

# ANNUAL REPORT 2018







**MERRYLANDS RSL CLUB LIMITED**

ACN 000 926 358

Annual Financial Report 31 December 2018



# Chairman's Report

**Ron Hand JP**



It is once again my very great pleasure to present to you the 2019 Chairman's Report in association with the Annual Report.

Merrylands RSL's 2018 financial position has been strengthened enormously since we last closed our books in 2017. We spoke last year about finding a balance between the cost of generating a surplus, and where member's facilities would be adjusted to achieve an appropriate result. The final audited 2018 surplus of \$4.26M (2017 = \$3.07M) is a testament to what can happen when we can get at or near that balance. Club Umina is also showing good signs of recovery after many years of trading in the red. 2018 is the second consecutive year

that a positive result has come from this part of our business by recording an approximate \$30K surplus. This will come in handy when some much needed maintenance work is carried out.

We continued to exceed our 2017 commitment to the Club Grants Scheme by providing more than \$797,000 to Community Projects in our Local Government area during 2018. This generous contribution can only improve when Merrylands RSL prospers into the future.

This year marks the election cycle for both the NSW State and Federal Parliaments. Merrylands RSL has had visits from the Premier, and



one State Cabinet Minister in the lead up to March 23rd. From the Registered Clubs point of view, there does not appear to have been any adverse campaign policies announced in the media before the elections that would cause Merrylands RSL to consider a change in our business direction. However, this report was compiled during March, and as they say, even a day can be a long time in politics.

Our 2018 Strategic Plan is now a living document that is tabled at every monthly Board meeting. It is used as a means to follow up on all matters relating to our future direction. It is substantially a tool that deals mostly with the operational aspects of managing the club business

by forecasting where we should be over the next five years.

One of the resolutions taken by the Board during the latter part of 2018 was to cease membership of Clubs NSW. Another of the Board elements that was enacted is to provide access to Professional Development. A registered training organisation has been engaged to deliver face to face sessions to the Board at three monthly intervals prior to the regular monthly meetings. Members will be able to view in the 2020 Annual Report, the amount of training that each director has attended.

The process to establish a review of our Constitution has commenced with a list

of members names put together to form a focus group to trash out what is important to maintain better governance for the club.

Staffing levels at the club have been adjusted to provide efficient service to our latest offerings in the new gaming lounge, and the recently renovated sections in the old part of the building. Some Senior Management positions changed during 2018, and Paddy Quigg took over as the Umina Manager. The Human Resources manager role was absorbed by other department heads and Jane Smith was promoted to the role of Marketing Manager. In closing, I would like to congratulate our management team and staff headed by CEO Bryn

for their commitment to Merrylands RSL.

I would also like to thank our members for their loyal support, and to thank the Board for their dedication to the future of our club.

To the families, relatives and friends who have lost loved ones during the past year; I offer our sincerest condolences on behalf of our members. To those who are sick or hospitalised, we wish you a speedy recovery.

**Ron Hand JP**  
Chairperson



# CEO's Report

**Bryn Miller**

## **Consolidation**

In 2018, we have enjoyed a period of consolidation following many prolonged disruptions with refurbishment and construction. During this period, we have been trading very well and holding a good profit. We have also seen many of our old members return to our Club and seen increased re-visitation. This consolidation period is important to ensure the stability of the Clubs financial position for future development and completion of our masterplan.

As at the end of 2018, there were 71,544 members, which shows our Club having a strong presence in the community. As of writing this report, that number has now increased. We account this towards our focus on customer service, and the numerous new and improved facilities we provide to our members. Our future is looking very strong financially with the development application of our masterplan due to be addressed shortly by Council followed by the State Planning Authority. In 2019, we will hopefully see approval for work to commence with various new stages having already been planned for. Our preparation will secure a foundation that will ensure a long-term existence with a strong robust business structure that can endure the tests of time.

## **Umina**

At Umina, a lot of work has been completed in a recent refurbishment. We can already see the effect of this work with trade improving significantly. Some of the work included

a newly designed indoor and outdoor gaming room with new machines and bases; we also increased the size of the TAB lounge, and renovated the main lounge to include different furniture. The recent change in caterers has seen the venue thrive in the food and beverage department which is great to see. Many can agree that Michael Zhong and his team have become the leading Asian restaurant in the Central Coast.

Paddy and her team of staff have done a stellar job in providing a welcoming club for members and visitors. At the helm at Umina, Paddy has a very strong and loyal team delivering great forms of customer service to our clientele. Long-term plans at Umina have been heavily focused on and will be evaluated shortly. These plans will benefit the local community and the Club.

## **Catering**

Back at Merrylands, Sage 2160 and Furphy's have boosted what Merrylands has to offer in the food and beverage department. Furphy's has been very well received by not only our Club patrons but also the greater community. Signatures Buffet has really focused on providing a greater quality of food which is extremely important to our members. I would like to commend all our caterers, Michael Lau, Con and George Koutroumbas and Michael Zhong in their terrific efforts and attitude towards their businesses.

## **Kokoda**

Our very own Paolo and Ping completed the Kokoda Trek as part of the Kokoda Youth Leadership

Challenge. Right from the moment when they were announced as chosen participants, they have been perfect ambassadors of our Club and what the Kokoda spirit truly embodies. I am extremely happy and proud of the work they have put in before and during the trek. Their fundraising efforts have been remarkable and their journey representing our club and community have been second to none. Well done to them both. As we look to next year, the Board and management have selected another two participants to sponsor to undertake the challenge, them being Kyle Phan and Peter Lucic.

#### **NRL**

In 2018, another of our own; Simaima Taufa, received a Club ambassadorship as she became a prevalent figure in the sporting world, and received multiple accolades whilst representing our Club. Highlights include being named the 2017 Dally M Female Player of the Year, the RLPA Women's Player of the Year and the NSWRL Women's Player of the Year. Well done to Simaima and we are extremely proud of everything she has achieved and look forward to watching her sporting career progress.

#### **Forster**

Looking north of our location, Forster has and will continue seeing changes to its operations and surroundings. Currently there is a giant new development taking place next door which is very exciting for the area. It will become the tallest development in Forster once completed. Our Gallipoli Court site

will seek similar zoning to prepare itself for possible expansion.

#### **Long Service**

Well-known caretaker Graham Rigby has announced his retirement after 17 years of service. We wish Graham the best in his retirement. We have now appointed a new caretaker named Mark Abercrombie who we look forward to having a successful working relationship with.

Similarly, during the year we have seen Bruce Duguid retire after 30 years, which is an amazing and rare accomplishment for any employee to complete. Fortunately, at Merrylands and Umina we have quite a few loyal staff who work amongst us including Cherry Sison (31 years), Steve Brady (29 years), Maria Neag (25 years), Edraline Bartlett (24 years), Carmen Belici (24 years), Rosie Rak (20 years), and Annette Solway (20 years). I am very proud to have these long-standing employees here working with me as in this day and age, it is rare to come across such loyalty.

