

MERRYLANDS RSL CLUB LIMITED
**ANNUAL REPORT AND
FINANCIAL STATEMENT 2010**



**MERRYLANDS
RSL CLUB**

It's our Club... that's the difference

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President's Report



Annual Reports tend to dwell a lot on the past by their very nature. In this report I intend to present it with a tinge of expectations for the year ahead.

2010 has been a year of consolidation of the combined club's financial performance over the previous year. The net surplus of \$1.90M is on par with the 2009 result of \$1.99M. The Board appreciates our member's support during the challenging period of recent years, and are confident that the club is on track to sustain our position as one of the leading performers in the local hospitality sector.

The club's trading performed relatively strongly during the early parts of 2010 in the face of subdued economic conditions. There are indications that there will be improvements in our fiscal conditions during 2011, after the global financial crisis of 2009/10. The staff & management are focused on improving the club's position through the performance of our core values of customer service.

Club Umina's trading position stabilised during the year and completed the period with a modest surplus of \$1,885.00, (as compared to a deficit of \$57,670 in 2009).

One item of good news is that the bank bills, our debt, is expected to be extinguished by the end of 2011. The repayments over the two years from Jan 2010 will have been a remarkable \$6.7M.

On behalf of the members, I would like to publicly thank the CEO Bryn, and our fantastic staff and management for their dedication that produced our terrific result.

We have some exciting projects in the pipeline that will see a better utilisation of the various spaces in and around the building. More information on this matter is available in the Development Report.

The Club's catering operations continue to exceed all expectations. The external contractors are drawing in patrons in increasing numbers, which has had an excellent spin-off into the club's operations. One major difference that has become evident is the growth in membership from approx 25,000 in 2009 to around 34,000 at the time of this report. There has also been growth in other directions with the club's ranking moving forward from about 40th position to 36 in the DGR Report of the top clubs in NSW.

The Board will be sitting down at a Special Meeting on 2nd April to review the 2010/2011 Strategic Plan. All aspects of our operations will come under scrutiny so that we remain on track during the remainder of this year. A new Strategic Plan for 2012 will be drawn up in September when the Board attends the annual RSL & Services Clubs Conference.

The Board continues its support for staff who wished to engage the Kokoda Track. David and Gabriel completed their crossing and came back with unforgettable stories that will remain with them forever. The hunt is on to select the next two persons who would like to take on this rewarding challenge.

In closing, I would like to thank our members for their loyal support in difficult economic times. I would also like to thank my colleagues on the Board, the senior management and staff for giving up their valuable time in the interests of the club.

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



JP

CLUB PRESIDENT

Development Report



The club has completed a number of major projects at Merrylands and Club Umina during 2010. Each of these projects were accomplished within the budget parameters as endorsed by the Board. The Southern Alfresco Gaming Room, now called the Panda Lounge, was the most expensive with a budget of \$1.8M + GST. The others, like the relocation of the Staff Amenities to the basement, and the renovation of "Link Lounge 88" added another \$400K to the capital works budget. The Alfresco Gaming Room at Club Umina was also completed at a budget cost of \$364K.

Funding for most of these projects came from the proceeds of the sale of the Commonwealth Bank Property.

The Board is looking to make better utilisation of our property assets. The first item has had considerations made on the nature of the proposed children's playground on the western side of the buffet restaurant. The consensus seems to be that it should cater for different age groups in separate components. We have tested the market on equipment suppliers and found that their long-term lease arrangements are not suitable to the clubs requirements.

The second one relates to providing additional dining space for patrons of the buffet restaurant. This facility has become a victim of its own success with the contract caterer having to provide two sitting times on the busy weekend trading times. The preferred solution appears to be to enclose the current alfresco dining space parallel to Military Rd with a weatherproof structure over the existing shade cloth.

We have engaged the architectural consultants to prepare a brief on this option, and the playground options, for the Board to deliberate over.

The extension of the multi deck carpark to six floors is gathering momentum with a Section 96 application expected to be submitted to Holroyd Council over the next month.

I would like to take this opportunity to thank all of the people who have given up their time and effort to make our clubs at Merrylands and Umina a better place for the future.

RON HAND JP
DEVELOPMENT COMMITTEE

Finance Report



Every year is challenging and this has been no exception, with some Politicians commenting on and trying to introduce legislation based on incorrect data and on things they know very little about. Clubs have become the scapegoat for all the downfalls of society with the individual's responsibility being ignored.

