

Randwick Labor Club Limited

ABN 35 000 353 417

Financial Statements

For the Year Ended 31 October 2011

Randwick Labor Club Limited

ABN 35 000 353 417

For the Year Ended 31 October 2011

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Randwick Labor Club Limited

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Directors' Report

31 October 2011

Your directors present their report on the company for the financial year ended 31 October 2011.

1. General information

Directors

The names of each person who has been a director during the year and to the date of this report are:

Names

Peter Bell

Lena Bridge

Brian Ferguson

Ken Murray

Dominic Sullivan

Ann Bowen

John Johnson

Anthony Bowen

Victor Smith

Benedict Keneally

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

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Dominic Sullivan was appointed company secretary on 29 June 2007. Mr Sullivan is a former mayor of Randwick Municipal Council and manager with an investment company. He was appointed a director of the company on 17 August 2006.

Principal activities

The principal activities of Randwick Labor Club Limited during the financial year were managing licensed social clubs and property investment.

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

2. Business review

Review of operations

A review of the operations of company during the financial year and the results of those operations are included in the president's and other reports included within the Annual Report

Randwick Labor Club Limited

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Directors' Report

31 October 2011

2. Business review continued

Operating Results

The profit from ordinary activities after providing for income tax amounted to \$ 761,663. This represented an 18% decrease on the results reported for the year ended 31 October 2010. This was largely due to a lower market value adjustment to investment properties of \$645,000 (2010: \$846,000), however, while bar trading revenue improved, revenue from the bistro decreased and poker machine revenue remained at about the same level as last year. Randwick Bowling Club contributed \$470,417 to revenue since the time of its amalgamation.

3. Other items

Significant changes in state of affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

Randwick Bowling Club Limited ("RBCL") was amalgamated with the company on the 6th December 2010. Subsequent to the amalgamation RBCL was liquidated.

The resulting gain on amalgamation, disclosed in the statement of comprehensive income, is \$2,376,790, which arises principally from the acquisition of RBCL's land and buildings at fair value.

After balance date events

Since the end of the financial year, the members of the company approved the amalgamation with Kensington War Memorial Club Limited.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Future developments

The company expects to maintain the present status and level of operations.

Environmental issues

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out at page 4.

Information on Directors

Information on directors is included elsewhere in the Annual Report.

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Directors' Report

31 October 2011

Meetings of directors

During the financial year, 22 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Committee and Sub Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Peter Bell	15	13	1	1
Lena bridge	15	12	2	1
Brian Ferguson	15	14	6	5
Ken Murray	15	13	7	7
Dominic Sullivan	15	13	6	5
Ann Bowen	15	15	6	6
John Johnson	15	14	1	1
Anthony Bowen	15	11	1	1
Victor Smith	15	9	6	5
Benedict Keneally	15	11	1	-

Indemnifying Officers or Auditors

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

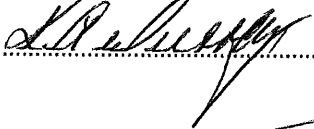
The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors:

Director: 
.....
Ken Murray

Director: 
.....
Dominic Sullivan

Dated this 15th day of December 2011

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Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 31 October 2011 there have been:

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


Priestley & Morris
Chartered Accountants


P A Cordwell
Partner

Level 7, 3 Horwood Place
Parramatta, NSW 2150

Dated this *15th* day of December 2011

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Statement of Comprehensive Income

For the Year Ended 31 October 2011

	Note	2011 \$	2010 \$
Revenue	2	7,711,088	7,441,131
Other income	2	645,000	846,000
Raw materials and consumables used		(611,977)	(550,197)
Employee benefits expense		(2,132,366)	(1,974,571)
Depreciation, amortisation and impairment	3	(1,001,787)	(966,931)
Occupancy expenses		(559,805)	(544,792)
Rental properties' expenses		(265,646)	(265,882)
Poker machine duty		(947,781)	(987,543)
Professional fees		(164,789)	(140,129)
Promotion and games expense		(734,228)	(687,493)
Donations and community support		(102,561)	(161,397)
Central monitoring expenses		(49,604)	(58,139)
Other expenses		(491,307)	(376,764)
Finance costs	3	(340,712)	(384,020)
Profit before income tax		953,525	1,189,273
Income tax expense	5	(191,862)	(259,656)
Profit from continuing operations		761,663	929,617
Profit for the year		761,663	929,617
Other comprehensive income:			
Gain on amalgamation with Randwick Bowling Club		2,376,970	-
Gain on revaluation of Club land and buildings		-	1,444,546
Income tax relating to components of other comprehensive income		-	(249,568)
Other comprehensive income for the year, net of tax		2,376,970	1,194,978
Total comprehensive income for the year		3,138,633	2,124,595