#### **Charities**

We are very proud of the charitable work which continued in 2018 with a total of \$797,819 donated towards multiple charity groups and local organisations. Notably we have now reached over 32 years of continuous financial support towards Colon Cancer research. We are extremely pleased with the work that Prof. Les Bokey and his team are doing and the advancement in technology they have created to combat Colon cancer.

In addition to this, as many of you know, our drought stricken farmers have been suffering tremendously. The staff at Merrylands RSL Club have come together to help those in need by donating a part of their wages towards the Buy-a-Bale program to help support Australia's rural communities and Aussie farmers. To date the staff have raised a combined \$11,262 which in addition to the almost \$8,500 raised through the auctioning off of historic memorabilia to our Club members has nearly seen a combined \$20,000 worth of much needed funding given towards our Australian farmers. A terrific effort for everyone to be very proud of.

#### **Community**

Throughout the year, we have also been heavily involved in community events and were acknowledged during the Cumberland Council Australia Day Awards. Our George Cartwright Memorial unveiling won the community event category. Our Club is proud to have a strong link and affinity with the RSL. It is very important to the Board and management that we conduct ourselves with the spirit of the RSL prevalent throughout our Club and the community events that take place, such as the memorial unveiling and our Anzac Day commemorations.

#### **Heritage Baby Health Centre**

Furthermore, we also saw multiple art, photography and historical exhibitions displayed in the Baby Health Centre.

The utilisation of this space has been perfect with many people complimenting the integration of the heritage-listed building with the contemporary components of the Club. We plan to host more exhibitions in the future.

#### **Team**

Finally our Senior Management Team has seen some changes in becoming a smaller and more resourceful group. This consolidation has improved our efficiency and provided better results and profitability. I'm confident in the team which includes the likes of: Wayne Mar and his proficient control of our financial department, Jane Smith and her numerous years of experience in marketing, David Kim and his smooth operation of the Club, Red Geronimo and his development of the IT team, Paddy Quigg and her strong customer service skills, as well as Chris Debrincat and his strength in financial gaming analytics.

I would also like to commend the Board, and Chairman Ron Hand for their efforts throughout the year. I am extremely confident in the direction the Board is taking this Club in, and look forward to everything 2019 onwards has to offer.



**Bryn Miller**  
Chief Executive Officer

# DEVELOPMENT REPORT

A reflection on the period of January to December 2018 reveals that construction work remained relatively quiet at Merrylands RSL, when compared to the hectic times of 2017. The builders were still at the club, finishing off the renovations and additions to the Military Rd end that gave us the Coffee Lounge and the new kitchens.

The latest version of our Concept Masterplan DA is now set to progress through to the next step being the Sydney West Central Planning Panel for them to collate the necessary reports, and conduct public determinations on the merits of the proposal before deciding on its future.

It has been timely that this planning process has extended over a longer time than what was expected, given that the development of residential style property has commenced the downward trend of what is usually a seven year cycle. By the time Merrylands RSL starts construction work on the first of the three towers, we should be on the upwards trend.

One of the success stories of the recent re-development of our Ground Floor has been the Baby Health Centre, now referred to as the Heritage Centre. It has proven to be ideal for art exhibitions, and for special occasions that require a neat space for thirty to forty people that does not interfere with the general traffic in the

Foyer. Members who have attended these functions would attest to the ambience of the room.

The alterations at Club Umina have also been a success, with the expanded TAB room being much to our members delight. However, we have been put on notice that there are some other major items that need an injection of funds to maintain the buildings integrity.

A proposal to have the property at our Forster Holiday Units re-zoned for higher residential capacity was commenced during 2018. The amalgamated Council at Great Lakes is preparing a new LEP for the whole of their LGA, and our land use is included in their deliberations.

I would like to take this opportunity to thank all of the people associated with the development team for their time and dedication that you have placed into Merrylands RSL's future.

**Ron Hand, JP**  
**Chairman, Development Committee**

## NOTICE OF

# ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE MERRYLANDS R.S.L. CLUB LIMITED **WILL BE HELD IN THE CLUB'S AUDITORIUM AT 8-12 MILLER STREET, MERRYLANDS ON SUNDAY MAY 5 2019 AT 9.30A.M.**

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## BUSINESS:

1. To confirm the Minutes of the previous Annual General Meeting.
2. To receive reports from the Board of Management.
3. To receive and consider the Financial Performance Report and Financial Report from the Auditor.
4. To deal with Business of which due notices has been given: -
  - i. Consider the following 6 Ordinary Resolutions in relation to Directors & Members Benefits. (See the following pages).
5. To deal with any other General Business.

**B. MILLER**  
CHIEF EXECUTIVE OFFICER

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## FIRST RESOLUTION:

That pursuant to the Registered Clubs Act:

- (a) the members hereby approve and agree to expenditure by the Club in a sum not exceeding \$150,000.00 until the next Annual General Meeting of the Club for the following:-
  - (i) Reasonable expenditure incurred by Directors in travelling to and from Directors Meetings or other duly constituted Committee meetings as approved by the Board from time to time on production of invoices, receipts or other proper documentary evidence of such expenditure.
  - (ii) Reasonable expenditure in the form of a meeting allowance for each Director incurred with the attendance at Board or Committee Meetings in the course of that persons duties in relation to the Club.
  - (iii) Reasonable expenditure on a Merrylands R.S.L. Club Ltd. uniform for each Director or Officer of the Club who does not possess such items of clothing.
  - (iv) Reasonable expenditure of food and refreshments for each Director, Club officers and various guests of the Club who have previously attributed to the service of the Club and their partners at the following  
Club functions:-
    - The Board of Directors & Sub-Branch Dinner.
    - The Christmas Cabaret Night.
    - The Golden Oldies Luncheon.
    - Gallipoli Scholarship Luncheon
    - ANZAC & Remembrance Day Luncheons
    - Veterans Luncheon
  - (v) Provision of a Cab Charge Credit Card to all Directors to be used for attendance at Club Special functions, meetings and events as determined by the Board.
  - (vi) Reasonable expenditure for Directors entertaining guests who visit the Club, where the Board determines such expenditure is in the interests of the Club, including its commercial business.
  - (vii) Provision of reserved car parking at the Club for the President, plus additional spaces for Directors and Welfare Officer & Lucky Triple Eight Recipients.
  - (viii) Provision and payment of a mobile phone, to be used by the President, and the payment of the rental and operating charges of the home phone of the President, to assist the President in discharging his duties.
  - (ix) Provision of a Christmas hamper to each Director and each member who conducts welfare duties in the Club.
- (b) The Members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors or other Officers of the Club.

