
Forestville RSL Club Limited

ABN 15 000 970 132

**Annual Financial Report
31 December 2010**

Forestville RSL Club Limited

Directors' Report

Your directors present their report together with the financial report of Forestville RSL Club Limited (the company) for the year ended 31 December 2010 and the auditor's report thereon.

Directors

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

Name and qualifications	Date of appointment	Experience and special responsibilities
B Chisnall President	10-Apr-01	Retired Graphic Reproducer Member of the Executive, Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1972.
D Ford JP Vice President	14-Mar-94	Retired NSW Fire Brigade Member of the Executive, Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1975. Life Member.
K Flaherty Executive Director	21-Apr-97	Retired Public Servant Member of the Executive, Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1971. Life Member
B Chaffer Director	27-Apr-10	Retired Lithographic Printer. Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1965.
K Cliff Director	23-Apr-07	Retired Insulation Contractor, Licensed Carpenter/Painter Chairman of Sports Council. Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1972.
B Green Director	28-Apr-03	Retired Project/Site Engineer/Draughtsman Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1964.
J Hannon Director	10-Apr-00 (resigned 27-4-2010)	Retired Bank Officer and Secretary Secretary of Sports Council. Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1993.
W Law Director	28-Apr-09	Retired Avionics Engineer. Member of Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1970

Forestville RSL Club Limited

Directors' Report (continued)

Directors (continued)

Name and qualifications	Date of appointment	Experience and special responsibilities
D McNeil Director	20-Mar-95 (resigned 27-4-2010)	Retired Senior Colonial Police Officer Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Member of the club since 1993. Life Member.
M Wharrie Director	19-Mar-85 (resigned 27-4-2010)	Retired Industrial Engineer Member of the Catering, Finance, Welfare, Future Planning and Entertainment Committees. Life Member.

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the financial year are:

Director	Number of meetings attended	Number of meetings held *
B Chaffer	8	8
B Chisnall	12	12
K Cliff	12	12
K Flaherty	12	12
D Ford	12	12
B Green	12	12
J Hannon	3	4
W Law	11	12
D McNeil	4	4
M Wharrie	4	4

* Number of meetings held during the time the director held office during the year.

Forestville RSL Club Limited

Directors' Report (continued)

Membership

The company is a company limited by guarantee and is without share capital. The number of members as at 31 December 2010 and the comparison with last year is as follows:

	2010	2009
Ordinary	8,446	8,049
Life	10	10
	<hr/>	<hr/>
	8,456	8,059
	<hr/>	<hr/>

In accordance with the Constitution of the company, every member of the company undertakes to contribute an amount limited to \$7 per member in the event of the winding up of the company during the time that he is a member or within one year thereafter.

Operating Result

The net loss from ordinary activities before tax for the year amounted to \$1,912,510 compared with a profit of \$675,728 for the prior year. This resulted after charging \$715,162 (2009: \$736,852) for depreciation, \$2,044,334 (2009: \$41,107) for loss on disposal of property, plant and equipment and before crediting \$158,629 (2009: charging \$1,401) for income tax.

Objectives

Short term

To provide for the use of members and their guests a welcoming community club with modern facilities and amenities. To continue to support the wider local community and foster a relationship to maximise our exposure and involvement with our local area.

Long term

To continue to explore ways to improve the club and ensure its long term viability.

Strategy for achieving the objectives

The club's strategic plans are reviewed on a regular basis to ensure relevance in achieving our goals. Through the use of professional finance management and key performance indicators combined with proactive culture these strategies are achieved.

Principal activity

The principal activity of the company during the year has continued to be that of a licensed social club.

There have been no significant changes in the nature of this activity during the year.

Forestville RSL Club Limited

Directors' Report (continued)

How these activities assist in achieving the objectives

The principal activities of the club outlined above are consistent with the club achieving the objectives with each stated strategy designed to enhance and improve the club's facility and ensure delivery of quality facilities of a RSL Club.

Performance measurement and key performance indicator

The club has departmental and organisational business plans and corporate strategic plans and the documented KPI's are reviewed by Executive Management and the Board of Directors at monthly meetings.