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Statement of Financial Position

As At 31 October 2011

	Note	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	684,508	393,316
Trade and other receivables	7	9,037	132,397
Inventories	8	66,896	50,347
Other assets	9	55,858	56,434
TOTAL CURRENT ASSETS		<u>816,299</u>	632,494
NON-CURRENT ASSETS			
Property, plant and equipment	10	18,379,834	16,274,733
Investment property	11	19,175,000	18,480,000
Deferred tax	14	16,397	17,707
Other assets	9	5,000	-
TOTAL NON-CURRENT ASSETS		<u>37,576,231</u>	34,772,440
TOTAL ASSETS		<u>38,392,530</u>	35,404,934
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	439,939	707,052
Borrowings	13	-	4,119,693
Provisions	15	418,836	354,009
Other Liabilities	16	11,537	15,966
TOTAL CURRENT LIABILITIES		<u>870,312</u>	5,196,720
NON-CURRENT LIABILITIES			
Borrowings	13	4,000,000	-
Deferred tax	14	2,148,911	1,958,359
Long-term provisions	15	11,953	27,079
Other Liabilities	16	18,726	18,781
TOTAL NON-CURRENT LIABILITIES		<u>6,179,590</u>	2,004,219
TOTAL LIABILITIES		<u>7,049,902</u>	7,200,939
NET ASSETS		<u>31,342,628</u>	28,203,995
EQUITY			
Reserves		4,265,179	4,265,179
Retained earnings		27,077,449	23,938,816
TOTAL EQUITY		<u>31,342,628</u>	28,203,995

The accompanying notes form part of these financial statements

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Statement of Changes in Equity

For the Year Ended 31 October 2011

2011

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 November 2010	23,938,816	4,265,179	28,203,995
Profit attributable to members of the company	761,663	-	761,663
Gain on amalgamation with Randwick Bowling Club	2,376,970	-	2,376,970
Balance at 31 October 2011	27,077,449	4,265,179	31,342,628

2010

	Retained Earnings	Asset Revaluation Surplus	Total
	\$	\$	\$
Balance at 1 November 2009	23,009,199	3,070,201	26,079,400
Total comprehensive income for the year	929,617	1,194,978	2,124,595
Balance at 31 October 2010	23,938,816	4,265,179	28,203,995

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Cash Flow Statement

For the Year Ended 31 October 2011

	Note	2011 \$	2010 \$
Cash from operating activities:			
Receipts from customers		8,523,019	8,164,720
Payments to suppliers and employees		(7,134,636)	(6,514,006)
Interest received		16,413	19,620
Finance costs		(340,712)	(384,020)
Net cash provided by (used in) operating activities	24	<u>1,064,084</u>	<u>1,286,314</u>
Cash flows from investing activities:			
Proceeds from the sale of plant and equipment		-	12,000
Purchase of property, plant and equipment		(706,720)	(892,724)
Payment for Randwick Bowling Club, net of cash acquired	24, (d)	53,521	-
Advance to Randwick Bowling Club Limited		-	(60,000)
Net cash used by investing activities		<u>(653,199)</u>	<u>(940,724)</u>
Cash flows from financing activities:			
Repayment of borrowings		(119,565)	(537,116)
Net cash used by financing activities		<u>(119,565)</u>	<u>(537,116)</u>
Net cash increase (decreases) in cash and cash equivalents		291,320	(191,526)
Cash and cash equivalents at beginning of year		<u>393,188</u>	<u>584,714</u>
Cash and cash equivalents at end of year	24(b)	<u><u>684,508</u></u>	<u><u>393,188</u></u>

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies

(a) General Information

The financial report is for Randwick Labor Club Limited as an individual entity, incorporated and domiciled in Australia. Randwick Labor Club Limited is a company limited by guarantee.

(b) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

(c) Revenue and Other Income

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Interest revenue is recognised using the effective interest rate method.