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## SECOND RESOLUTION:

That pursuant to the Registered Clubs Act:

- (a) The Members hereby approve and agree to expenditure by the Club in a sum not exceeding \$165,000.00 for the professional development and education of Directors until the next Annual General Meeting and being:
  - (i) The reasonable cost of seminars, educational workshops, and professional development courses.
  - (ii) The reasonable cost of food, travel & accommodation for not more than nine Officers of the Club and not more than six management staff attending: The RSL & Services Clubs Association Annual General Meeting & Conference and the RSL National Conference.
  - (iii) The reasonable cost of Directors and Officers attending, in Australian or Overseas, seminars, lectures, trade displays, commemorations and other similar events as may be determined by the Board from time to time.
  - (iv) The reasonable cost of Directors & Officers of the Club attending other Registered Clubs for the purpose of viewing and assessing their facilities and methods of operation provided such attendances are approved by the Board as being necessary for the betterment of the Club.
  - (v) (The reasonable cost of Directors and Officers of the Club attending any community or charity function as the representatives of the Club and authorised by the Board to do so.
- (b) The members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors or other Officers of the Club.

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## THIRD RESOLUTION:

- (a) That pursuant to Section 10(6) (b) of the Registered Clubs Act, 1976 the Members agree to the payment of the following honoraria for the period until the next Annual General Meeting:-
  - (i) President \$1083 per month = \$13,000 pa
  - (ii) Vice-Presidents, \$750 each per month = \$9,000 pa
  - (iii) Directors, \$500 each per month = \$6,000 pa
- (b) The Members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors or other Officers of the Club.

## FOURTH RESOLUTION:

That pursuant to the Registered Clubs Act:

- (a) The Members hereby approve and agree to expenditure in a sum not exceeding \$10,000.00 and being:-
  - (i) (i)The Pension subsidy for Club members after five years continuous membership to the Club.
    - 1. Full Member Pensioner.
    - 2. Full Member 25 yr.c
    - 3. Life Member Club 25yr.
- (b) The Members hereby approve and agree to the payment of \$200.00 Mortality Benefit Payment to members who were registered joining the Club before February 1st 1979.
- (c) The Members acknowledge that the benefits in paragraph (a) & (b) above are not available to members generally but only for those members listed in the above categories of membership of the Club.

## FIFTH RESOLUTION:

That pursuant to the Registered Clubs Act:

- (a) The Members hereby approve and agree to expenditure in a sum not exceeding \$12,000 and being:-
  - (i) The RSL Widow's Christmas Gift Vouchers valued at \$75 each paid to wives (who are current financial members of the Club) & whose late husbands were financial RSL Members.
- (b) The Members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those members listed in the above categories.

## SIXTH RESOLUTION:

The pursuant to the Registered Clubs Act:

- (a) The Members hereby approve and agree to expenditure for "Length of Service" to retiring Board Members or in the event of the death of a Director whilst serving in office expenditure towards the cost of a "Wake" held at the Club as per formula listed below not exceeding \$2,000 per individual:-

Years of Service	Value of Gift		Death In Office
5 yrs	Nil		Nil
5 + yrs	\$500 + \$100 pa	<b>OR</b>	\$500 + \$100pa
10 yrs	\$1,000		\$1,000
20 + yrs	\$2,000		\$2,000

- (b) The Members acknowledge that the benefits in paragraph (a) above are not available to members generally but only for those who are Directors of the Club.

### NOTES TO MEMBERS:

These notices are to be read in conjunction with the proposed Resolutions:

1. To be passed each ordinary resolution must receive votes in its favour from not less than a simple majority of those members, who being entitled to do so, vote in person at the Meeting.

By Direction of the Board

**B. MILLER**  
CEO

Dated: 14-03-2019

### ATTENTION MEMBERS:

At the Annual General Meeting any member will have the opportunity of asking questions concerning the accounts.

It is requested however, that those members requiring an in-depth explanation, which would need some research, give notice in writing to the CEO by 5pm on Friday 26 April 2019.

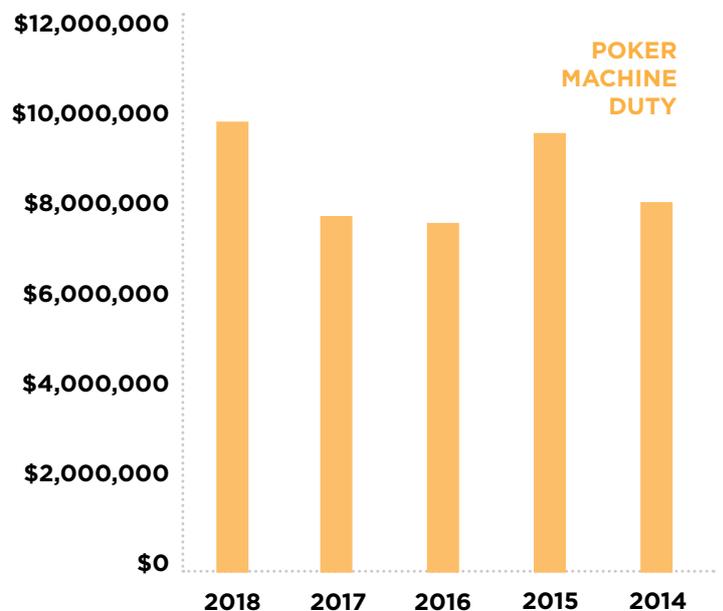
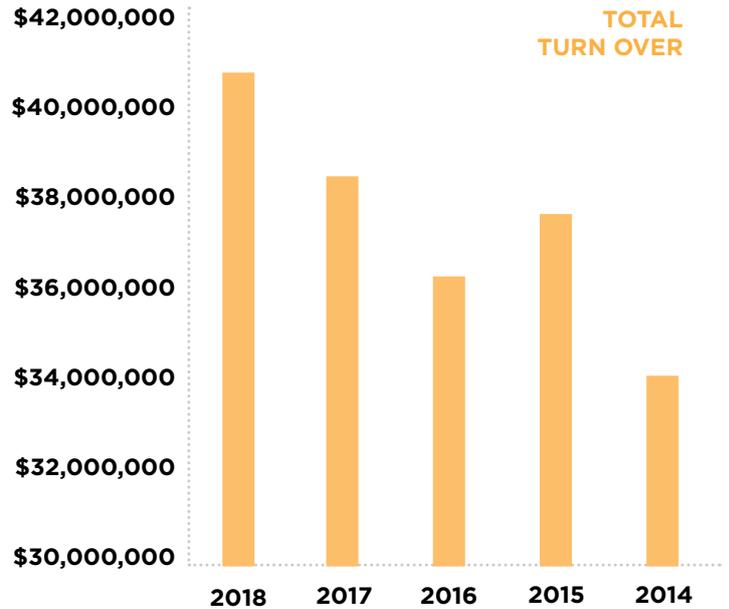
Written enquires will be dealt with at the Meeting and in no way will restrict any member requesting clarification from the floor of any items shown in the Financial Statement.