With all these external pressures and negative publicity, we have been able to trade responsibly and provide a great club for our members and their guests. Merrylands have returned a decent profit and Umina almost returning to a profit.

Operating Result

The operating net profit, before tax, for 2010 is \$1,903,299 compared to a \$1,986,931 profit last year. This is after charging \$2,564,355 (2009 - \$2,431,148) for depreciation and amortisation, \$90,000 for impairment losses (2009 - \$234,000 reversal of impairment losses), recognizing a \$315,107 (2009 - \$450,346) gain on sale of non-current assets and before charging \$118,049 (2009 - \$145,103) for income tax.

Poker Machine Trading

Poker Machines at Merrylands and Umina have performed reasonably well. The income has increased by \$1,479,082 (7.38%) compared with last year and continue to trade well with the Panda Lounge now operating since June 2010 and Umina outdoor area since Dec 2010.

Bar Trading

Considering that RSA is being closely monitored and enforced, bar trade has performed well compared to last year. Total sales have increased by \$232,283 (6.54%) compared to 2009, resulting in a total net profit of \$796,693 compared to \$680,297 in 2009. The main reason for the growth has been largely due to the success and quality of the Signatures Buffet.

Catering Trading

As mentioned previously, Signatures Buffet has been and continue to attract very good patronage from far and wide. Their popularity has helped grow our membership from 25,238 in 2009 to 32,018 in 2010. The Waratah Café is also doing well and bringing in new and different types of patronage. Not only have we been able to negate our Catering losses by contacting it out, but by their success, contribute towards our profitability.

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 under trying times. Also, thanks goes to our loyal members for their support in the past and in the future.

WAYNE MARR

FINANCIAL CONTROLLER

CEO'S ANNUAL REPORT



2010 will be regarded as a strong turning point for your Club on the financial front. The first six months of the year was plagued with disruption due to the extensive building renovations taking place in the Club's gaming lounge. There were many stages that had a severe affect on our main source of revenue. From July the amount of disruption was minimized until the builders moved off site in October.

Finally the improved amenities and refurbishment areas were completed and the club could return to normal. Our members, as usual, accepted the disruption with a minimum of fuss and welcomed the new faculties such as the Panda Lounge and Link Lounge 88 with glowing acknowledgement. Happily I can report that the second half of 2010 was the profitable part of the year.

Membership Growth:

The Club proudly continues to grow in popularity with both the old and new members and at the time of writing this report the Club's membership is now expecting to exceed 35,000 members. The Club's Board and Management are continuing to provide greater amenities to meet the changes in our demographic needs and shortly the Board will announce their new plans.

Restaurants:

The Signature's Buffet has reached its one year birthday and it is one of our most popular attractions. Michael Lau and Restaurant Manager Andrea do a great job by providing a first class eatery.

It is pleasing to see that both our restaurants, Signatures and the Waratah Café scored an "A" and "B" ratings at the onset of the Holroyd Council's new initiative "Scores on Doors" in relation to food hygiene. Since that time, both restaurants have scored the highest rating "A", which we are very proud of.

Staff:

During the year there were many accomplishments by staff and some of those achievements are listed below:

David Little undertook the Kokoda Track into Papua New Guinea in October.

Betty Wu passed with distinctions in her degree in International Business.

Amber-Rae Bice completed her Diploma of Events.

Jessica Taylor achieved a Certificate IV in Aged Care & Disability Services.

Sendy Le completed her advanced Diploma in Hospitality Management.

Additional to that the following staff Aaron Carver, Anthony Corbett, Chantyl Szostak, Janine Murphy, Khanh Do and Selome Fernandes completed their Certificate III in Hospitality. Raymond Motufoou also completed his Certificate IV.

Staff undertaking Business Management included David Little, Jessica Taylor, Jessica Wilson, Red Geronimo Chris Debrincat, Peter Grutt, Stacy Tovey, Daniela Castaneda and Jaime Linnell.

Additionally Jessica Wilson is studying Certificate IV in Human Resources at TAFE.

Congratulations to these staff. As members we all realise the benefits of a well educated team. I encourage more staff to participate.

Management:

Our staff are lead by some very competent Mangers and I would like to acknowledge Peter Grutt, Gerry Tacovsky, Chris Debrincat and our new manager appointed to Umina just recently James Gallen. Along with our Customer Service Manager Joanne Case and diligent Duty Managers and Supervisors who pride themselves in giving first class attention and service to our members needs.