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

(d) Income Tax

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

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

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies continued

(d) Income Tax continued

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

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

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

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

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

(e) Cash and Cash Equivalents

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

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of average costs.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Club Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies continued

(g) Property, Plant and Equipment continued

Club Property continued

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity. All other decreases are charged to the income statement.

Any accumulated depreciation at the time of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Depreciation

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

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

Class of Fixed Asset

Buildings	2.5%
Plant and Equipment	5 - 40%

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies continued

(g) Property, Plant and Equipment continued

These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Investment Property

Investment property, comprising freehold land and buildings, is held to generate long-term rental yields. All tenant leases are on an arms length basis. Investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the income statement as other income.

(i) Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

(j) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Other employee benefits payable later than one year have been measured at the net present value.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

(k) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the company commits itself to either purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies continued

(k) Financial Instruments continued

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost .

(iii) Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost.

Fair value

Fair value is based on independent "fair market" valuations.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

1 Summary of Significant Accounting Policies continued

(l) Goods and Services Tax (GST) continued

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative Figures

Comparative figures have been amended, where necessary, to conform to current reporting requirements.

(n) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates - Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
2 Revenue and Other Income		
Operating activities		
Sales revenue:		
- Poker machines (net) - refer below	5,085,185	5,098,482
- Bar trading	1,072,383	822,855
- Bistro and dining trading	463,353	572,271
- Membership fees	14,044	13,754
- TAB and KENO commissions	64,154	46,651
- Rental revenue - investment properties	928,970	844,519
- Interest income	16,413	19,620
- Sundry revenue	66,586	22,979
	<u>7,711,088</u>	<u>7,441,131</u>
Other income:		
- Fair value adjustment - investment property	645,000	846,000
	<u>645,000</u>	<u>846,000</u>
3 Profit for the Year		
(a) Expenses		
Depreciation and Impairment		
Buildings	278,914	263,750
Plant and machinery	722,873	703,181
	<u>1,001,787</u>	<u>966,931</u>
Finance costs	340,712	384,020
Loss on disposal of fixed assets - poker machines and plant & equipment	-	11,953
Audit Remuneration		
Auditing the financial report	18,400	17,600
Taxation and advisory services	11,600	6,040
	<u>30,000</u>	<u>23,640</u>

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010		
	\$	\$		
3 Profit for the Year continued				
(b) Significant Revenue and Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Fair value adjustment - investment property	<u>645,000</u>	<u>846,000</u>		
4 Interests of Key Management Personnel				
	Short-term benefits	Post employment benefit	Other long-term benefits	Total
	\$	\$	\$	\$
2011				
Total compensation	<u>376,738</u>	-	<u>48,880</u>	<u>425,618</u>
2010				
Total compensation	<u>355,984</u>	-	<u>47,154</u>	<u>403,138</u>
5 Income tax expense				
(a) The components of tax expense comprise:				
Deferred tax	14	<u>191,862</u>	<u>259,656</u>	
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)		286,058	356,851	
Less:				
Tax effect of:				
- adjusted profit on non-taxable member income, arising from the principle of mutuality.		<u>(94,196)</u>	<u>(97,195)</u>	
Income tax attributable to entity		<u>191,862</u>	<u>259,656</u>	
The applicable weighted average effective tax rates are as follows:		<u>20 %</u>	<u>22 %</u>	

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
6 Cash and Cash Equivalents		
Cash on hand	176,750	173,500
Cash at bank	185,710	119,816
Short-term bank deposits	322,048	100,000
	<u>684,508</u>	<u>393,316</u>
7 Trade and other receivables		
CURRENT		
Trade and other receivables	9,037	72,397
Amount receivable from Randwick Bowling Club Limited	-	60,000
	<u>9,037</u>	<u>132,397</u>
Provision for Impairment of Receivables		
<p>Current trade receivables are non-interest bearing and are generally on 30 day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is evidence that an individual trade receivable is impaired. As it is expected that these balances will be received when due, no impairment has been recognised.</p>		
8 Inventories		
CURRENT		
At lower of cost and net realisable value:		
Bar stock	60,278	45,829
Bistro stock	6,618	4,518
	<u>66,896</u>	<u>50,347</u>
9 Other Assets		
CURRENT		
Prepayments	55,858	56,434
NON-CURRENT		
Security deposit	5,000	-