With the completion of major capital works, 2018 has seen an improvement. This year's net result has been great and look forward to this continuing in the future. Umina had another good year, with a profit of \$31,232 (2017 - \$43,945 profit ). The consolidated net profit after tax for the year is \$4,256,806 compared with \$3,068,067 for the prior year.



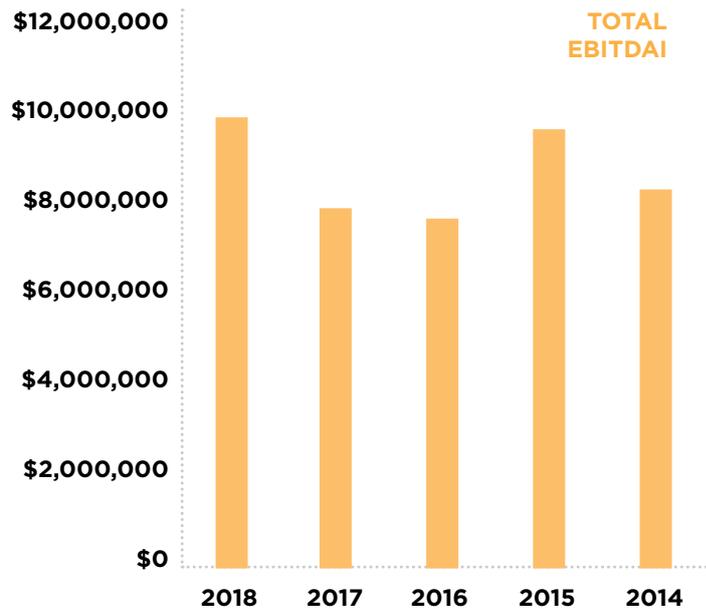
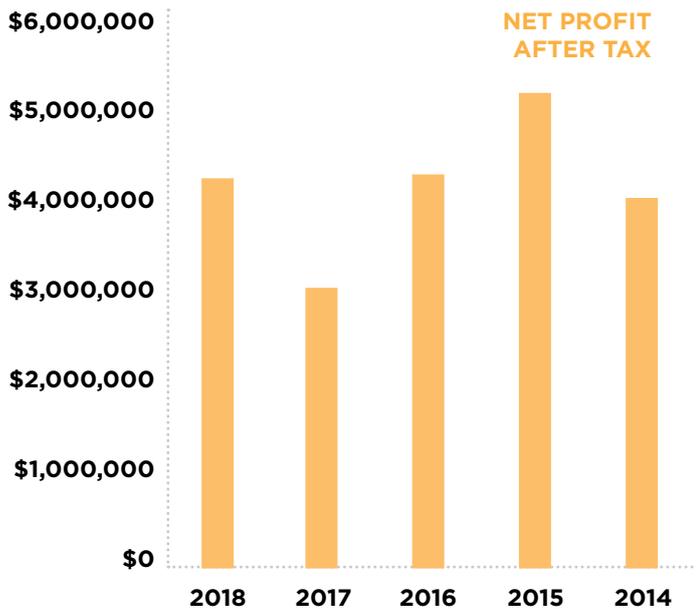
# Financial Report

Wayne Mar



### Operating Result

With major construction works completing, we have diverted our attention to driving our business with efficient spending and maximizing returns. This is after charging \$5,254,223 (2017 - \$4,441,927) for depreciation and amortisation, \$0 for impairment gains (2017 - \$0), and before charging \$279,426 (2017 - \$273,030) for income tax.



We see a good increase in the EBITDAI of \$2,098,441 which will greatly help towards the commencement of Stage 2 of the Masterplan. We need to continually grow the business so as to be able to provide nice facilities for our members and the local community.

In closing special thanks to the Board of Directors, CEO Bryn Miller, Senior Managers and all the staff for their efforts and a job well done again this year. Also, a big thank you to our loyal members for their support in the past and in the future.

Wayne Mar - B.Bus CPA  
**CHIEF FINANCIAL OFFICER**

# Directors' Report

## Directors

The directors present their report, together with the financial statements of Merrylands RSL Club Limited (the Company) for the year ended 31 December 2018.

The directors of the Company in office at any time during or since the end of the financial year are:

Name	Occupation	Years of Experience
Ronald James Hand ( <i>President</i> )	Retired	25 years
Stephen Cunningham ( <i>Vice-President</i> )	Retired	14 years
George Salisbury ( <i>Vice-President</i> )	Retired	18 years
Eric William Michelmores ( <i>Director</i> )	Retired	22 years
Robert Ernest Shorrocks ( <i>Director</i> )	Retired	12 years
Peter Francis Harding ( <i>Director</i> )	Retired	12 years
Sydney Alfred Thode ( <i>Director</i> )	Retired	10 years
Peter Ross Hickey ( <i>Director</i> )	Retired	6 years
Roger Ford ( <i>Director</i> )	Retired	3 years

## Directors' meetings

The number of meetings of the Company's Board of Directors (the Board) and of each board committee held during the year ended 31 December 2018, and the number of meetings attended by each director were:

Director	BOARD MEETING		SUB-COMMITTEE MEETINGS	
	Number of Meetings Attended	Number of Meetings Held *	Number of Meetings Attended	Number of Meetings Held *
R Hand	13	13	37	38
S Cunningham	10	13	20	32
G Salisbury	12	13	36	37
E Michelmores	12	13	11	12
S Thode	11	13	6	7
R Shorrocks	13	13	12	14
P Harding	13	13	12	13
P Hickey	13	13	4	6
R Ford	13	13	8	8

\*Number of meetings held where each Director was entitled to attend during the time they held office throughout the year.

## Membership

The company is a Company limited by guarantee and is without share capital. The number of members as at 31 December 2018 and the comparison with last year is as follows:

Name	2018	2017
<b>Ordinary</b>	71,544	77,941
	71,544	77,941

## Members' limited liability

In accordance with the Constitution of the Company, every member of the Company undertakes to contribute an amount limited to \$5 per member in the event of the winding up of the Company during the time that he/she is a member or within one year thereafter. The total members' limited liability is \$357,720 (2017: \$389,705)

### Operating result

The table below shows a reconciliation of Merrylands RSL Club Limited's earnings before interest, income tax, depreciation, amortisation and impairment losses. This is referred to as EBITDA.