I am fortunate to have a very good associate who contributes in an enormous way in respect to our financial management in Wayne Mar and he really does a great job.

Julie Bond also contributes in an enormous manner in behind the scenes aspects of administration and also as a personal assistant to me.

Threat:

There is one looming threat to our club's stability and its existence and it has come all the way from Tasmania by the Independent Member of Parliament by the name of Andrew Wilkie, the member of Dennison.

Mr Wilkie has undertaken a deal with the Federal Government in turn for his support of a mandatory pre-commitment to gaming machines. You may have heard of this mandatory pre-commitment and want to know what that really means.

In basic terms it means a card containing your personal detail would be linked with a national grid covering every poker machine in every Hotel, Club and Casino throughout Australia.

This would allow every play placed by you, on your poker machine to be tracked by the Federal Government.

Players would have to set a dollar value limit on their expenditure and if that limit was reached they would be automatically prevented from playing poker machines for 24 hours from any of those 5700 clubs, pubs and casinos from across the country.

The deal Mr Wilkie has reached with the Government also stipulates that club and pub patrons would be prevented from withdrawing more than \$250 a day from their own bank accounts from an ATM. Interestingly enough, this rule does not apply to the casinos.

The facts are that Australia has over 4,000 clubs, with 90,000 direct employees, over 10 million members and 100,000 volunteers within the Club Industry.

Our Club businesses have approximately five million people who play poker machines each year and they play it without any conditions or restrictions imposed.

There are 95,000 estimated problem gamblers in Australia (2% of poker machine players). The rate of problem gambling has fallen in every State over the past decade. In New South Wales, Queensland and Victoria the rate has fallen by an average of 44%

This deal provides for all mandatory pre-commitment schemes for poker machines to apply to all States and Territories on machines starting in 2012, and to be fully rolled out by 2014.

Mr Andrew Wilkie has claimed that the Clubs would suffer a 40% downturn on gaming. Almost all Clubs in NSW would have to close or have to rationalize their operations to a simple bar and gaming outlet with no other amenities provided.

A study conducted by a top financial organization, KMPG shows that if NSW Clubs suffered a 30% revenue downturn 11,500 jobs would go; \$820 million would be lost from the NSW economy and certainly the closure of many clubs.

The costs to hook up 198,000 machines across Australia then link to every poker machine player are enormous. Some clubs, approximately our size have costed the exercise at 3.5 to 4 million dollars. Then to lose 30% to 40% revenue on top of that would spell the end of our Club.

Your Club supports a system of voluntary commitment not compulsory. The inconvenience would be a big turn off. You no doubt will hear much more about this "mandatory commitment" over the next 12 months, so stayed turned.

Conclusion:

Your Board, Staff & Management is proud to serve you and we look forward to again providing the amenities and services in the forth coming year.

Finally I would like to acknowledge the support provided to us by Ron Hand and his diligent Board and for their untiring effort throughout the year.

Regards

BRYN MILLER

CEO

Merrylands RSL Club Limited

ACN 000 926 358

Annual Financial Report 31 December 2010

Directors

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

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

Ronald James Hand	President	Retired, 19 years
John Vincent Murphy	Vice-President	Retired, 16 years
Stephen Cunningham	Vice-President Supervisor	7 years
George Salisbury	Director	Retired, 12 years
Eric William Michelmore	Director	Security Officer, 15 years
Robert Ernest Shorrock	Director	Retired, 5 years
Peter Francis Harding	Director,	Contract Carrier, 5 years
Sydney Alfred Thode	Director	Retired, 2 years
Allan Gordon Ezzy	Director	Counsellor, 1 year

Directors' Meetings

Director	BOARD MEETINGS		SUB-COMMITTEE MEETINGS	
	Number of Meetings Attended	Number of Meetings Held *	Number of Meetings Attended	Number of Meetings Held *
R Hand	15	15	52	61
J Murphy	12	15	42	45
S Cunningham	13	15	47	55
G Salisbury	15	15	17	12
E Michelmore	14	15	9	13
R Shorrock	15	15	7	13
P Harding	14	15	7	13
S Thode	15	15	12	22
A Ezzy	13	15	23	7

* Number of meetings held which 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 2010 was 32,018 (2009: 25,238).

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.

Operating result

The net profit from ordinary activities before tax for the year amounted to \$1,903,299 compared with \$1,986,931 for the prior year. This resulted after charging \$2,564,355 (2009: \$2,431,148) for depreciation and amortisation, \$366,268 (2009: \$493,075) for finance costs, \$90,000 for impairment losses (2009:

\$234,000 reversal of impairment losses) recognising a \$315,107 (2009: \$450,346) gain on sale of noncurrent assets and before charging \$118,049 (2009: \$145,103) for income tax.

