 199,092 |
| | <u>225,955</u> | <u>199,092</u> |

(a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

| | <i>Poker machine link jackpot</i> | <i>Members' jackpot</i> | <i>Total</i> |
|-------------------------|---------------------------------------|-------------------------|----------------|
| At 1 July 2010 | 105,191 | 14,545 | 119,736 |
| Arising during the year | 169,920 | 85,455 | 255,375 |
| Utilised | (135,543) | (90,000) | (225,543) |
| At 30 June 2011 | <u>139,568</u> | <u>10,000</u> | <u>149,568</u> |

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

17 PROVISIONS (continued)

(b) Nature and timing of provisions

(i) Poker machine link jackpot

Poker machine link jackpots are poker machine turnover increments accumulating towards a combined jackpot. These jackpots are won as a result of achieving the required combination for the link jackpot on the machine being played.

(ii) Members' jackpot

Members' jackpot is a membership reward promotion accumulating when not won. These jackpots are won if the randomly selected member is present in the Club at draw times for the promotion.

18 INTEREST-BEARING LOANS AND BORROWINGS

| | 2011 \$ | 2010 \$ |
|---|----------------|-------------------|
| Current | | |
| Obligations under finance leases and hire purchase contracts (note 23) | 101,423 | 95,429 |
| Loan from Commonwealth Bank | - | 12,100,000 |
| | 101,423 | 12,195,429 |
| Non-current | | |
| Obligations under finance leases and hire purchase contracts (note 23) | 27,041 | 128,463 |
| | 27,041 | 128,463 |
| (a) Terms and conditions | | |
| Commercial bill with the Commonwealth Bank | | |
| The Commercial bills were repaid by the end of December 2010. The Club has \$nil debt. | | |
| (b) Financing facilities | | |
| Total facilities | | |
| - facility for bonds and guarantees | 470,000 | 470,000 |
| - commercial bills | - | 23,000,000 |
| | 470,000 | 23,470,000 |
| Facilities used at reporting date | | |
| - facility for bonds and guarantees | 12,361 | 295,000 |
| - commercial bills | - | 12,100,000 |
| | 12,361 | 12,395,000 |
| Facilities unused at reporting date | | |
| - facility for bonds and guarantees | 457,639 | 175,000 |
| - commercial bills | - | 10,900,000 |
| | 457,639 | 11,075,000 |
| (c) Securities | | |
| The Bank has the following securities in place: | | |
| • A first registered equitable mortgage over all assets and undertakings including uncalled capital; | | |
| • Registered mortgage over lease by the Club over the property situated at 932 Pittwater Road, Dee Why NSW; and | | |
| • Deed of negative pledge by the Club sub-Branch over property situated at 932 Pittwater Road, Dee Why NSW. | | |
| (d) Defaults and breaches | | |
| There were no defaults or breaches on the loans. | | |

19 OTHER LIABILITIES

| | 2011 \$ | 2010 \$ |
|----------------------------------|----------------|----------------|
| Current | | |
| Deferred subscription income | 94,820 | 97,468 |
| Deferred income - loyalty points | 629,964 | 584,381 |
| | 724,784 | 681,849 |
| Non-current | | |
| Deferred subscription income | 196,088 | 215,445 |
| | 196,088 | 215,445 |

20 CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets.

21 ASSET REVALUATION RESERVE

The asset revaluation reserve was used to record increments and decrements in the fair value of land and buildings on transition to IFRS.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

22 EVENTS AFTER THE BALANCE DATE

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

23 COMMITMENTS AND CONTINGENCIES

(a) Commitments

Operating lease commitments – Club as lessee

The Club has entered into commercial leases on certain items of machinery. These leases have an average life of between 3 and 8 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

| | 2011 | 2010 |
|---|----------------|------------------|
| | \$ | \$ |
| Within one year | 111,312 | 217,198 |
| After one year but not more than five years | 30,150 | 462,025 |
| After more than five years | - | 4,166,789 |
| Total minimum lease payments | <u>141,462</u> | <u>4,846,012</u> |

Operating lease commitments receivable – Club as lessor

The Club has entered into a commercial property lease on its investment property, consisting of the childcare building.