	2017	2016
	\$	\$
Net profit after income tax expense attributable to members	4,256,806	3,068,067
Add back:		
Depreciation and amortisation expense	5,254,223	4,441,927
Finance cost	139,213	78,647
Income tax expense	279,426	273,030
EBITDA	9,929,668	7,861,671

## Objectives

### Short term

The Club's objectives are to assist generally in the promotion, conduct and propagation of a Community based organisation that was founded for the care and commemoration of the RSL members and their families.

Further short term objectives are to provide for the use of members and their guests a great Community Club with a commitment to ensuring the club is focused with service orientated employees continuously seeking to improve the clubs services, facilities and amenities for all to enjoy.

### Long term

To continuously plan to improve our clubs services, facilities and amenities for our members ensuring that the company's pursuit of its objectives can be achieved via existing and future business segments whilst maintaining sustained growth and sound financial cash flow, creditworthiness, earnings growth and an acceptable return on investment.

### Strategy for achieving the objectives

The Club conducts an annual Strategic Review of its operation and undertakes a number of strategic actions to achieve these objectives such as providing:

- Providing Great Facilities
- Developing and provide Training for our Staff and Management
- Customer Focused Organisation
- Growing our Business
- Caring for the Community
- Improving Operational Efficiencies
- Supporting Local Sports

### Principal activities

The principal activities of the Company during the year have continued to be that of licensed social clubs.

# Objectives (CONTINUED)

## Performance measurement and key performance indicator

The Club's financial performance is measured against the annual budget, previous year's results and benchmark data from the club industry.

### Financial performance measures include:

- Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA)
- Wage percentages to Income
- Expense percentages to Income
- Gross Profit percentages
- Cash Flow

### Non-financial performance measures include:

- Mystery shoppers
- Members' feedback
- Market research
- Patronage numbers

# Director's Report

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the directors.

Dated at Merrylands this 27th day of February 2019.



R J HAND  
**Director**

## Declaration of independence by Paul Cheeseman to the directors of Merrylands RSL club limited

As lead auditor of Merrylands RSL Club Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.



Paul Cheeseman  
**Partner**

BDO East Coast Partnership  
Sydney, 27 February 2019

To the members of Merrylands RSL Club Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Merrylands RSL Club Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit and loss and other comprehensive income, the statement of changes in members' funds and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Merrylands 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 31 December 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

### Other information

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

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

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

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

### Responsibilities of the directors for the Financial Report

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

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

### Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_files/ar1.pdf](http://www.auasb.gov.au/auditors_files/ar1.pdf). This description forms part of our auditor's report.

### BDO East Coast Partnership



Paul Cheeseman  
**Partner**  
27 February 2019

# Directors' Declaration

The directors of Merrylands RSL Club Limited declare that:

- (a) In the Directors' opinion the financial statements and notes set out on pages 9 to 32, are in accordance with the Corporations Act 2001, including:
  - (i) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its performance, for the financial year ended on that date; and
  - (ii) Complying with Australian Accounting Standards - Reduced Disclosure Requirements and Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.  
Dated at Merrylands this 27th day of February 2019



R J HAND  
**Director**

# Statement of Profit or Loss and Other Comprehensive Income

Year Ended 31 December 2018

	Note	2018	2017
		\$	\$
<b>Revenue and other income</b>			
Sale of goods		3,663,509	3,912,131
Rendering of services		36,229,301	33,801,901
Other revenue		812,027	745,958
Total revenue and other income	1	40,704,837	38,459,990
<b>Expenses</b>			
Cost of sales		(1,732,477)	(1,768,072)
Employee benefits expense		(7,586,575)	(7,504,191)
Entertainment, marketing and promotional costs		(5,025,840)	(5,016,780)
Poker machine licences and taxes		(8,987,928)	(8,303,393)
Donations		(727,953)	(603,348)
Loss on disposal of fixed assets		(2,282)	(265,399)
Occupancy expenses		(4,623,877)	(4,497,833)
Other expenses		(2,088,237)	(2,639,303)
		(30,775,169)	(30,598,319)
Earnings before depreciation and amortisation expense, finance costs and impairment losses		9,929,668	7,861,671
Depreciation and amortisation expenses	2(a)	(5,254,223)	(4,441,927)
Finance costs	2(a)	(139,213)	(78,647)
<b>Profit before income tax</b>		4,536,232	3,341,097
Income tax expense	3(a)	(279,426)	(273,030)
<b>Net profit after income tax expense attributable to members</b>		4,256,806	3,068,067
<b>Other Comprehensive Income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total profit or loss and comprehensive income for the year</b>		4,256,806	3,068,067

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 22 to 33.

# Statement of Financial Position

For the Year Ended 31 December 2018

	Note	2018	2017
<b>Current Assets</b>		\$	\$
Cash and cash equivalents		8,114,887	4,917,384
Trade and other receivables		216,621	177,944
Other financial assets		2	2
Inventories		135,138	140,066
Prepayments		161,654	466,015
<b>Total Current Assets</b>		8,628,302	5,701,411
<b>Non-Current Assets</b>			
Property, plant and equipment	4	65,635,794	64,445,013
Investment property	5	1,260,886	904,272
Deferred tax assets	3(c)	38,850	47,743
Intangible assets	6	5,580,017	5,580,017
<b>Total Non-Current Assets</b>		72,515,547	70,977,045
<b>Total Assets</b>		81,143,849	76,678,456
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	2,624,530	5,594,152
Financial liabilities	8	1,920,390	1,217,529
Current tax liabilities	3(b)	130,170	221,180
Employee benefits	9	1,159,519	1,262,584
Income received in advance		16,787	23,210
<b>Total Current Liabilities</b>		5,851,396	8,318,655
<b>Non-Current Liabilities</b>			
Financial liabilities	8	3,615,346	935,189
Employee benefits	9	67,014	71,325
<b>Total Non-Current Liabilities</b>		3,682,360	1,006,514
<b>Total Liabilities</b>		9,533,756	9,325,169
<b>Net Assets</b>		71,610,093	67,353,287
<b>Members' Funds</b>			
Retained profits		71,610,093	67,353,287
<b>Total Members' Funds</b>		71,610,093	67,353,287

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 22 to 33.