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.

Principal activities

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

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, Amortisation, Rent and Donations (EBITDARD)
- 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

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 9.

Signed in accordance with a resolution of the directors.

Dated at Merrylands this 14th day of March 2011.



R J Hand
Director



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the audit of Merrylands 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 Merrylands RSL Club Limited during the year.

Independent Audit Report

To the members of Merrylands RSL Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Merrylands 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.

Paul Cheeseman

Partner

14 March 2011

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Chartered Accountants
& Business Advisers

Independent Audit Report (continued)

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.

Auditor's Opinion

In our opinion the 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 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;

A handwritten signature in dark ink, appearing to read 'P. Cheeseman'.

Paul Cheeseman

Partner

14 March 2011

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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 16 to 31, 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 Merrylands this 14th day of March 2011.



R J Hand
Director

Statement of Comprehensive Income

For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Revenue from continuing operations			
Sale of goods		4,038,426	3,808,075
Rendering of services		22,898,714	21,292,444
Other revenue		662,384	823,269
Total revenue from continuing operations	2	27,599,524	25,923,788
Expenses			
Cost of sales		(1,843,399)	(1,783,418)
Employee benefits expense		(6,012,716)	(5,922,692)
Entertainment, marketing and promotional costs		(3,647,851)	(3,410,859)
Poker machine licences and taxes		(6,067,337)	(5,494,821)
Donations		(329,488)	(305,329)
Occupancy expenses		(3,502,124)	(3,302,159)
Other expenses from ordinary activities		(1,587,794)	(1,477,702)
		(22,990,709)	(21,696,980)
Earnings before depreciation and amortisation expense, finance costs and impairment losses		4,608,815	4,226,808
Depreciation and amortisation expenses	3(a)	(2,564,355)	(2,431,148)
Finance costs	3(a)	(366,268)	(493,075)
Gain on sale of non-current assets	2	315,107	450,346
Impairment losses	3(a)	(90,000)	-
Reversal of impairment losses	3(a)	-	234,000
		1,903,299	1,986,931
Profit before income tax		1,903,299	1,986,931
Income tax expense	4(a)	(118,049)	(145,103)
Net profit from continuing operations after income tax expense attributable to members	17	1,785,250	1,841,828
Other Comprehensive Income			
Other comprehensive income for the year, net of tax		-	-
		-	-
Total comprehensive income for the year		1,785,250	1,841,828

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes set out on pages 16 to 31.

Statement of Financial Position

As at 31 December 2010

ASSETS	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	5	4,322,801	2,866,862
Trade and other receivables	6	227,690	131,264
Other financial assets	7	2	2
Inventories	8	120,324	120,460
Other current assets	9	217,640	189,954
Total Current Assets		<u>4,888,457</u>	<u>3,308,542</u>
Non-Current Assets			
Property, plant and equipment	10	41,164,516	40,476,028
Investment property	11	1,072,743	4,908,375
Deferred tax assets	4(c)	26,914	33,377
Intangible assets	12	1,360,000	1,650,000
Total Non-Current Assets		<u>43,624,173</u>	<u>47,067,780</u>
Total Assets		<u><u>48,512,630</u></u>	<u><u>50,376,322</u></u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	3,023,573	2,431,797
Financial liabilities	14	911,997	1,545,020
Current tax liabilities	4(b)	171,425	109,760
Employee benefits	15	1,014,570	1,048,020
Other current liabilities	16	116,444	100,692
Total Current Liabilities		<u>5,238,009</u>	<u>5,235,289</u>
Non-Current Liabilities			
Financial liabilities	14	1,814,445	5,496,505
Employee benefits	15	132,925	102,527
Total Non-Current Liabilities		<u>1,947,370</u>	<u>5,599,032</u>
Total Liabilities		<u>7,185,379</u>	<u>10,834,321</u>
Net Assets		<u><u>41,327,251</u></u>	<u><u>39,542,001</u></u>
Members' Funds			
Retained profits	17	41,327,251	39,542,001
Total Members' Funds		<u>41,327,251</u>	<u>39,542,001</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes set out on pages 16 to 31.