The non-cancellable lease has a remaining term of 7 years. The lease includes a clause to enable upward revision of the rental charge on an annual basis.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

| | | |
|---|------------------|------------------|
| Within one year | 235,816 | 226,746 |
| After one year but not more than five years | 1,041,439 | 1,001,383 |
| After more than five years | 737,405 | 1,013,276 |
| Total minimum lease payments receivable | <u>2,014,660</u> | <u>2,241,405</u> |

Finance lease and hire purchase commitments - Club as lessee

The Club has a finance lease for items of plant and equipment with a carrying amount of \$128,464 (2010: \$223,892). This lease contract expires within 2 years.

Future minimum lease payments under the finance lease contract together with the present value of the net minimum lease payments are as follows:

| | | |
|---|----------------|----------------|
| Within one year | 106,440 | 106,440 |
| After one year but not more than five years | 27,450 | 133,890 |
| Total minimum lease payments | <u>133,890</u> | 240,330 |
| Less amounts representing finance charges | <u>(5,426)</u> | (16,438) |
| Present value of minimum lease payments | <u>128,464</u> | <u>223,892</u> |

Included in the financial statements as:

| | | |
|---|----------------|----------------|
| Current interest-bearing loans and borrowings (note 18) | 101,423 | 95,429 |
| Non current interest-bearing loans and borrowings (note 18) | 27,041 | 128,463 |
| Total included in interest-bearing loans and borrowings | <u>128,464</u> | <u>223,892</u> |

The deemed weighted average interest rate implicit in the lease for the Club is 6.03% (2010: 6.03%).

Commitments - contractual

The club has contractual commitments relating to the following construction projects:

- i) Seniors' Living Village with \$nil balance at balance date (2010: \$11,307,409). This commitment was settled during 2011.
- ii) Outdoor Gaming Terrace with \$nil balance (2010: \$483,357). This commitment was settled during 2011.

The Club has exercised its option to purchase the land on which it resides - 932 Pittwater Road, Dee Why. The purchase will be complete by the end of September 2011.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

23 COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingencies

There were no contingent liabilities as at 30 June 2011.

24 AUDITORS' REMUNERATION

| | 2011 | 2010 |
|---|---------------|---------------|
| | \$ | \$ |
| The auditor of Dee Why RSL Club Limited is Ernst & Young. | | |
| <i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i> | | |
| • an audit of the financial report of the entity | 63,356 | 48,200 |
| • other services in relation to the entity | | |
| - tax compliance | 16,000 | 11,500 |
| | <u>79,356</u> | <u>59,700</u> |

25 RELATED PARTY DISCLOSURES

Dee Why RSL sub-Branch

The property on which the Club is situated, 93% of which was originally purchased by the Club and subsequently transferred to the sub-Branch in good faith at cost. The Club loaned to the sub-Branch an amount equal to the proportionate cost of the land at no interest. Current repayments of this loan are \$12,000 per annum and the balance due at 30 June 2011 is \$11,926 (2010: \$23,926). In order for the sub-Branch to repay the interest free loan the Club agreed to pay to the sub-Branch a rental of \$14,000 per annum. In addition the Club provides office space, administration, membership, staff and financial support to the sub-Branch. The Lease arrangements were re-documented in 2010 including the insertion of an Option for the Club to purchase the land at its unimproved value at any point in time prior to 30 June 2036. The loan remained in existence to be repaid by the sub-Branch out of rental income paid by the Club in line with the original repayment schedule. Rental payments increased to \$50,000 per annum (CPI indexed) and support to the sub-Branch formalised including an annual donation of \$50,000 (CPI indexed). As at the date of this report, Directors; P. St John, C Hall, K Parkes and L. Robinson were members of the sub-Branch.

The Club exercised its option to purchase the land on 29 April 2011. The purchase will be complete by the end of September 2011. A contractual commitment has been disclosed in note 23 to acknowledge the Club's commitment to acquire the land at the date of signing the financial statements.

26 KEY MANAGEMENT PERSONNEL

Key management personnel, being those persons having authority and responsibility for planning, directing and controlling activities of the Club, include the Directors, Chief Executive Officer, Chief Financial Officer, Executive of Food and Beverage and Executive Manager of Operations and Gaming.

(a) Compensation of Key Management Personnel

| | | |
|-----------------|------------------|------------------|
| Short-term | 1,297,037 | 1,288,814 |
| Post employment | 89,997 | 91,739 |
| Other long-term | 29,981 | 26,255 |
| | <u>1,417,015</u> | <u>1,406,808</u> |

In the course of attending the Club and/or representing the Club in an official capacity, Directors were provided with meals and liquor on a complimentary basis. Out of pocket expenses were reimbursed by the Club up to and not exceeding the honorariums agreed by resolution at a previous Annual General Meeting. The total amount charged to those honorariums totalled \$41,591 (2010: \$42,369).