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
10 Property, Plant and Equipment		
LAND AND BUILDINGS		
Freehold land		
At cost	<u>4,925,000</u>	3,150,000
	<u>4,925,000</u>	3,150,000
Buildings		
At cost	189,666	-
At independent valuation	11,225,000	10,550,000
Accumulated depreciation	<u>(278,914)</u>	-
	<u>11,135,752</u>	10,550,000
Total land and buildings	<u>16,060,752</u>	13,700,000
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	9,933,644	9,466,422
Accumulated depreciation	<u>(7,614,562)</u>	(6,891,689)
Total plant and equipment	<u>2,319,082</u>	2,574,733
Total property, plant and equipment	<u>18,379,834</u>	16,274,733

(a) Asset revaluations

The fair value model is applied to Club freehold land and buildings, which was determined by an independent valuation performed by Graham Scrymgeour AAPI of Global Valuation Services Pty Limited on 3 November 2010.

Freehold land and buildings have been acquired from Randwick Bowling Club at fair value, upon amalgamation. Fair value was determined by an independent valuation performed by Graham Scrymgeour AAPI of Global Valuation Services Pty Limited on 20 December 2010.

The Club fair value is derived by adding the assessed depreciated replacement cost of the improvements and special features of the buildings to the underlying market value of the land, relative to the improvements thereon and enterprise conducted, i.e. as an operating registered Club, together with its ancillary improvements. The revaluation surplus was credited, in comprehensive income, to an asset revaluation reserve in equity net of applicable capital gains tax.

Randwick Labor Club Limited

ABN 35 000 353 417

Notes to the Financial Statements

For the Year Ended 31 October 2011

10 Property, Plant and Equipment continued

(b) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Plant and Equipment	Total
	\$	\$	\$	\$
Balance at the beginning of year	3,150,000	10,550,000	2,574,733	16,274,733
Additions	1,775,000	864,666	467,222	3,106,888
Depreciation expense	-	(278,914)	(722,873)	(1,001,787)
Balance at 31 October 2011	<u>4,925,000</u>	<u>11,135,752</u>	<u>2,319,082</u>	<u>18,379,834</u>

11 Investment Property

	2011	2010
	\$	\$
Balance at beginning of year	18,480,000	17,630,000
Acquisitions	50,000	4,000
Fair value adjustments	<u>645,000</u>	846,000
Balance at end of year	<u>19,175,000</u>	<u>18,480,000</u>

The fair value model is applied to investment properties, which were revalued to their fair market value as determined by an independent valuation performed by Graham Scrymgeour AAPI of Global Valuation Services Pty Limited on 7 October 2011.

The basis of the valuation was market value for the existing commercial and residential leases. Sales information was obtained for residential properties and units in nearby and surrounding areas as well as normal sales enquiries from local real estate agents with regard to the current state of the market. The revaluation surplus was credited to the income statement and a charge to income tax expense recognised for applicable deferred income taxes for the estimated capital gains tax.

12 Trade and other payables

CURRENT

Unsecured liabilities

Trade payables

Sundry payables and accrued expenses

82,049	283,572
<u>357,890</u>	<u>423,480</u>
<u>439,939</u>	<u>707,052</u>

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
13 Borrowings		
CURRENT		
Secured liabilities		
Bank overdraft	-	128
Finance lease obligation	-	19,565
Bank loans	-	4,100,000
	<u>-</u>	<u>4,119,693</u>
NON-CURRENT		
Secured liabilities		
Bank loans	<u>4,000,000</u>	-
(a) Total current and non-current secured liabilities		
Bank overdraft	-	128
Bank Loans	4,000,000	4,100,000
Finance lease obligations	-	19,565
	<u>4,000,000</u>	<u>4,119,693</u>
(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage over freehold land and buildings - 141-151 Alison Road, Randwick	<u>13,850,000</u>	<u>13,850,000</u>

(c) Collateral Provided

The bank facilities are secured by:

- a registered first mortgage over freehold property 141-151 Alison Road, Randwick;
- a negative pledge from the company not to encumber any of its assets without the consent of the bank;

The covenants within the commercial advance facilities require interest rate cover greater than 2 times EBITDA and a loan to security value ratio of less than 50%. Facility 1 is for \$4 million, repayable 5 years from draw down date and Facility 2 is for \$1 million, subject to annual review. Each facility is interest-only until settlement date 31 January 2016, notwithstanding that \$1,000,000 (2010: \$900,000) of principal on Facility 1 has been repaid.

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
14 Tax		
(a) Assets		
NON-CURRENT		
Deferred tax assets	<u>16,397</u>	<u>17,707</u>
(b) Liabilities		
NON-CURRENT		
Deferred tax liability	<u>2,148,911</u>	<u>1,145,906</u>
(c) Reconciliation of gross movements		
	Note	
The overall movement in the deferred tax accounts is as follows:		
Opening balance	1,940,652	1,431,428
Debited to the income statement	5 191,862	259,656
Debited directly to equity	-	249,568
Closing balance	<u>2,132,514</u>	<u>1,940,652</u>

15 Provisions

Provision for Long-Term Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

	Employee benefits - annual leave	Employee benefits - long service leave	Total
	\$	\$	\$
Current			
Opening balance at 1 November 2010	154,841	226,247	381,088
Additional provisions	<u>36,916</u>	<u>12,785</u>	<u>49,701</u>
Balance at 31 October 2011	<u>191,757</u>	<u>239,032</u>	<u>430,789</u>

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

15 Provisions continued

Analysis of total provisions

	2011	2010
	\$	\$
Current	418,836	354,009
Non-current	11,953	27,079
	<u>430,789</u>	<u>381,088</u>

16 Other Financial Liabilities

CURRENT

Deferred income

	<u>11,537</u>	<u>15,966</u>
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NON-CURRENT

Deferred income

	<u>18,726</u>	<u>18,781</u>
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17 Reserves

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of the Club's freehold land and buildings (excluding investment properties).

18 Related party transactions

(a) A firm to which Ms Bowen is a partner received legal fees of \$16,354 (2010: \$26,754) during the year.

(b) For key management compensation details refer Note 4.

19 Capital and Leasing Commitments

Commitments for poker machine acquisitions

Payable:

- not later than 12 months

	119,607	110,189
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- between 12 months and 5 years

	101,373	143,711
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	<u>220,980</u>	<u>253,900</u>
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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
19 Capital and Leasing Commitments continued		
Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Club refurbishment	-	119,541
	<u>-</u>	<u>119,541</u>
Payable:		
- not later than 12 months	-	119,541
	<u>-</u>	<u>119,541</u>

20 Financial Risk Management

Specific Financial Risk Exposures and Management

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

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and bank loans.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

Financial Assets

Cash and cash equivalents	6	684,508	393,316
Loans and receivables		9,037	132,397
Total financial assets		<u>693,545</u>	<u>525,713</u>

Financial Liabilities

Financial liabilities at amortised cost			
Trade and other payables	12	439,939	707,052
- Borrowings	13	4,000,000	4,119,693
Total financial liabilities		<u>4,439,939</u>	<u>4,826,745</u>

Financial risk management policies

The Board's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis. These include credit risk policies and future cash flow requirements.

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Notes to the Financial Statements

For the Year Ended 31 October 2011

20 Financial Risk Management continued

Financial risk management policies continued

Mitigation strategies for specific risks faced are described below:

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

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

(b) Liquidity risk

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

- preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The available funds to the Group are discussed in note 24.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows.

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

20 Financial Risk Management continued

Financial liability maturity analysis - Non-derivative

	Within 1 Year		1 to 5 Years		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Bank overdrafts and loans	-	4,100,128	4,000,000	-	4,000,000	4,100,128
Trade and other payables	439,939	707,052	-	-	439,939	707,052
Hire purchase liabilities	-	19,565	-	-	-	19,565
Total contractual outflows	439,939	4,826,745	4,000,000	-	4,439,939	4,826,745

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Sensitivity analysis

At 31 October 2011, the effect on profit and equity as a result of a 1% increase/(decrease) in the interest rate, with all other variables remaining constant, would be an (decrease)/increase of approximately \$40,000 (2010: \$41,000).

Net Fair Values

The fair values of financial assets approximate their carrying value.

21 Members' Guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstandings and obligations of the company. At 31 October 2011 the number of members was 5,919 (2010: 5,876).

22 Capital Management

The directors control the capital of the company in order to ensure that adequate cash flows are generated to fund its operations and continue as a going concern.

The company's debt and capital includes financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

The directors effectively manage the capital by assessing the company's financial risks and responding to changes in these risks. These responses include the consideration of debt levels.