# Statement of Changes in Members' Funds

For the Year Ended 31 December 2018

	Retained Earnings	Total Members Funds'
	\$	\$
<b>Balance at 1 January 2017</b>	64,285,220	64,285,220
Net profit for the year	3,068,067	3,068,067
Other comprehensive income for the year	-	-
Total comprehensive income for the year	3,068,067	3,068,067
<b>Balance at 31 December 2017</b>	67,353,287	67,353,287
Net profit for the year	4,256,806	4,256,806
Other comprehensive income for the year	-	-
Total comprehensive income for the year	4,256,806	4,256,806
<b>Balance at 31 December 2018</b>	71,610,093	71,610,093

# Statement of Cash Flows

For the Year Ended 31 December 2018

	2018	2017
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from customers (GST inclusive)	43,843,414	41,393,268
Payments to suppliers and employees (GST inclusive)	(37,384,778)	(35,738,004)
Interest received	53,730	77,744
Rent received	758,297	668,214
Finance costs paid	(139,213)	(78,647)
Income taxes paid	(361,543)	(431,227)
<b>Net cash inflow from operating activities</b>	6,769,907	5,891,348
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of property, plant and equipment	81,453	82,897
Payment for property, plant and equipment	(6,883,070)	(13,315,153)
Payment for poker machine entitlements	-	(730,727)
<b>Net cash outflow from investing activities</b>	(6,801,617)	(13,962,983)
<b>Cash Flows From Financing Activities</b>		
Repayment of borrowings	(153,805)	(594,711)
Proceeds from borrowings	4,399,165	-
Repayment for finance leases	(1,016,147)	(1,253,427)
<b>Net cash inflow from financing activities</b>	3,229,213	1,848,138
<b>Net increase/ (decrease) in cash and cash equivalents</b>	3,197,503	(9,919,773)
Cash and cash equivalents at the beginning of the financial year	4,917,384	14,926,838
Exchange rate/translation adjustments on cash	-	(89,681)
<b>Cash and cash equivalents at the end of the financial year</b>	8,114,887	4,917,384

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 22 to 33.

# Notes to the Financial Statements For the Year Ended 31 December 2018

## For the Year Ended 31 December 2018

### About this report

Merrylands RSL Club Limited is a company limited by guarantee, incorporated and domiciled in Australia and is a non-for-profit entity for the purposes of preparing the financial statements. The financial statements are for Merrylands RSL Club Limited as a standalone legal entity.

The financial statements were approved for issue by the Directors on 27 February 2019.

The financial statements are general purposes financial statements which:

- Have been prepared in accordance with the requirements of the Corporations Act 2001 and Australia Accounting Standards - Reduced Disclosure Requirements of the Australia Accounting Standards Board;
- Have been prepared under the historical cost convention;
- Are presented in Australian dollars;
- Where necessary comparative information has been restated to conform with changes in presentation in the current year; and
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that on or after 1 January 2018.
- Have been prepared on a going concern basis.

### AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 January 2018. The Company has receivables at year end and under the standard there are new impairment requirements which use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial asset has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

### Impact of adoption

The adoption of new Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company as at 31 December 2018 or on opening retained earnings as at 1 January 2018."

### The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the company. Information is considered material and relevant if, for example:

- The amount in question is significant because of its size or nature;
- It is important for understanding the results of the company;
- It helps to explain the impact of significant changes in the company's business - for example, acquisitions and impairment write downs; and
- It relates to an aspect of the Company's operations that is important to its future performance

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

### Critical Accounting Judgements, Estimates and Assumptions

In the process of applying the company's accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates that are material to the financial statements include:

Estimation of useful lives of assets	Note 4 & 5
Intangible Assets	Note 6
Long service leave liability	Note 9

## 1. Revenue and Other Income

	2018	2017
<b>Sale of Goods Revenue</b>	\$	\$
Bar sales	3,362,562	3,605,577
Catering sales	300,947	306,554
	3,663,509	3,912,131
<b>Rendering of Services Revenue</b>		
Poker machines - net clearances	34,453,799	32,088,724
Entertainment and promotions	741,969	762,906
Keno and TAB commission	341,246	345,431
Commission received	296,857	276,087
Sundry income	395,430	328,753
	36,229,301	33,801,901
<b>Other Revenues</b>		
Interest received	53,730	77,744
Rent received	758,297	668,214
	812,027	745,958
Total Revenue	40,704,837	38,459,990
<b>Total revenue and Other Income</b>	40,704,837	38,459,990

### Recognition and Measurement

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

#### Sale of Goods

Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods and is recognised (net of rebates, returns, discounts and other allowances) on the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods.

#### Rendering of Services

Revenue from rendering services comprises revenue from gaming facilities together with other services to members and other patrons of the club and is recognised when the services are provided.

#### Interest Revenue

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

#### Rental Revenue

Rental revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

#### Sale of Property, Plant and Equipment

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs) and is recognised as other income at the date control of the asset passes to the buyer.

#### Foreign currency transaction

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is Merrylands RSL Club Limited's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## 2. Expenses

	2018	2017
	\$	\$
<b>a. Profit before income tax includes the following specific expenses:</b>		
<b>Finance costs</b>		
Bank loans	88,391	27,333
Interest on finance leases	50,822	51,314
	139,213	78,647
<b>Depreciation</b>		
Buildings and improvements	2,629,928	2,206,996
Poker machines	535,022	357,814
Plant and equipment	994,122	929,050
Forster holiday complex	29,000	29,280
Investment property	66,388	64,591
Leased assets	999,763	854,196
Total depreciation	5,254,223	4,441,927
<b>Net (gain)/expense from movements in provision for</b>		
Employee benefits	(107,376)	(189,014)
<b>Defined contribution superannuation expense</b>	<b>585,984</b>	<b>591,676</b>

### Recognition and Measurement

#### Finance Cost

Finance costs include interest, premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Finance costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets, which take more than 12 months to get ready for their intended use or sale. In these circumstances, finance costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of finance costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, finance costs are capitalised using a weighted average capitalisation rate.

	2018	2017
	%	%
<b>b. Key Performance Indicators</b>		
<b>Bar - Merrylands RSL</b>		
Gross profit percentage	54.7%	56.73%
Wages to sales percentage	45.2%	39.12%
<b>Bar - Umina</b>		
Gross profit percentage	52.0%	54.70%
Wages to sales percentage	16.6%	14.50%
<b>Wages and salaries - percentage of total revenue</b>	<b>18.64%</b>	<b>19.78%</b>
<b>EBITDA percentage (before impairment)</b>	<b>24.47%</b>	<b>20.44%</b>