(b) Loans to Key Management Personnel

| | | |
|-----------------------------------|---------------|----------------|
| Loans to Key Management Personnel | <u>67,756</u> | <u>135,513</u> |
|-----------------------------------|---------------|----------------|

Terms and conditions of loans

The Club has negotiated a ten year retention package with the Chief Executive Officer which involved the transfer of one of the Club's properties to the Chief Executive Officer. The Club has funded this by way of an interest-free secured loan. The debt is being written off, in equal installments, over a ten year period.

Notes to the Financial Statements (continued)

For the year ended 30 June 2011

27 MEMBERSHIP

| | 2011 No. | 2010 No. |
|--------------------|---------------|---------------|
| Social Members | 40,118 | 39,618 |
| Sub-Branch Members | 692 | 750 |
| | 40,810 | 40,368 |

28 CORE AND NON-CORE LAND

With reference to section 41J of the Registered Clubs Act as amended by the Registered Clubs Amendment Act 2006, the properties owned or occupied by the Dee Why RSL Club Ltd, as at 30 June 2011, are as follows:

Non-core properties:

- 825 Pittwater Rd, Dee Why (Dee Why RSL carwash)
- 2 Clarence Avenue, Dee Why (Dee Why Kindergarten childcare centre)
Previously 14 Dee Why Parade & 2 Clarence Avenue – land has been consolidated into one title
- 8 Dee Why Parade, Dee Why (Oceangrove – Seniors' Living Village)
Previously 914 Pittwater Rd, 916 Pittwater Rd, 918 Pittwater Rd, 920 Pittwater Rd, 922-930 Pittwater Rd & 8 Dee Why Parade – land has been consolidated into one title

The above properties are owned by the Dee Why RSL Club and have been purchased by the Club as investment properties and not for the licensed premises of the Club.

Core properties:

- 932 Pittwater Rd, Dee Why (Dee Why RSL Club premises)
- Corner of Abbott and Griffin Rd, Curl Curl (Dee Why RSL Bowling Club premises)

The above properties are leased by the Club and are the defined (licensed) premises of the Club.

29 RECONCILIATION OF STATEMENT OF CASH FLOWS

| | 2011 \$ | 2010 \$ |
|---|------------------|------------------|
| Reconciliation of profit after tax to net cash flows from operations | | |
| Net profit for the year | 9,224,105 | 4,428,441 |
| <i>Adjustments for:</i> | | |
| Operating depreciation and amortisation | 4,761,598 | 5,014,600 |
| Impairment of property, plant and equipment | 151,499 | 435,031 |
| Bad and doubtful debts | 15,924 | - |
| Net loss on disposal of property, plant and equipment | 160,659 | 141,906 |
| Gain on revaluation of investment property (Oceangrove) | (6,018,133) | - |
| Seniors' living village income | (376,848) | - |
| Property loan to employee | 67,757 | - |
| Other non-cash expenses | 32,337 | 169,969 |
| <i>Changes in assets and liabilities</i> | | |
| (Increase)/Decrease in trade and other receivables | (84,774) | (168,459) |
| (Increase)/Decrease in inventories | (41,343) | (6,106) |
| (Increase)/Decrease in other assets | 152,263 | (304,933) |
| (Increase)/Decrease in deferred tax assets | 103,394 | 30,055 |
| Increase/(Decrease) in trade and other payables | (1,764,294) | (1,090,699) |
| Increase/(Decrease) in current tax liability | (204,132) | 29,680 |
| Increase/(Decrease) in provisions | 143,777 | 49,212 |
| Increase/(Decrease) in other liabilities | 23,578 | 48,183 |
| Increase/(Decrease) in deferred tax liabilities | 2,038,064 | 133,018 |
| Net cash flows from operating activities | 8,385,431 | 8,909,898 |

Independent auditor's report to the members of Dee Why RSL Club Limited

Report on the financial report

We have audited the accompanying financial report of Dee Why RSL Club Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

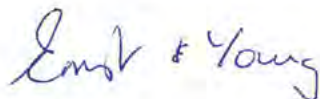
Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

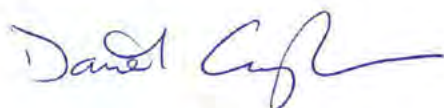
Opinion

In our opinion:

- a. the financial report of Dee Why RSL Club Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



Ernst & Young



Daniel Cunningham
Partner
Sydney
13 September 2011