There have been no changes in the strategy adopted by management since the prior year.

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

		2011	2010
		\$	\$
22 Capital Management continued			
The gearing ratio for the year ended 31 October 2011 and 31 October 2010 are as follows:			
Total borrowings	13	4,000,000	4,119,693
Less Cash and cash equivalents	6	<u>(684,508)</u>	<u>(393,316)</u>
Net debt		3,315,492	3,726,377
Equity		<u>31,342,628</u>	<u>28,203,995</u>
Total capital		<u>34,658,120</u>	<u>31,930,372</u>
Gearing ratio		10.00 %	12.00 %

23 Core and Non-core Properties

The following are core properties:

Randwick Labor Club Limited – 135 Alison Road, Randwick, NSW 2031.

Randwick Bowling Club – Corner of The Avenue & Cowper Street, Randwick, NSW 2031.

The following are non-core properties:

123 Alison Road, Randwick, NSW 2031.

125 Alison Road, Randwick, NSW 2031.

131 Alison Road, Randwick, NSW 2031.

141-151 Alison Road, Randwick, NSW 2031.

Lots 76-80 at 144-158 Alison Road, Randwick, NSW 2031 (car parking spaces)

11 Elizabeth Lane, Randwick, NSW 2031 (vacant lot)

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
24 Cash Flow Information		
(a) Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Net profit for the year	761,663	929,617
Non-cash flows in profit		
Depreciation and impairment	1,001,787	966,931
Net gain on disposal of property, plant and equipment	-	11,953
Change to provisions	49,701	30,002
Unrealised gains/(losses) on investment property	(645,000)	(846,000)
Changes in assets and liabilities		
(Increase)/decrease receivables	63,360	(17,429)
(Increase)/decrease in inventories	(9,320)	(673)
(Increase)/decrease in other assets	(4,424)	(13,265)
(Increase)/decrease in income in advance	(4,484)	18,486
Increase/(decrease) in trade payables and accruals	(341,061)	-
Increase/(decrease) in deferred taxes payable	191,862	259,656
Cashflow from operations	<u>1,064,084</u>	<u>1,339,278</u>
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	684,508	393,316
Bank overdraft	-	(128)
	<u>684,508</u>	<u>393,188</u>
(c) Credit standby arrangements with banks		
Credit facility	5,000,000	5,000,000
Amount utilised	(4,000,000)	(4,100,000)
	<u>1,000,000</u>	<u>900,000</u>

Randwick Labor Club Limited

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Notes to the Financial Statements

For the Year Ended 31 October 2011

	2011	2010
	\$	\$
24 Cash Flow Information continued		
(c) Credit standby arrangements with banks continued		
For details of facilities refer Note 13.		
(d) Acquisition of entities		
During the year, the Club amalgamated with Randwick Bowling Club Limited. Details of this transaction are:		
Consisting of:		
- Cash consideration	-	-
Assets and liabilities held at acquisition date:		
Cash acquired	53,521	-
Inventories	7,229	-
Property, plant and equipment	2,509,870	-
Payables	(193,650)	-
Gain on amalgamation	2,376,970	-
	<u>2,376,970</u>	<u>-</u>

25 Company Details

Registered office and principal place of business

The registered office and principal place of business of the company is:

Randwick Labor Club Limited
135 Alison Road
Randwick NSW 2031

Randwick Labor Club Limited

ABN 35 000 353 417


Directors' Declaration

The directors of the entity declare that:


1. The financial statements and notes, as set out on pages 6 to 28, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 31 October 2011 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director


Ken Murray

Director


Dominic Sullivan

Dated: this

15th

day of December 2011

Randwick Labor Club Limited

ABN 35 000 353 417

Independent Audit Report to the members of Randwick Labor Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Randwick Labor Club Limited, which comprises the statement of financial position as at 31 October 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 control as the directors determine is 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Randwick Labor Club Limited on the same date as the auditor's report.

Randwick Labor Club Limited


ABN 35 000 353 417

Independent Audit Report to the members of Randwick Labor Club Limited

Opinion

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

- (a) giving a true and fair view of the company's financial position as at 31 October 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.



Priestley & Morris
Chartered Accountants



P A Cordwell
Partner

Level 7, 3 Horwood Place
Parramatta
NSW 2150

Dated this 15th day of December 2011