Statement of Changes in Equity

For the Year Ended 31 December 2010

	Retained Earning	Total Equity
	\$	\$
Balance at 1 January 2009	37,700,173	37,700,173
Net profit for the year		
Other comprehensive income for the year	<u>1,841,828</u>	<u>1,841,82</u>
Total comprehensive income for the year	<u>1,841,828</u>	<u>1,841,828</u>
Balance at 31 December 2009	<u>39,542,001</u>	<u>39,542,001</u>
Net profit for the year	<u>1,785,250</u>	<u>1,785,250</u>
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>1,785,250</u>	<u>1,785,250</u>
Balance at 31 December 2010	<u><u>41,327,251</u></u>	<u><u>41,327,251</u></u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes set out on pages 16 to 31.

Statement of Cash Flows

For the Year Ended 31 December 2010

	Note	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		29,528,642	27,603,046
Payments to suppliers and employees		(25,095,823)	(24,192,942)
Interest received		116,585	30,340
Rent received		545,799	775,777
Finance costs paid		(323,687)	(443,687)
Income taxes paid		<u>(49,921)</u>	<u>(133,185)</u>
Net cash inflow from operating activities		<u>4,721,595</u>	<u>3,639,349</u>
Cash Flows From Investing Activities			
Proceeds from sale of property, plant and equipment		16,137	137,315
Proceeds from sale of investment properties		4,137,602	1,124,157
Proceeds from sale of intangible assets		200,000	-
Payment for property, plant and equipment		<u>(3,255,843)</u>	<u>(2,751,148)</u>
Net cash inflow/(outflow) from investing activities		<u>1,097,896</u>	<u>(1,489,676)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(4,437,500)	(575,000)
Finance lease payments		(430,572)	(621,446)
Proceeds from finance leases		<u>504,520</u>	<u>518,786</u>
Net cash outflow from financing activities		<u>(4,363,552)</u>	<u>(677,660)</u>
Net increase in cash and cash equivalents		<u>1,455,939</u>	<u>1,472,013</u>
Cash and cash equivalents at the beginning of the financial year		<u>2,866,862</u>	<u>1,394,849</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>4,322,801</u></u>	<u><u>2,866,862</u></u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes set out on pages 16 to 31.

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 Merrylands 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 recognized as revenue at the date control of the asset passes to the buyer.

(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 4

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.

(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) Cash and Cash Equivalents - Note 5

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

(h) 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.

(i) Inventories – Note 8

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

(j) Leased Assets

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 – Note 18

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.

(k) 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.

(l) Property, Plant and Equipment – Note 10

All property, plant and equipment 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 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:

Property, Plant and Equipment

Buildings	50 years
Plant and equipment	10 – 20 years
Poker machines	6 – 7 years
Furniture, fittings and equipment	10 – 20 years

Investment Property

Buildings	50 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position date.

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 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.

(m) Investment Property – Note 11

Investment property, principally comprising freehold buildings, is held for long-term rental yields and is not occupied by the company. Investment property is carried at cost value, representing open-market value determined annually by external valuers.

(n) Intangible Assets – Note 12

Poker Machine Entitlements

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

(o) Trade and Other Payables – Note 13

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.

(p) Financial Liabilities – Note 14

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.

(q) Employee Benefits – Note 15**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 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.

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 deficit.

(r) Comparatives

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

(s) 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.

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
2 Revenue from Continuing Operations		
Sale of Goods Revenue		
Bar sales	3,785,090	3,552,807
Catering sales	<u>253,336</u>	<u>255,268</u>
	<u>4,038,426</u>	<u>3,808,075</u>
Rendering of Services Revenue		
Poker machines – net clearances	21,517,587	20,038,505
Entertainment and promotions	639,018	594,340
Keno and TAB commission	251,099	233,467
Commission received	115,680	90,921
Sundry income	<u>375,330</u>	<u>335,211</u>
	<u>22,898,714</u>	<u>21,292,444</u>
Other Revenues		
Interest received	116,585	30,340
Rent received	<u>545,799</u>	<u>792,929</u>
	<u>662,384</u>	<u>823,269</u>
	27,599,524	25,923,788
Other Income		
Net gain on disposal of non-current assets	22	76,723
Profit on sale of investment property	<u>315,085</u>	<u>373,623</u>
Total other income	<u>315,107</u>	<u>450,346</u>
Total revenue from continuing operations	<u><u>27,914,631</u></u>	<u><u>26,374,134</u></u>