### 3. Income Tax

	2018	2017
	\$	\$
<b>a. Income Tax Expense</b>		
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.		
The amount set aside for income tax in the Statement of Profit or Loss and Other Comprehensive Income has been calculated as follows:		
Proportion of income attributable to non-members	4,568,598	4,419,319
Less: Proportion of expenses attributable to non-members	(3,630,642)	(3,410,340)
	937,956	1,008,979
Add: Other taxable income	1,213,577	1,184,932
	2,151,533	2,193,911
Less: Other deductible expenses	(1,157,904)	(1,229,451)
Net income subject to tax	993,629	964,460
Current income tax applicable to the above at 27.5% (2017: 30%)	273,248	289,337
Over provided in prior years	(2,715)	(29,848)
Decrease in deferred tax assets	8,893	13,541
Income tax expense	279,426	273,030
<b>b. Current Tax Liabilities</b>		
Movements during the year:		
Balance at beginning of year	221,180	392,918
Income tax paid	(361,543)	(431,227)
Current year's income tax expense	273,248	289,337
Over provision in prior year	(2,715)	(29,848)
Current tax liabilities	130,170	221,180
<b>c. Deferred Tax Assets</b>		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	38,850	47,743
Net deferred tax assets	38,850	47,743
<b>Movements</b>		
Opening balance	47,743	61,284
Charged to the Statement of Profit or Loss and Other Comprehensive Income	(8,893)	(13,541)
Closing balance	38,850	47,743

#### Mutuality Principle

The company calculates its income in accordance with the mutuality principle which excludes from income, any amounts of subscriptions and contributions from members, and payments received from members for particular services provided by the club or association, e.g. Poker machines, bar and dining room service in the case of social clubs. The Commissioner of Taxation accepts this method of calculating income as appropriate for recognised clubs and associations.

Amendments to the Income Tax Assessment Act 1997 ensure RSL and social clubs continue not to be taxed on receipts from contributions and payments received from members.

### 3. Income Tax (Continued)

#### Recognition and Measurement

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle the claim simultaneously.

### 4. Property, Plant and Equipment

	2018	2017
	\$	\$
<b>Freehold Land, Buildings and improvements</b>		
At cost	69,469,016	64,739,698
Accumulated depreciation	(15,070,360)	(12,554,191)
	54,398,656	52,185,507
<b>Poker machines</b>		
At cost	3,713,081	5,068,517
Accumulated depreciation	(1,521,484)	(3,735,750)
	2,191,597	1,332,767
<b>Plant and equipment</b>		
At cost	16,621,701	16,707,472
Accumulated depreciation	(11,496,458)	(12,545,155)
	5,125,243	4,162,317
<b>Forster holiday complex land and buildings</b>		
At cost	1,321,209	1,321,209
Accumulated depreciation	(590,932)	(561,932)
	730,277	759,277
<b>Leased assets</b>		
At cost	9,182,933	9,182,933
Accumulated amortisation	(6,685,618)	(5,685,855)
	2,497,315	3,497,078
<b>Work in progress</b>		
At cost	692,706	2,508,067
Total property, plant and equipment net book value	65,635,794	64,445,013

Refer to Note 8 for details of security over property, plant and equipment.

#### Valuation

The independent valuations of the company's freehold land and buildings were carried out as at February 2019 on the basis of open market value for existing use resulted in a valuation of \$75,600,000. As freehold land and buildings are recorded at cost the valuations have not been brought to account. The directors do not believe that there has been a material movement in fair value since the revaluation date.

## 4. Property, Plant and Equipment (Continued)

	2018	2017
	\$	\$
<b>Reconciliations</b>		
<b>Movements in Carrying Amounts</b>		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:		
<b>Freehold land, buildings and improvements</b>		
Carrying amount at beginning of year	52,185,507	32,691,382
Additions	3,045,525	327,913
Transfer from work in progress	1,835,665	21,661,788
Disposal	(38,113)	(288,579)
Depreciation expense	(2,629,928)	(2,206,997)
Carrying amount at end of year	54,398,656	52,185,507
<b>Poker machines</b>		
Carrying amount at beginning of year	1,332,767	895,192
Additions	1,393,852	835,089
Disposals	-	(39,700)
Depreciation expense	(535,022)	(357,814)
Carrying amount at end of year	2,191,597	1,332,767
<b>Plant and equipment</b>		
Carrying amount at beginning of year	4,162,317	3,091,183
Additions	2,000,388	2,020,202
Disposals	(43,340)	(20,018)
Depreciation expense	(994,122)	(929,050)
Carrying amount at end of year	5,125,243	4,162,317
<b>Forster holiday complex land and buildings</b>		
Carrying amount at beginning of year	759,277	788,557
Depreciation expense	(29,000)	(29,280)
Carrying amount at end of year	730,277	759,277
<b>Leased assets</b>		
Carrying amount at beginning of year	3,497,078	2,240,501
Additions	-	2,110,773
Amortisation expense	(999,763)	(854,196)
Carrying amount at end of year	2,497,315	3,497,078
<b>Work in progress</b>		
Carrying amount at beginning of year	2,508,067	11,529,838
Additions	20,303	12,640,017
Transfer to buildings & improvements	(1,835,664)	(21,661,788)
Carrying amount at end of year	692,706	2,508,067

## 4. Property, Plant and Equipment (Continued)

### Core properties held by the Club are:

#### Merrylands

8-12 Miller Street, Merrylands NSW 2160

#### Umina Beach

Melbourne Avenue, Umina Beach NSW 2257

### Non-core properties held by the Club are:

#### Merrylands

Units 1-7 & 9-12

1 Newman Street, Merrylands NSW 2160

#### Forster

6-12 Lake Street, Forster NSW 2428

### Recognition and Measurement

All property, plant and equipment (including Investment Property) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' 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 profit or loss during the financial period in which they are incurred. The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated using the straight line/ diminishing value methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

#### Property, Plant and Equipment

Buildings	50 years
Plant and equipment	5 - 20 years
Poker machines	4 - 7 years

#### Investment Property

Buildings	50 years
-----------	----------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

As 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.

Capital works in progress is transferred to property, plant and equipment and depreciated when completed and ready for use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

#### Impairment of Assets

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

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

#### Key estimate and Judgement: Estimation of Useful Lives of Assets

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

## 5. Investment Property

	2018	2017
	\$	\$
<b>Freehold land and buildings</b>		
At cost	1,714,825	1,291,823
Accumulated depreciation	(453,939)	(387,551)
	1,260,886	904,272
<b>Movements in Carrying Amounts</b>		
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are set out below:		
Carrying amount at beginning of year	904,272	968,863
Additions	423,002	-
Depreciation expense	(66,388)	(64,591)
Carrying amount at end of year	1,260,886	904,272

### Recognition and Measurement

Investment properties consist of properties held for long term rentals and/or capital appreciation and properties being constructed or developed for future use as investment properties. Investment properties are initially recognised at cost including transaction costs, development costs, construction costs and interest incurred during the construction phase.

### Valuation Basis

The independent valuation of the company's investment property was carried out as at February 2014 on the basis of open market value for existing use resulting in a valuation of \$2,400,000. As investment properties are recorded at cost the valuations have not been brought to account. The directors do not believe that

there has been a material movement in the fair value since the valuation date.

Investment property acquired after the valuation date has been recognised at cost.