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

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 Forestville this 2nd day of March 2011.



B Chisnall
President

Forestville RSL Club Limited
Auditor's Independence Declaration

As lead auditor for the audit of Forestville RSL Club Limited for the year ended 31 December 2010, I declare that to the best of my knowledge and belief there have been:

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

This declaration is in respect to Forestville RSL Club Limited during the year.



PKF



Paul Cheeseman
Partner

2 March 2011

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Forestville RSL Club Limited

Independent Audit Report



To the members of Forestville RSL Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Forestville RSL Club Limited, which comprises the Statement of Financial Position as at 31 December 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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*.

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Forestville RSL Club Limited
Independent Audit Report (continued)

Auditor's Opinion

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

- (i) giving a true and fair view of the entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*; and



PKF



Paul Cheeseman
Partner

2 March 2011

Forestville RSL Club Limited

Directors' Declaration

The directors of Forestville RSL Club Limited declare that:

- (a) In the Directors' opinion the financial statements and notes set out on pages 9 to 30, 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 2010 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.
- (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 Forestville this 2nd day of March 2011.



B Chisnall
President

Forestville RSL Club Limited
Statement of Comprehensive Income
For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Revenue from continuing operations			
Sale of goods		1,137,080	1,311,655
Rendering of services		5,568,930	6,405,491
Other revenue		65,078	71,292
		<hr/>	<hr/>
Total revenue from continuing operations	2	6,771,088	7,788,438
		<hr/>	<hr/>
Expenses			
Cost of sales		(507,098)	(561,661)
Employee benefits expense		(2,453,043)	(2,398,390)
Entertainment, marketing and promotional costs		(673,981)	(799,868)
Poker machine licences and taxes		(1,102,885)	(1,322,670)
Occupancy expenses		(613,837)	(642,120)
Repairs and maintenance		(279,797)	(295,426)
Other expenses from ordinary activities		(192,645)	(208,024)
		<hr/>	<hr/>
		(5,823,286)	(6,228,159)
		<hr/>	<hr/>
Earnings before depreciation expense, loss on disposal of property, plant and equipment, finance costs and donations and grants paid		947,802	1,560,279
Loss on disposal of property, plant and equipment	3(a)	(2,044,334)	(41,107)
Depreciation expenses	3(a)	(715,162)	(736,852)
Finance cost	3(a)	(41,246)	(32,558)
Donations and grants		(59,570)	(74,034)
		<hr/>	<hr/>
Profit / (loss) before income tax		(1,912,510)	675,728
Income tax benefit / (expense)	5(a)	158,629	(1,401)
		<hr/>	<hr/>
Net profit / loss) from continuing operations after income tax expense attributable to members	15	(1,753,881)	674,327
Other comprehensive income		<hr/>	<hr/>
		-	-
Total comprehensive income / (loss) for the year		<hr/>	<hr/>
		(1,753,881)	674,327
		<hr/>	<hr/>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 13 to 30.

Forestville RSL Club Limited
Statement of Financial Position
As at 31 December 2010

ASSETS	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	4	408,543	455,935
Trade and other receivables	6	17,029	10,824
Inventories	7	81,252	78,423
Current tax assets	5(b)	5,269	10,218
Other current assets	8	123,911	114,717
		<hr/>	<hr/>
Total Current Assets		636,004	670,117
		<hr/>	<hr/>
Non-Current Assets			
Property, plant and equipment	9	12,336,446	11,760,119
Deferred tax assets	5(c)	213,762	55,133
		<hr/>	<hr/>
Total Non-Current Assets		12,550,028	11,815,252
		<hr/>	<hr/>
Total Assets		13,186,212	12,485,369
		<hr/>	<hr/>
LIABILITIES			
Current Liabilities			
Trade and other payables	10	831,167	545,977
Financial liabilities	11	409,073	-
Employee benefits	12	419,111	379,693
Other current liabilities	13	51,712	54,294
		<hr/>	<hr/>
Total Current Liabilities		1,711,063	979,964
		<hr/>	<hr/>
Non-Current Liabilities			
Financial liabilities	11	1,978,964	230,000
Employee benefits	12	34,088	45,393
Other non-current liabilities	13	27,193	41,227
		<hr/>	<hr/>
Total Non-Current Liabilities		2,040,245	316,620
		<hr/>	<hr/>
Total Liabilities		3,751,308	1,296,584
		<hr/>	<hr/>
Net Assets		9,434,904	11,188,785
		<hr/>	<hr/>
Members' Funds			
Reserves	14	321,767	321,767
Retained profits	15	9,113,137	10,867,018
		<hr/>	<hr/>
Total Members' Funds		9,434,904	11,188,785
		<hr/>	<hr/>

The Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 13 to 30.

Forestville RSL Club Limited

Statement of Changes in Equity
For the Year Ended 31 December 2010

	Capital profits reserve	Retained Earnings	Total Equity
	\$	\$	\$
Balance at 1 January 2009	321,767	10,192,691	10,514,458
Net profit for the year	-	674,327	674,327
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	674,327	674,327
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2009	321,767	10,867,018	11,188,785
	<hr/>	<hr/>	<hr/>
Net loss for the year	-	(1,753,881)	(1,753,881)
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(1,753,881)	(1,753,881)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2010	321,767	9,113,137	9,434,904
	<hr/>	<hr/>	<hr/>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 13 to 30.

Forestville RSL Club Limited
Statement of Cash Flows
For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		7,370,406	8,489,761
Payments to suppliers and employees		(6,258,895)	(7,058,813)
Interest received		5,837	4,717
Interest paid		(41,246)	(32,558)
Rent received		59,241	66,575
Income tax paid (net of refunds)		(4,949)	(16,000)
		<hr/>	<hr/>
Net cash inflow from operating activities		1,130,394	1,453,682
		<hr/>	<hr/>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		180	11,499
Payment for property, plant and equipment		(3,336,003)	(635,079)
		<hr/>	<hr/>
Net cash outflow from investing activities		(3,335,823)	(623,580)
		<hr/>	<hr/>
Cash Flows From Financing Activities			
Proceedings from borrowings		2,388,037	-
Repayment of borrowings		(230,000)	(970,000)
		<hr/>	<hr/>
Net cash inflow / (outflow) from financing activities		2,158,037	(970,000)
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		(47,392)	(139,898)
Cash and cash equivalents at the beginning of the financial year		455,935	595,833
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	4	408,543	455,935
		<hr/>	<hr/>

The Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 13 to 30.

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010

1 Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

In preparing the financial report the company has taken the exemptions available to non profit entities.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements of the Forestville RSL Club Limited comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Historical Cost Convention

These financial statements have been prepared on an accruals basis and are based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Revenue Recognition – Note 2

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.

Sale of Property, Plant and Equipment

The gain or loss on disposal 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 revenue at the date control of the asset passes to the buyer.

Contribution of Assets

Contributions of assets and contributions to assist in the acquisition of assets, being non-reciprocal transfers, are recognised as revenue at the fair value of the asset received when the company gains control of the contribution, except when the contributions are by owners.

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

1 Summary of Significant Accounting Policies (continued)

(c) 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 an item 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.

(d) Finance Costs

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.

(e) Income Tax – Note 5

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the Statement of Financial Position date.

Deferred tax is accounted for using the comprehensive Statement of Financial Position liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

1 Summary of Significant Accounting Policies (continued)

(f) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(g) Use and Revisions of Accounting Estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(h) Cash and Cash Equivalents – Note 4

Cash and cash equivalents include cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts.

(i) Trade and Other Receivables – Note 6

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.

(j) Inventories – Note 7

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

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

1 Summary of Significant Accounting Policies (continued)

(k) Property, Plant and Equipment – Note 9

All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. 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 Statement of Comprehensive Income during the financial period in which they are incurred.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset

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:

Buildings	40 years
Plant and equipment	5 – 10 years
Motor vehicles	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position 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 carrying amount. These are included in the Statement of Comprehensive Income. When revalued assets are sold the amounts included in the revaluation reserve relating to those assets are transferred to retained earnings.

(l) Trade and Other Payables – Note 10

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.

(m) Financial Liabilities— Note 11

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 Statement of Comprehensive Income over the period of borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

1 Summary of Significant Accounting Policies (continued)

(n) Employee Benefits – Note 12

Wages and Salaries, Annual Leave and Sick 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

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 rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation

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

(o) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Customer Loyalty Program

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

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

1 Summary of Significant Accounting Policies (continued)

(q) New Accounting Standards and Interpretations

Adoption of New Accounting Standards

Early adoption of standards

The entity has elected to apply the following pronouncements to the annual reporting period beginning 1 January 2010:

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The early adoption of AASB 1053 enables the entity to be part of the Tier 2 reporting requirements for general purpose financial statements. The Tier 2 reporting framework comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. The entity is eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements and has adopted the requirements of the standard effective from the financial year ended 31 December 2010.

	2010 \$	2009 \$
2 Revenue from Continuing Operations		
Sale of Goods Revenue		
Bar sales	1,137,080	1,301,745
Snack sales	-	9,910
	1,137,080	1,311,655
Rendering of Services Revenue		
Poker machines – net clearances	5,257,827	6,080,588
Functions revenue	36,582	33,143
Members' subscriptions	26,867	27,514
Entertainment and promotions	83,991	100,915
Green fees	16,433	16,614
Keno sales	37,035	38,628
Commission received	38,270	31,766
Sundry income	71,925	76,323
	5,568,930	6,405,491
Other Revenues		
Interest received	5,837	4,717
Rent received	59,241	66,575
	65,078	71,292
Total revenue from continuing operations	6,771,088	7,788,438

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
3 Expenses		
(a) Profit before income tax includes the following specific expenses:		
Finance costs		
Bank loans and overdraft	41,246	32,558
	<hr/>	<hr/>
Depreciation		
Buildings and improvements	138,508	188,101
Plant and equipment	570,393	542,490
Motor vehicle	6,261	6,261
	<hr/>	<hr/>
Total depreciation	715,162	736,852
	<hr/>	<hr/>
Net expense from movements in provision for		
Employee benefits	28,113	48,370
	<hr/>	<hr/>
Defined Contribution superannuation expense	207,179	212,370
	<hr/>	<hr/>
Net loss on disposal of property, plant and equipment	2,044,334	41,107
	<hr/>	<hr/>
	2010	2009
	%	%
(b) Key Performance Indicators		
Bar		
Gross profit percentage	54.97%	56.98%
Wages to sales percentage	39.54%	31.49%
Employee expenses – percentage of total revenue	36.22%	30.79%
EBITDAG percentage	14.00%	20.04%

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

4 Cash and Cash Equivalents

Reconciliation of Cash

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2010	2009
	\$	\$
Cash and cash equivalents	408,543	455,935

5 Income Tax

(a) Income Tax Expense

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.

	2010	2009
	\$	\$
The amount set aside for income tax in the statement of financial performance has been calculated as follows:		
Proportion of income attributable to non-members	1,005,698	1,642,446
Less: Proportion of expenses attributable to non-members	(1,282,158)	(1,325,368)
	<u>(276,460)</u>	<u>317,078</u>
Add: Other taxable income	194,906	199,043
	<u>(81,554)</u>	<u>516,121</u>
Less: Other deductible expenses	(427,519)	(488,434)
Add: Transfer to tax losses carried forward	509,073	-
	<u>-</u>	<u>27,687</u>
Net income subject to tax	-	27,687
	<u>-</u>	<u>8,306</u>
Current income tax applicable to above at rate of 30%	-	8,306
Increase in deferred tax assets	(158,629)	(6,905)
	<u>(158,629)</u>	<u>1,401</u>
Income tax expense / (benefit)	(158,629)	1,401

Forestville RSL Club Limited
Notes to the Financial Statements
For the Year Ended 31 December 2010 (continued)

5 Income Tax (continued)

	2010 \$	2009 \$
(b) Current Tax (Assets)/Liabilities		
Movements during the year:		
Balance at beginning of year	(10,218)	(2,524)
Income tax paid	(7,214)	(26,879)
Refunds received	12,163	10,879
Current year's income tax expense on profit	-	8,306
	<u>(5,269)</u>	<u>(10,218)</u>
(c) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Property, plant and equipment	30,559	28,094
Employee benefits	<u>30,482</u>	<u>27,039</u>
	61,041	55,133
Carried forward tax losses	<u>152,721</u>	-
Total deferred tax assets	<u>213,762</u>	<u>55,133</u>
Movements		
Opening balance	55,133	48,228
Credited to the Statement of Comprehensive Income	158,629	6,905
	<u>213,762</u>	<u>55,133</u>
Closing balance	<u>213,762</u>	<u>55,133</u>

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010	2009
	\$	\$
6 Trade and Other Receivables		
Current		
Trade Debtors	17,029	10,824
	<hr/>	<hr/>
7 Inventories		
Finished goods – at cost	81,252	78,423
	<hr/>	<hr/>
8 Other Assets		
Current		
Prepayments	123,911	114,717
	<hr/>	<hr/>

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
9 Property, Plant and Equipment		
Freehold land <i>At cost</i>	2,500,000	2,500,000
Buildings and Improvements <i>At cost</i>	7,512,111	7,382,757
<i>Accumulated depreciation</i>	(1,253,195)	(1,555,256)
	6,258,916	5,827,501
Total Land and Buildings	8,758,916	8,327,501
Plant and equipment <i>At cost</i>	7,186,564	6,857,783
<i>Accumulated depreciation</i>	(3,641,791)	(3,520,314)
	3,544,773	3,337,469
Motor vehicles <i>At cost</i>	50,215	50,215
<i>Accumulated depreciation</i>	(17,458)	(11,197)
	32,757	39,018
Capital Work in Progress	-	56,131
Total property, plant and equipment net book value	12,336,446	11,760,119

Refer to Note 11 for details of security over property, plant and equipment.

Valuation

The independent valuation of the company's land and buildings was carried out as at 15 September 2009 on the basis of open market value for existing use resulted in a valuation of buildings of \$6,200,000 and a valuation of land at \$5,800,000. As land and buildings are recorded at cost the valuation has not been brought to account.

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

9 Property, Plant and Equipment (continued)

	2010 \$	2009 \$
Reconciliations		
Movements in Carrying Amounts		
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:		
Buildings and Improvements		
Carrying amount at beginning of year	5,827,501	5,989,068
Additions	2,066,725	26,534
Transfer from work in progress	56,131	-
Disposals /write off	(1,552,933)	-
Depreciation expense	(138,508)	(188,101)
	<hr/>	<hr/>
Carrying amount at end of year	6,258,916	5,827,501
	<hr/> <hr/>	<hr/> <hr/>
Motor Vehicles		
Carrying amount at beginning of year	39,018	45,279
Depreciation expense	(6,261)	(6,261)
	<hr/>	<hr/>
Carrying amount at end of year	32,757	39,018
	<hr/> <hr/>	<hr/> <hr/>
Plant and Equipment		
Carrying amount at beginning of year	3,337,469	3,380,151
Additions	1,269,278	552,414
Disposals / write off	(491,581)	(52,606)
Depreciation expense	(570,393)	(542,490)
	<hr/>	<hr/>
Carrying amount at end of year	3,544,773	3,337,469
	<hr/> <hr/>	<hr/> <hr/>
Capital Work in Progress		
Carrying amount at beginning of year	56,131	-
Additions	-	56,131
Transfers to buildings and improvements	(56,131)	-
	<hr/>	<hr/>
Carrying amount at end of year	-	56,131
	<hr/> <hr/>	<hr/> <hr/>

The following are core properties:

Club land, buildings and improvements at 22, Melwood avenue, Forestville, NSW, 2087

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
10 Trade and Other Payables		
Trade creditors	292,451	183,034
Goods and Services Tax (GST) payable	11,691	153,518
Other creditors and accruals	527,025	209,425
	831,167	545,977
11 Financial Liabilities		
Current		
Business loan	409,073	-
Non-Current		
Secured		
Bill acceptance facility	-	230,000
Business loan	1,978,964	-
Total	1,978,964	230,000
Financing Arrangements		
Total facilities available:		
Business loan	3,100,000	-
Bill acceptance facility	-	600,000
Facilities utilised at reporting date:		
Business loan	2,388,037	-
Bill acceptance facility	-	230,000

Business loan Facility

The Business loan bears interest at 7.5% and is repayable by monthly instalments of \$57,270 commencing from March 2011 onwards.

Security

The Business loan is secured by registered first equitable mortgages over the company assets and undertakings, including uncalled capital and first registered mortgage by Forestville RSL Club Limited over non residential property situated at 22 Melwood Avenue, Forestville, NSW.

The carrying amount of the pledged property, plant and equipment is \$12,336,446 (2009: \$11,760,119).

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
12 Employee Benefits		
Current	419,111	379,693
	<hr/>	<hr/>
Non-current	34,088	45,393
	<hr/>	<hr/>
Aggregate liability for employee benefits including oncosts:	453,199	425,086
	<hr/>	<hr/>

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

Assumed rate of increase in wage and salary rates	3%	3%
Discount rate	5.33%	5.77%
Settlement term (years)	10	10

Superannuation Plans

Contributions

The company is under a legal obligation to contribute 9% of each employee's base salary to a superannuation fund.

	2010 \$	2009 \$
13 Other Liabilities		
Current		
Income received in advance	51,712	54,294
	<hr/>	<hr/>
Non-Current		
Income received in advance	27,193	41,227
	<hr/>	<hr/>

Forestville RSL Club Limited

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010	2009
	\$	\$
14 Reserves		
Capital profits	321,767	321,767

Nature and Purpose of Reserves

Capital Profits

The capital profits reserve represents the assets less liabilities taken over by the company for Forestville RSL Sub-branch Club at the date of incorporation of the company in accordance with Section 134B of the Liquor Act.

15 Retained Profits

Retained profits at the beginning of the year	10,867,018	10,192,691
Net profit / (loss) attributable to members of the company	(1,753,881)	674,327
	<hr/>	<hr/>
Retained profits at the end of the year	9,113,137	10,867,018
	<hr/>	<hr/>

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
16 Contingent Liabilities		
Bank Guarantees		
The company has given the following bank guarantees:		
TAB Limited	5,000	5,000
Autopay	20,000	20,000
	25,000	25,000
	25,000	25,000

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, eg. 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.

Following the Full Federal Court decision in Coleambally Irrigation Mutual Co-operative Limited v FCT [2004] FCAFC 250, Tax Laws Amendment (2005 Measures No.6) Bill 2005 was tabled in Parliament on 7 December 2005 to amend the Income Tax Assessment Act 1997 to restore the long standing benefits of the mutuality principle to those non-profit organisations affected by the Coleambally decision.

These amendments will ensure social clubs continue not to be taxed on receipts from contributions and payments received from members.

Notes to the Financial Statements For the Year Ended 31 December 2010 (continued)

17 Key Management Personnel Details

(a) Directors

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

B Chaffer
B Chisnall
K Cliff
K Flaherty
D Ford
B Green
J Hannon
W Law
D McNeil
M Wharrie

Directors J. Hannon, D. McNeil and M. Wharrie resigned on 27 April 2010 and Mr. B. Chaffer was appointed as a director on 27 April 2010.

(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
Denis Sullivan	Chief Executive Officer
Ken Robinson	Deputy Chief Executive Officer
Chi Duong	Chief Financial Officer

(c) Key Management Personnel Compensation

	2010	2009
	\$	\$
Benefits and payments made to the Directors and Other Key Management Personnel named in (a) and (b) above	429,926	414,501

Notes to the Financial Statements For the Year Ended 31 December 2010 (continued)

18 Related Parties

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 17.

Directors' Transactions with the Company

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

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.

19 Company Details

The Club is incorporated and domiciled in Australia as a company limited by guarantee. At 31 December 2010 there were 8,456 members.

The registered office of the company is 22 Melwood Avenue, Forestville NSW 2087.

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 \$7 per member in the event of the winding up of the company during the time that he is a member or within one year thereafter.

20 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.