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
3 Expenses		
<i>(a) Profit before income tax includes the following specific expenses:</i>		
Finance costs		
Bank loans	317,799	451,042
Interest on finance leases	<u>48,469</u>	<u>42,033</u>
	<u>366,268</u>	<u>493,075</u>
Depreciation		
Buildings and improvements	601,738	543,792
Poker machines	497,655	452,964
Plant and equipment	684,799	700,390
Forster holiday complex	12,833	12,833
Investment property	15,002	28,821
Sundry assets	<u>249,231</u>	<u>295,709</u>
Total depreciation	<u>2,061,258</u>	<u>2,034,509</u>
Amortisation		
Leased assets	<u>503,097</u>	<u>396,639</u>
Total amortization	<u>503,097</u>	<u>396,639</u>
Total depreciation and amortisation	<u><u>2,564,355</u></u>	<u><u>2,431,148</u></u>
Net (write back) / expense from movements in provision for		
Employee benefits	<u>(3,052)</u>	<u>68,321</u>
Impairment of assets		
Impairment of poker machine entitlements recognised in the statement of comprehensive income	90,000	–
Reversal of impairment losses for poker machine entitlements	<u>–</u>	<u>(234,000)</u>
	<u>90,00</u>	<u>(234,000)</u>
Defined contribution superannuation expense	<u>466,524</u>	<u>540,635</u>

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 %	2009 %
<i>(b) Key Performance Indicators</i>		
Bar - Merrylands RSL		
Gross profit percentage	55.45%	56.64%
Wages to sales percentage	34.90%	37.97%
Wages and salaries – percentage of total revenue	21.79%	22.85%
EBITDA percentage (before profits on sale and impairment losses)	16.70%	16.30%

4 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 Comprehensive Income has been calculated as follows:		
Proportion of income attributable to non-members	2,176,044	3,490,559
Less: Proportion of expenses attributable to non-members	(1,793,991)	(3,054,101)
	382,053	436,458
Add: Other taxable income	879,879	889,303
	1,261,932	1,325,761
Less: Other deductible expenses	(994,406)	(1,323,832)
	267,525	1,929
Capital gain on sale of investment property	315,085	373,623
Net income subject to tax	582,610	375,552
Current income tax applicable to above at rate of 30%	174,783	112,664
Under/(over) provided in prior years	(63,197)	(11,000)
(Increase)/decrease in deferred tax assets	6,463	43,439
Income tax expense	118,049	145,103

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
(b) Current Tax Liabilities		
Movements during the year:		
Balance at beginning of year	109,760	141,283
Income tax paid	(49,921)	(133,187)
Current year's income tax expense	174,783	112,664
Under/(over) provision in prior year	(63,197)	(11,000)
Current tax liabilities	<u>171,425</u>	<u>109,760</u>
(c) Deferred Tax Assets		
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Employee benefits	<u>26,914</u>	<u>33,377</u>
Net deferred tax assets	<u>26,914</u>	<u>33,377</u>
Movements		
Opening balance	33,377	76,816
Charged to the Statement of Comprehensive Income	<u>(6,463)</u>	<u>(43,439)</u>
Closing balance	<u>26,914</u>	<u>33,377</u>

5 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:

Cash and cash equivalents	<u>4,322,801</u>	<u>2,866,862</u>
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6 Trade and Other Receivables

Current

Trade debtors	<u>227,690</u>	<u>131,264</u>
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7 Other Financial Assets

Current

Investments – at cost	<u>2</u>	<u>2</u>
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Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
8 Inventories		
Finished goods – at cost	<u>120,324</u>	<u>120,460</u>
9 Other Assets		
Current		
Prepayments	<u>217,640</u>	<u>189,954</u>
10 Property, Plant and Equipment		
Freehold Land, Buildings and improvements		
At cost	36,358,462	33,522,976
Accumulated depreciation	<u>(4,002,531)</u>	<u>(3,400,795)</u>
	<u>32,355,931</u>	<u>30,122,181</u>
Poker machines		
At cost	7,848,375	7,694,211
Accumulated depreciation	<u>(6,754,235)</u>	<u>(6,256,580)</u>
	<u>1,094,140</u>	<u>1,437,631</u>
Plant and equipment		
At cost	15,097,983	14,773,384
Accumulated depreciation	<u>(10,360,455)</u>	<u>(9,675,653)</u>
	<u>4,737,528</u>	<u>5,097,731</u>
Forster holiday complex land and buildings		
At cost	1,162,251	1,162,251
Accumulated depreciation	<u>(384,444)</u>	<u>(371,611)</u>
	<u>777,807</u>	<u>790,640</u>
Sundry assets		
At cost	2,830,957	2,714,040
Accumulated depreciation	<u>(1,851,887)</u>	<u>(1,637,458)</u>
	<u>979,070</u>	<u>1,076,582</u>
Leased assets		
At cost	2,737,386	2,232,865
Accumulated amortization	<u>(1,517,346)</u>	<u>(1,014,248)</u>
	<u>1,220,040</u>	<u>1,218,617</u>
Work in progress		
At cost	-	732,646
Total property, plant and equipment net book value	<u><u>41,164,516</u></u>	<u><u>40,476,028</u></u>

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

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

10 Property, Plant and Equipment (continued)

Valuation

The independent valuations of the company's freehold land and buildings were carried out as at October 2003, January 2009 and January 2010 on the basis of open market value for existing use resulted in a valuation of \$34,050,000. As freehold land and buildings are recorded at cost the valuations have not been brought to account.

Reconciliations	2010	2009
	\$	\$
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:		
Freehold land, buildings and improvements		
Carrying amount at beginning of year	30,122,181	29,924,603
Additions	441,273	324,433
Transfers from work in progress	2,394,215	416,937
Depreciation expense	(601,738)	(543,792)
Carrying amount at end of year	<u>32,355,931</u>	<u>30,122,181</u>
Poker machines		
Carrying amount at beginning of year	1,437,631	1,192,859
Additions	154,164	698,468
Disposals	-	(732)
Depreciation expense	(497,655)	(452,964)
Carrying amount at end of year	<u>1,094,140</u>	<u>1,437,631</u>
Forster Holiday Complex Land and Buildings		
Carrying amount at beginning of year	790,640	803,473
Depreciation expense	(12,833)	(12,833)
Carrying amount at end of year	<u>777,807</u>	<u>790,640</u>
Plant and Equipment		
Carrying amount at beginning of year	5,097,731	4,947,294
Additions	324,596	850,827
Depreciation expense	(684,799)	(700,390)
Carrying amount at end of year	<u>4,737,528</u>	<u>5,097,731</u>
Sundry Assets		
Carrying amount at beginning of year	1,076,582	1,156,182
Additions	164,219	275,970
Disposals	(12,500)	(59,861)
Depreciation expense	(249,231)	(295,709)
Carrying amount at end of year	<u>979,070</u>	<u>1,076,582</u>

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

10 Property, Plant and Equipment (continued)

Reconciliations (continued)	2010 \$	2009 \$
Leased Assets		
Carrying amount at beginning of year	1,218,617	1,056,469
Additions	504,520	558,787
Amortisation expense	(503,097)	(396,639)
Carrying amount at end of year	<u>1,220,040</u>	<u>1,218,617</u>
Work in Progress		
Carrying amount at beginning of year	732,646	1,144,081
Additions	1,667,071	5,502
Disposals	(5,502)	-
Transfer to buildings & improvements	(2,394,215)	(416,937)
Carrying amount at end of year	<u>-</u>	<u>732,646</u>

The following are core properties:

Merrylands

14 Military Road, Merrylands NSW 2160

Umina Beach

Melbourne Ave, Umina Beach NSW 2257

Forster

6-12 Lake Street, Forster NSW 2428

The following are non-core properties:

Merrylands

Units 3-7 & 9-12

1 Newman Street, Merrylands NSW 2160

11 Investment Property

Freehold land and buildings		
At cost	1,072,743	5,061,224
Accumulated depreciation	-	(152,849)
	<u>1,072,743</u>	<u>4,908,375</u>

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:

Carrying amount at beginning of year	4,908,375	5,650,568
Additions	-	37,162
Disposals	(3,820,630)	(750,534)
Depreciation expense	(15,002)	(28,821)
Carrying amount at end of year	<u>1,072,743</u>	<u>4,908,375</u>

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

Valuation Basis

The independent valuations of the company's investment property were carried out as at October 2003 on the basis of open market value for existing use resulted in a valuation of \$1,710,000. As investment property is recorded at cost the valuations have not been brought to account.

	2010 \$	2009 \$
12 Intangible Assets		
Poker machine entitlements		
At cost	2,236,000	2,436,000
Accumulated impairment losses	(876,000)	(786,000)
Net carrying value	1,360,000	1,650,000
Movement		
Opening net book amount	1,650,000	1,416,000
Disposal	(200,000)	-
Impairment loss charged	(90,000)	-
Reversal of impairment losses	-	234,000
Closing carrying value	1,360,000	1,650,000
13 Trade and Other Payables		
Trade creditors	2,295,427	1,441,612
Goods and Services Tax (GST) payable	113,088	107,017
Other creditors and accruals	615,058	883,168
	3,023,573	2,431,797
14 Financial Liabilities		
Current		
Secured		
Bank loans	550,000	1,200,000
Finance leases	18 361,997	345,020
	911,997	1,545,020
Non-Current		
Secured		
Bank loans	1,417,500	5,205,000
Finance leases	18 396,945	291,505
	1,814,445	5,496,505

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
Financing Arrangements		
The company has access to the following lines of credit:		
Total facilities available:		
Multi Option facility	6,567,500	6,567,500
Facilities utilised at reporting date:		
Multi Option facility	1,967,500	6,405,000

Bill Acceptance Facility

The company has a Multi Option Bill facility with NAB for \$6,567,500 (2009: \$6,567,500).
The total debt at 31 December 2010 is \$1,967,500 (2009: \$6,405,000).

Security

The National Australia Bank has a registered mortgage debenture over the whole of the company's assets.

Interest Rate

Details of the interest rates are as follows:

- \$550,000 of the facility bears interest rate of 7.65% p.a.
- \$1,417,500 of the facility bears interest rate of 7.122% p.a. .

Terms of Repayment

The Multi Option Bill facility is to be repaid at the rate of \$1,200,000 each 12 months over a period of 10 years. The facility is to be repaid in full by 31 December 2014.

15 Employee Benefits

Aggregate liability for employee benefits including on-costs

Current	1,014,570	1,048,020
Non-Current	132,925	102,527
Total employee benefits	1,147,495	1,150,547

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	2.80%	2.1%
Discount rate	5.51%	5.65%
Settlement term (years)	10 years	10 years

Superannuation Plans

Contributions

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

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$
16 Other Liabilities		
Current		
Income received in advance	116,444	100,692
17 Retained Profits		
Retained profits at the beginning of the year	39,542,001	37,700,173
Net profit attributable to members of the company	1,785,250	1,841,828
Retained profits at the end of the year	41,327,251	39,542,001
18 Commitments		
Finance Lease Commitments		
Finance lease rental commitments are payable:		
Within one year	404,174	374,032
One year or later and no later than five years	417,381	308,897
Minimum lease payments	821,555	682,929
19 Contingent Liabilities		
Bank Guarantees		
The company has given the following bank guarantees:		
TAB Limited	16,400	16,400

Total bank guarantee available at year end was \$20,000.

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 RSL and 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)

20 Key Management Personnel Details

(a) Directors

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

R Hand
 J Murphy
 S Cunningham
 G Salisbury
 E Michelmore
 R Shorrocks
 P Harding
 S Thode
 A Ezzy

(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

	2010	2009
	\$	\$
Benefits and payments made to the Directors and Other Key Management Personnel named in (a) and (b) above	408,728	384,915

21 Related Parties

Key Management Personnel

Disclosures relating to key management personnel are set out in Note 20.

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.

22 Company Details

The Club is incorporated and domiciled in Australia as a company limited by guarantee. At 31 December 2010 there were 32,018 members.

The registered office of the company is 14 Military Road, Merrylands NSW 2160.

23 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.

Notes to the Financial Statements

For the Year Ended 31 December 2010 (continued)

	2010 \$	2009 \$	
24 Prior Period Error			
In the prior financial period the reversal of impairment losses were overstated as a result the fair value of intangible assets being calculated using the incorrect number of poker machine entitlements acquired externally by the Club. The aggregate effect of the prior period error on the annual financial statements for the year ended 31 December 2009 is as follows:			
	Previously stated \$	Adjustments \$	Restated \$
Statement of Comprehensive Income			
Reversal of impairment losses	354,000	(120,000)	234,000
Net profit from continuing operations after income tax expense attributable to members	1,961,828	(120,000)	1,841,828
Statement of Changes in Equity			
Adjustment to opening retained earnings balance	39,662,001	(120,000)	39,542,00
Statement of Financial Position			
Intangible assets	1,770,000	(120,000)	1,650,000
Total Non-Current Assets	47,187,780	(120,000)	47,067,780
Total Assets	50,496,322	(120,000)	50,376,322
Net Assets	39,662,001	(120,000)	39,542,001
Retained profits	39,662,001	(120,000)	39,542,001
Total Members Funds	39,662,001	(120,000)	39,542,001