### Key estimate and Judgement: Estimation of Useful Lives of Assets

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

## 6. Intangible Assets

	2018	2017
	\$	\$
Poker machine entitlements		
At valuation	5,580,017	5,580,017
<b>Movement</b>		
Opening net book amount	5,580,017	4,849,290
Additions	-	730,727
Closing carrying value	5,580,017	5,580,017

### Recognition and Measurement:

Poker machine entitlements are not amortised as they are deemed to have an indefinite useful life. They have an indefinite useful life as they do not expire and under current government legislation there is no plan to remove such entitlements. As a result, poker machine entitlements are tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

### Impairments Tests for Poker Machine Entitlements

At the end of the reporting period the company assessed the recoverable amount of poker machine entitlement based on the value in use methodology. The company used the pre-tax cash flows generated from the poker machines net revenues

generated and calculated the present values of these future cash flows at an appropriate discount rate to arrive at the total value of these entitlements. The value in use recoverable amount for each entitlement is calculated by dividing the total value of the entitlements with the actual number of entitlements. The value thus arrived, was in excess of the carrying value and accordingly no impairment losses were recognised.

### Key estimate and judgement: Intangible Assets

Impairment of poker machine entitlements is recognised based on a value-in-use calculation and is measured at the present value of the estimated future cash flows available to the company from the use of these entitlements. In determining the present value of the future cash flows, assumptions regarding growth rates and appropriate discount factors have been applied to the cash flows.

## 7. Trade and Other Payables

	2018	2017
	\$	\$
Trade creditors	2,077,413	2,309,921
Goods and Services Tax (GST) payable	243,830	256,684
Other creditors and accruals	303,287	3,027,547
	2,624,530	5,594,152

### Recognition and Measurement

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

## 8. Financial Liabilities

	Note	2018	2017
		\$	\$
<b>Current</b>			
<b>Secured</b>			
Bank loans		1,314,480	153,805
Finance leases	10	605,910	1,063,724
		1,920,390	1,217,529
<b>Non-Current</b>			
<b>Secured</b>			
Bank loans		3,238,490	-
Finance leases	10	376,856	935,189
		3,615,346	935,189
<b>Financing Arrangements</b>			
The company has access to the following lines of credit:			
Total facilities available: Flexible rate bank loan		5,257,760	8,748,815
Asset finance leasing		2,440,000	2,440,000
		7,697,760	11,188,815
Facilities utilised at reporting date:			
Flexible rate bank loan		4,553,970	153,805
Asset finance leasing		982,766	1,998,913
		5,536,736	2,152,718

### Recognition and Measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of borrowings using the effective interest method.

Borrowings are classified as non-current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### Bank Loans

The Bank loans are denominated in Australian dollars. The bank loans amount in current liabilities comprises the portion of the company's bank loan payable within one year. The bank loans non-current balance represents the portion of the company's bank loans not due within one year.

The loan bears interest at the bank base indicator rate of 4.67% plus customer margin and default interest rate margin of up to 4.5% (2017: 10.2%), payable monthly. The weighted average interest rate is 4.045% (2017: 5.7%) as at 31 December 2018.

### Security

The bank loans are secured against all of the present and future rights, property and undertaking of Merrylands RSL Club Limited.

The lease facility is secured against the assets purchased under this facility as disclosed in Note 4.

## 9. Employee Benefits

	2018	2017
	\$	\$
Aggregate liability for employee benefits including on-costs		
Current	1,159,519	1,262,584
Non-Current	67,014	71,325
Total employee benefits	<u>1,226,533</u>	<u>1,333,909</u>

The present value of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

Inflation rate	1.80%	1.70%
Discount rate	3.81%	2.81%

### Superannuation Plans

#### Contributions

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

#### Recognition and Measurement

##### Wages and Salaries and Annual Leave

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

##### Long Service Leave

The provision for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided

to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the market yields on national government bonds at reporting date which most closely match the terms of maturity with the expected timing of cash flows. The unwinding of the discount is treated as long service leave expense.

##### Key estimate and judgement: Long Service Leave

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

##### Superannuation Plan

The company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made. The company has no legal or constructive obligation to fund any

## 10. Commitments

	2018	2017
	\$	\$
<b>Finance Lease Commitments</b>		
Finance lease rental commitments are payable:		
Within one year	605,910	1,063,723
One year or later and no later than five years	376,856	935,189
Minimum lease payments	<u>982,766</u>	<u>1,998,912</u>
<b>Capital Commitments</b>		
Total capital commitments due within one year	<u>-</u>	<u>6,239,568</u>

### Recognition and Measurement

Leases under which the company assumes substantially all the risks and benefits incidental to the ownership of the assets but not the legal ownership are classified as finance leases. Other leases are classified as operating leases.

#### Finance Leases

A lease asset and a lease liability are recorded at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

#### Operating Leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

#### Capital Commitments

There were no capital commitments entered into by the Merrylands RSL Club at year end

## 11. Contingent Liabilities

	2018	2017
<b>Bank Guarantees</b>		
The company has given the following bank guarantees:		
TAB Limited	<u>10,900</u>	<u>10,900</u>

## 12. Key Management Personnel Details

### (a) Directors

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

R Hand  
S Cunningham  
G Salisbury  
E Michelmore  
R Shorrock  
P Harding  
S Thode  
P Hickey  
R Ford

### (b) Other Key Management Personnel

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

Name	Position
Bryn Miller	Chief Executive Officer
Wayne Mar	Chief Financial Officer

### (c) Key Management Personnel Compensation

	2018	2017
	\$	\$
Benefits and payments made to the Directors and Other Key Management Personnel	725,015	667,665

## 13. Related Parties

### Key Management Personnel

Disclosures relating to key management personnel are set out in Note 12.

### Directors' Transactions with the Company

From time to time directors of the company may purchase goods from the company or participate in other Club activities. These purchases and participations are on the same terms and conditions as those entered into by any other member of the Club. Apart from the details disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

## 14. Company Details

The Club is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the Company, every member of the company undertakes to contribute an amount limited to \$5 per member in the event of the winding up of the Company during the time that he/she is a member or within one year thereafter. At 31 December 2018 there were 71,544 wwwmembers.

The registered office of the Company is 8-12 Miller St, Merrylands NSW 2160.

## 15. Events Subsequent to Reporting Date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

## 16. Summary of Other Significant Accounting Policies

### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash includes deposits for which there is a short term identified use in the operating cash flows of the Company, and attracts interest at rates between 0% and 1.3% per annum (2017: 0% and 1.3%).

### Trade and other receivables

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

### Inventories

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

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets such as trading and available-for-sale securities is based on quoted market prices at the Statement of Financial Position date. The quoted market price used for financial assets held by the company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

# Notes:





