Rooty Hill RSL Club Limited

ABN 54 000 842 375

GENERAL (RDR) PURPOSE FINANCIAL REPORT

For the year ended 31 December 2017

Contents

Directors' report

The financial report of Rooty Hill RSL Club Limited (the "Club") is presented for the year ended 31 December 2017 and the auditor's report thereon.

The directors of the Club at any time during or since the end of the financial year are as follows. All directors held office for the entire financial year and up to the date of this report, unless otherwise stated:

Names	Appointed/Resigned
R.L. Johns	Commenced 2002
D.V. Dewhurst	Commenced 2012
A.J. Davey	Commenced 2008
A.G.F Hills	Commenced 2006
K.N. Clements	Commenced 2008
S.R. Gibbs	Commenced 1991
P.E. Hamrol	Commenced 2006
Dr. J.S. Hillman	Commenced Feb 2017
C.A. Pilao	Commenced 2012
A.T. King	Commenced 2006, Deceased Jan 2017

Company Secretary

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

Mr Richard Errington was appointed to the position of Company Secretary on 14 June 2006.

Dividends

The Club is a not-for-profit organisation and is prevented by its constitution from paying dividends.

Corporate Information

Rooty Hill RSL Club Limited is a Club limited by guarantee that is incorporated and domiciled in Australia.

The registered office and principal place of business of the Club is 55 Sherbrooke Street, Rooty Hill, NSW 2766.

Principal Activites

The principal activities of the Club during the course of the financial year were the conduct and promotion of a licensed social club and facilities for the members of the Club and management of the Novotel Sydney, Rooty Hill and Sydney Gymnastic and Aquatic Centre.

There were no significant changes in the nature of the activities of the Club during the year

Operating Results

The Club reported an operating profit after tax of $8,783,020 during the year ending 31 December 2017 (2016: $7,203,623). The Club achieved a record EBITDA (earnings before interest, tax depreciation and amortisation) of $20.3 million compared to the previous year $18.2 million or as a percentage of revenue is 21.6 percent.

Directors' report (continued)

Operating Results (continued)
Reconciliation of EBITDA to profit before tax

	2017	2016
	$	$
Profit before tax	8,926,102	7,153,161
Interest	(273,877)	(369,501)
Depreciation	(11,068,522)	(10,641,415)
EBITDA	**20,268,501**	**18,164,077**

Club revenue for 2017 had increased by 5.6 per cent to a record $94.1 million (2016: $89.1 million) and a five year growth of 31.3 percent from $71.7 million in 2013.

Such growth was achieved through a combination of new developments and organic growth strategy, to diversify into related non-core assets including hotel, fitness and family entertainment services while continuing to invest into core member amenities of gaming, food, beverage and clubhouse.

Gaming represented in 2017, 61.8 percent of revenue and non-gaming revenue exceeded $35.9 million, the highest of any Licensed Club in NSW.

The financial position of the Club with net assets of $133.4 million and total assets of $146.2 million has the business in a sound position for continued investment. The business holds no debt.

The Club will embark on significant projects to both core and non-core related business industries of hotel, fitness, entertainment and Club ensuring relevance of the business to members today while investing in future assets and services for the community for tomorrow.

The Western Sydney Performing Arts Centre (WSPAC), with additional required car parking, commenced late 2017 at a cost of $105 million. $74 million has been committed for the construction of WSPAC, with the balance anticipated to be entered into early 2018 for the car parking and associated infrastructure. The Club changed financial institutions and secured funding to assist it to complete these projects. The Club also continues to evaluate the viability of a second 120 room hotel.

Significant changes in the state of affairs
There have been no significant events occurring after the reporting period which may affect either the Club's operations or results of those operations or the Club's state of affairs.

Significant events after the reporting period
The Western Sydney Performing Arts Centre construction commenced late 2017 and is progressing as planned. Car park and related infrastructure will commence during 2018. The first draw down of the construction loan was made beginning of February 2018.

There have been no other significant events after the reporting period which may affect the Club's operations or results of those operations or the Club's state of affairs.

Likely developments and expected results
The directors do not anticipate any particular development in the operations of the Club which will affect the result in subsequent years.

Short term objectives
The short term objectives are to position the services on offer by the Club to be effective in meeting the needs of its membership and the community within the context of a competitive marketplace.

Long term objectives
The long term objectives are to provide the infrastructure necessary to meet short term objectives and to provide a commercial result that ensures the longevity of its operations.

Environmental regulation and performance
The Board believes that the Club has adequate systems in place for the management of all its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Club.

Directors' report (continued)

Indemnification and insurance of directors and officers

During or since the financial year, the Club has paid premiums in respect of a contract insuring all the directors of Rooty Hill RSL Club Ltd against legal costs incurred in defending proceedings for conduct involving:

(a) a willful breach of duty; or

(b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The amount of the premium cannot be disclosed due to policy conditions.

Indemnification of auditors

To the extent permitted by law, the Club has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Member's liability

The Club is a Company limited by guarantee and without share capital. In accordance with the constitution of the Club, every member of the Club undertakes to contribute an amount limited to $5 per member in the event of the winding up of the Club during the time he or she is a member or within one year thereafter.

The number of members as at 31 December 2017 was 51,387 (2016: 50,589). The total amount that members of the Club are liable to contribute if the Club is wound up is $256,935 (2016: $252,945).

Information relating to the directors

R.L. Johns	Retired
Experience	Director since 2002 Chairperson from May 2006 Life Member of the Club Member of the Club and Sub-Branch since 1983 Experienced industrial relations specialist
D.V. Dewhurst	Retired
Experience	Director since 2012 Vice Chairperson from May 2016 Member of the Club since 1984 Member of the Sub-Branch since 2005 Career in senior management roles within the manufacturing and import industry
A.J. Davey	Retired
Experience	Director from 2003 to 2004 and 2008 to present Member of the Club and Sub-Branch since 1977 Previously worked in Automotive Industry
A.G.F. Hills	Retired
Experience	Director from 2002 to 2004 and 2006 to present Life member of the Club Member of the Club and Sub-Branch since 1981 Previously worked Retail sector Proprietor
K.N. Clements	Retired
Experience	Director since 2008 Member of the Club and Sub-Branch since 1972 Previously worked in the Transport and Logistics industry
S.R.Gibbs	Retired
Experience	Director since 1991 Life member of the Club Member of the Club and Sub-Branch since 1972 Previously worked in management roles with the Finance industry
P.E. Hamrol	Retired
Experience	Director since 2006 Life member of the Club Member of the Club and Sub-Branch since 1980 Retired. Career as Transport & Logistics executive / proprietor

Directors' report (continued)

Information relating to the directors (continued)

Dr. J.S. Hillman *Experience*	Medical Practitioner Associate Director 2004 until May 2016 and Feb 2017 to present Life member of the Club Member of the Club since 1985 Medical Practitioner and Director at John S Hillman Pty Ltd
CA. Pilao *Experience*	Retired Director since 2012 Member of the Club since 1988 Member of the Sub-Branch since 2004 Career in the military as Lt Colonel (retired) in Philippine Armed Forces
A.T. King *Experience*	Retired Associate Director since 2006 (deceased Jan 2017) Life Member of the Club Member of the Club since 1982

Directors' meetings

The number of meetings of the directors held during the year and attended by the directors were as follows:

	Number of Meetings Held	Number of Meetings Attended
R.L. Johns	13	11
A.J. Davey	13	13
A.G.F Hills	13	12
K.N. Clements	13	13
D.V. Dewhurst	13	13
S.R Gibbs	13	13
P.E Hamrol	13	11
Dr. J.S. Hillman	11	10
C.A Pilao	13	12
A.T King	1	0

Auditor independence

The Lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the financial year ended 31 December 2017.

This report is made in accordance with a resolution of the directors:

R.L. Johns Chairman
Rooty Hill, 20 March 2018

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Auditor's Independence Declaration to the Directors of Rooty Hill RSL Club Limited

As lead auditor for the audit of Rooty Hill RSL Club Limited for the financial year ended 31 December 2017, I declare 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.

Ernst & Young

Daniel Cunningham
Partner

Sydney
20 March 2018

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2017

	Notes	2017	2016
		$	$
Revenue	4(a)	**94,078,542**	89,065,374
Raw materials and consumables used		**(6,029,687)**	(5,861,546)
Poker machine licences and taxes		**(16,323,568)**	(15,583,733)
Personnel expenses	4(b)	**(28,187,406)**	(27,304,807)
Property expenses		**(5,034,083)**	(4,439,778)
Entertainment, marketing and promotional costs		**(7,450,826)**	(7,426,866)
Operating lease rental expense		**(459,423)**	(450,519)
Licence fees and subscriptions		**(2,124,985)**	(1,852,228)
Professional expenses		**(1,588,607)**	(1,502,611)
Members' amenities		**(2,319,908)**	(2,118,819)
Donations		**(1,275,481)**	(1,244,576)
Printing expenses		**(520,202)**	(606,991)
Bad debts		**(13,780)**	-
Depreciation expense		**(11,068,522)**	(10,641,415)
Other expenses		**(2,482,085)**	(2,508,823)
Profit before finance cost and income tax		**9,199,979**	7,522,662
Finance cost		**(273,877)**	(369,501)
Profit before income tax		**8,926,102**	7,153,161
Income tax (expenses)/benefit	5	**(143,082)**	50,462
Profit for the year		**8,783,020**	7,203,623
Total comprehensive income for the year		**8,783,020**	7,203,623

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2017

	Notes	2017	2016
		$	$
Assets			
Current assets			
Cash	6	**7,671,770**	5,841,587
Trade and other receivables	7	**133,170**	645,788
Inventories	8	**446,631**	489,511
Income tax receivable		**35,628**	63,618
Prepayments		**538,870**	600,011
Total current assets		**8,826,069**	7,640,515
Non-current assets			
Investment properties	9	**5,644,244**	5,763,973
Deferred tax assets	5(c)	**457,367**	600,449
Property, plant and equipment	10	**131,288,093**	125,578,529
Total non-current assets		**137,389,704**	131,942,951
Total assets		**146,215,773**	139,583,466
Liabilities and members' funds			
Current liabilities			
Trade and other payables	11	**9,163,828**	11,390,083
Borrowings	14	**-**	300,000
Employee benefit liabilities	12	**2,988,285**	2,505,618
Provisions	13	**93,799**	101,453
Revenue received in advance		**361,973**	403,085
Total current liabilities		**12,607,885**	14,700,239
Non-current liabilities			
Employee benefit liabilities	12	**245,585**	303,944
Total non-current liabilities		**245,585**	303,944
Total liabilities		**12,853,470**	15,004,183
Members' funds			
General funds		**133,362,303**	**124,579,283**
Total members' funds		**133,362,303**	**124,579,283**
Total liabilities and members' funds		**146,215,773**	139,583,466

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

Statement of changes in members' funds

For the year ended 31 December 2017

	General funds	Total members' funds
	$	$
At 1 January 2016	117,375,660	117,375,660
Profit for the year	7,203,623	7,203,623
Other comprehensive income	-	-
Total comprehensive income for the year	7,203,623	7,203,623
At 31 December 2016	**124,579,283**	**124,579,283**
Profit for the year	8,783,020	8,783,020
Other comprehensive income	-	-
Total comprehensive income for the year	8,783,020	8,783,020
At 31 December 2017	**133,362,303**	**133,362,303**

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

Statement of cash flow

For the year ended 31 December 2017

	Notes	2017 $	2016 $
Operating activities			
Receipts from customers		**103,897,301**	97,862,789
Payment to suppliers and employees		**(84,909,695)**	(79,096,773)
Interest received		**46,821**	56,665
Interest paid		**(273,877)**	(369,501)
Income tax refunded		**27,990**	(27,990)
Net cash flows from operating activities		**18,788,540**	18,425,190
Investing activities			
Purchase of property, plant and equipment		**(16,658,357)**	(16,182,497)
Net cash flows used in investing activities		**(16,658,357)**	(16,182,497)
Cash flows from financing activities			
Repayments of borrowings		**(300,000)**	(3,100,000)
Net cash flows used in financing activities		**(300,000)**	(3,100,000)
Net increase/(decrease) in cash and cash equivalents		**1,830,183**	(857,307)
Cash and cash equivalents at 1 January		**5,841,587**	6,698,894
Cash and cash equivalents at 31 December	6	**7,671,770**	5,841,587

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

Notes to the financial statements

For the year ended 31 December 2017

1. Corporate information

The financial statements of Rooty Hill RSL Club Limited (the "Club") for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 20 March 2018.

The Club is incorporated and domiciled in Australia as a Company limited by guarantee. In accordance with the Constitution of the Club, every member of the Club undertakes to contribute an amount limited to $5 per member in the event of the winding up of the Club during the time that he or she is a member or within one year thereafter.

The nature of the operations and principal activities of the Club are described in the directors' report.

2. Summary of significant accounting policies

(a) **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The Club is a not-for-profit entity which is not publicly accountable. Therefore, the financial statements for the Club are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB -RDRs).

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars ($).

(b) **Going concern**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2017, the Club had a net current liability of $3,781,816 (2016:$7,059,724). The Club has access to loan facilities totalling $84,991,000 (2016: $5,751,000) and the directors have concluded the going concern assumption in the preparation of the current year financial statements is appropriate.

(c) **Changes in accounting policy, disclosures, standards and interpretations**

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2016/2017 does not materially impact the financial statements of the Club.

Accounting Standards and Interpretations issued but not yet effective.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Club for the annual reporting year ended 31 December 2017. The directors have not early adopted any of these new or amended standards or interpretations. The directors are in the process of assessing the impact of the applications of AASB 9 Financial Instruments (effective 1 January 2018), AASB 15 Revenue from Contracts with Customers (effective 1 January 2018), AASB 1058 Income of Not-for-Profit Entities (effective 1 January 2019) and AASB 16 Leases (effective 1 January 2019) and its amendments to the extent relevant to the financial statements of the Club.

(d) **Comparative figures**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

(e) **Current versus non-current classification**

The Club presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

(e) **Current versus non-current classification (continued)**

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Club classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) **Cash**

Cash in the statement of financial position comprises cash at bank and on hand.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position.

(g) **Trade and other receivables**

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less an allowance for impairment.

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

(h) **Inventories**

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

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) **Property, plant and equipment**

Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Club depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Club buildings	25 to 40 years
Club plant & equipment	3 to 13 years
Motor vehicles	4 to 5 years
Hotel buildings	25 to 40 years
Hotel plant & equipment	5 to 7 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

(i) **Property, plant and equipment (continued)**

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(j) **Investment properties**

Investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each component of investment property.

The Club's investment property estimated useful lives for the current and comparative years are both 40 years.

(k) **Leases**

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

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Club is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Leases in which the Club retains substantially all the risks and rewards of ownership of an asset are classified as finance leases. Initial direct costs incurred in negotiating a finance lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(l) **Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) **Trade and other payables**

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

(n) **Borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Club has an unconditional right

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

(n) **Borrowings (continued)**

to defer settlement of the liability for a least 12 months after the reporting date.

(o) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Club does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

(p) **Provisions**

General

Provisions are recognised when the Club has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Club expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement.

Poker machine links

The provision for poker machine links represent the Club's estimated present obligation to members and visitors in respect of poker machine link payouts promotions. The provisions are expected to be realised within 12 months of the reporting date.

Employee benefit liabilities

Wages, salaries and sick leave

Liabilities for wages and salaries, including non-monetary benefits, which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave and annual leave

The Club does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Club recognises a liability for long service leave and annual leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Club has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

(q) **Revenue recognition (continued)**

Sale of goods

Revenue from the sale of goods comprises revenue earned from the provision of food, beverage and other goods. It is measured at the fair value of the consideration received or receivable and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Rendering of services

Revenue from services rendered comprises revenue from hotel, fitness and gaming facilities together with other services to members and patrons of the Club. It is measured at the fair value of the consideration received or receivable and is recognised in profit or loss as the services are provided.

Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the EIR method.

Rental revenue

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

(r) **Taxes**

Current income tax

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

Deferred tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Notes to the financial statements (continued)

For the year ended 31 December 2017

2. Summary of significant accounting policies (continued)

(r) **Taxes (continued)**

Deferred tax (continued)

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

Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as a part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Club's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the companying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Club based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Club. Such changes are reflected in the assumptions when they occur.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Notes to the financial statements (continued)

For the year ended 31 December 2017

4. Revenue and expenses

	2017	2016
	$	$
(a) Revenue		
Revenue from gaming	**58,129,543**	55,617,583
Revenue from entertainment	**723,139**	975,025
Revenue from beverages	**5,927,254**	5,513,940
Revenue from food	**9,892,914**	9,065,722
Revenue from gymnastics and aquatic centre	**8,058,663**	7,074,472
Revenue from commissions	**897,139**	925,518
Revenue from member subscriptions	**260,000**	239,175
Revenue from merchandise sales	**428,154**	426,320
Revenue from accommodation	**7,703,516**	7,253,521
Rental income from AMF bowling	**731,821**	722,030
Interest income	**46,821**	56,665
Other revenue	**1,279,578**	1,195,403
	94,078,542	89,065,374
(a) Personnel expenses		
Wages and salaries	**21,501,714**	20,727,486
Other associated personnel expenses	**4,283,967**	4,288,611
Contributions to superannuation	**2,401,725**	2,288,710
	28,187,406	**27,304,807**

5. Income Tax Benefit

	2017	2016
	$	$
(a) Income tax benefit **The major components of income tax benefit are:** Statement of profit or loss and other comprehensive income Current income tax		
Current year benefit	**-**	(160,522)
Origination and reversal of temporary differences	**-**	(50,462)
Non-recognition of current year tax losses	**143,082**	160,522
Income tax expenses/(benefit) reported in the statement of profit or loss and other comprehensive income	**143,082**	**(50,462)**

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Income Tax Benefit (continued)

	2017	2016
	$	$
(b) Reconciliation of income tax benefit and the ac counting profit multiplied by Australia's domestic tax rate for 2017 and 2016:		
Proportion of net taxable income attributable to non-members	**11,698,803**	5,550,482
Less: Proportion of expenses attributable to non-members	**(10,399,304)**	(4,897,228)
	1,299,499	653,254
Add: Other taxable income	**5,486,132**	2,222,394
	6,785,631	2,875,648
Less: Other deductible expenses	**(7,262,572)**	(3,410,722)
Net income subject to tax	**(476,941)**	(535,074)
Income tax using the Club's statutory income tax rate of 30% (2016: 30%)	**(143,082)**	(160,522)
Non-recognition of current year tax losses	**143,082**	160,522
Income tax benefit on pre-tax net profit	**731,821**	722,030
Interest income	**-**	-

	2017	2016
	$	$
(c) Deferred tax assets		
Deferred tax at 31 December relates to the following:		
Deferred tax assets		
Employee benefits	**194,367**	112,898
Provisions and accruals	**7,500**	61,747
Tax loss carry-forwards	**255,500**	425,804
Gross deferred tax assets	**457,367**	600,449

6. Cash

	2017	2016
	$	$
Bank balances	**1,810,516**	1,069,163
Call deposits	**1,524,820**	974,657
Cash on hand	**4,336,434**	3,797,767
	7,671,770	5,841,587

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

Notes to the financial statements (continued)

For the year ended 31 December 2017

7. Trade and other receivables

	2017	2016
	$	$
Current		
Trade receivables	**127,372**	641,645
Other receivables	**5,798**	4,143
Interest income	**133,170**	645,788

8. Inventories

	2017	2016
	$	$
Bar/warehouse	**216,272**	240,009
Catering	**148,882**	148,196
Hotel	**41,060**	44,981
Fitness centre	**40,417**	56,325
	446,631	489,511

9. Investment properties

Cost	
Balance at 1 January 2016	6,558,005
Acquisitions	-
Balance at 31 December 2016	**6,558,005**
Balance at 1 January 2017	6,558,005
Disposal	
Balance at 31 December 2017	**6,558,005**
Depreciation	
Balance at 1 January 2017	794,032
Depreciation charge for the year	119,729
Balance at 31 December 2017	**913,761**
Net book value	
At 1 January 2017	5,763,973
At 31 December 2017	**5,644,244**

Notes to the financial statements (continued)

For the year ended 31 December 2017
10. Property, plant and equipment

	Club land and buildings $	Club plant and equipment $	Motor vehicles $	Hotel and buildings $	Hotel plant and equipment $	Work in progress $	Total $
Cost							
At 1 January 2017	130,876,939	73,421,910	194,359	34,863,793	7,938,855	4,174,504	251,470,360
Additions	2,093,988	9,482,109	-	-	80,056	5,002,204	16,658,357
Disposals	-	(1,763,635)	-	-	-	-	(1,763,635)
Transfer	94,835	299,273	-	-	-	(394,108)	266,365,082
At 31 December 2017	**133,065,762**	**81,439,657**	**194,359**	**34,863,793**	**8,018,911**	**8,782,600**	**266,365,082**
Depreciation charges							
At 1 January 2017	45,616,948	57,046,462	122,630	16,764,913	6,340,878	-	125,891,831
Depreciation for the year	4,927,790	4,085,995	15,244	1,536,213	383,551	-	10,948,793
At 31 December 2017	**-**	**(1,763,635)**	**-**	**-**	**-**	**-**	**(1,763,635)**
Net book value							
At 31 December 2016	85,259,991	16,375,448	71,729	18,098,880	1,597,977	4,174,504	125,578,529
At 31 December 2017	**82,521,024**	**22,070,835**	**56,485**	**16,562,667**	**1,294,482**	**8,782,600**	**131,288,093**

Notes to the financial statements (continued)

For the year ended 31 December 2017

10. Property, plant and equipment (continued)

Core property

The following is the core property: 55 Sherbrooke Street, Rooty Hill NSW 2766, excluding the Sydney Gymnastic and Aquatic Centre and the Investment property leased to AMF Bowling.

Non-core property

The following is the non-core property: The Sydney Gymnastic and Aquatic Centre and the Investment property leased out to AMF Bowling located on the Club's premises.

11. Trade and other payables

	2017 $	2016 $
Cost		
Trades payable	**6,728,731**	8,666,229
Accrued expenses	**2,432,345**	2,723,854
Receipts due to RSL sub branch	**2,752**	-
	9,163,828	11,390,083

12. Employee benefit liabilities

	2017 $	2016 $
Current		
Long service leave	**1,113,650**	1,060,086
Annual leave	**1,874,635**	1,445,532
	2,988,285	2,505,618
Non-current		
Long service leave	**245,585**	303,944
	245,585	303,944

13. Provisions

	2017 $	2016 $
Current		
Jackpot provisions	**93,799**	101,453

Movement in provision	2017 $
As at 1 January 2017	101,453
Jackpot provisions accrued	101,059
Provisions utilised during the year	(108,713)
As at December 2017	**93,799**

Notes to the financial statements (continued)

For the year ended 31 December 2017

14. Borrowings

	2017 $	2016 $
Current		
Bank loans	-	300,000
	-	$300,000
Facilities available		
Bank loans	**80,000,000**	5,000,000
Financial gaurantee	**610,000**	250,000
Credit cards	**390,000**	200,000
Online payroll facility/overdraft facility	**4,000,000**	610,000
	85,000,000	6,060,000
Facilities utilised at reporting date		
Bank loans	-	300,000
Financial gaurantee	**9,000**	9,000
	9,000	309,000
Facilities not utilised at reporting date		
Bank loans	**80,000,000**	4,700,000
Financial gaurantee	**601,000**	241,000
Credit cards	**390,000**	200,000
Online payroll facility	**4,000,000**	610,000
	84,991,000	5,751,000

Security

At 31 December 2017, total assets with a carrying amount of $146,215,773 (2016: $139,583,466) are subject to a registered mortgage to secure the financial liabilities of the Club.

Security covering the above facilities comprises a registered mortgage over all the freehold property of the Club and hotel complex situated at 55 Sherbrooke Street, Rooty Hill and a registered mortgage debenture over all the assets and undertakings of the Club, including liquor and gaming licences held by the Club.

15. Commitments and contingencies

	2017 $	2016 $
(a) Lease commitments		
Operating lease commitments – Club as lessee		
Less than one year	**489,984**	492,377
Between one and five years	**496,022**	719,140
	986,006	1,211,516

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. Commitments and contingencies (continued)

(a) Lease commitments (continued)

The Club leases plant and equipment under non-cancellable operating leases expiring from 1 to 5 years. Leases generally provide the Club with a right to renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Operating lease commitments - Club as lessor

The Club leases out its investment property held under operating leases.

The Club and the Trust Company limited as custodian of the Ardent Leisure Trust (formerly known as Macquarie Leisure Trust) has a lease in place in relation to AMF Bowling operations for a term of 10 years with further option for renewal.

The Club also leases out portions of the Sydney Gymnastic and Aquatic Centre (SGAC) under operating leases. The Club and the tenants have entered into a lease for a term of 10 years with further options to renewal periods.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2017 **$**	2016 $
Less than one year	**916,818**	893,555
Between one and five years	**2,271,037**	2,875,427
More than five years	**176,508**	503,244
	3,364,363	4,272,226

	2017 **$**	2016 $
(b) Capital and other commitments		
Property, plant and equipment		
Contracted but not provided for and payable:		
Within one year	**49,643,280**	5,400,000
After one year but not more than five years	**49,643,280**	-
	72,191,141	5,400,000

During the year ended 31 December 2017, the Club had contracted for construction work to be carried out on the Western Sydney Performing Arts Centre (WSPAC).

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. Commitments and contingencies (continued)

(c) Contingent assets and contingent liabilities

There are no contingent assets to be disclosed at the date of this report.

The Club has the following contingent liabilities at the reporting date:

as at 31 December are as follows:

	2017 $	2016 $
Totalisator Agency Board - Guarantees	**9,000**	9,000
	9,000	9,000

16. Related party disclosures

The following were key management personnel of the Club at any time during the reporting year and unless otherwise indicated were key management personnel for the entire year:

Non-executive directors

R.L. Johns
D.V. Dewhurst
A.J. Davey
A.G.F Hills
K.N. Clements
S.R. Gibbs
P.E. Hamrol
Dr. J.S. Hillman (Appointed February, 2017)
C.A. Pilao
A.T. King (Deceased January, 2017)

Executives

Richard Errington (Chief Executive Officer)
Dionysios 'Dennis' Aktypis (General Manager Finance)
Peter Ehlen (General Manager Gaming and Compliance - departed 9 December 2017)
Simon Grealy (General Manager Marketing)
Robert Hunter (General Manager Property - departed 9 March 2017)
Amanda Stephens (General Manager Legal and Human Resources)
Lucas Van Agten (General Manager Food, Beverage & Hotel)

17. Key management personnel

Key management personnel compensation

The key management personnel compensation was $1,788,612 for the year ended 31 December 2017 (2016:$1,907,187).

Key management personnel transactions and balances with the Club

From time to time, key management personnel of the Club, or their related entities, may purchase goods and services from the Club. These purchases are on the same terms and conditions as those entered into by third parties and are trivial or domestic in nature.

No key management personnel has transacted with the Club since the end of the previous financial year and there were no outstanding balances involving key management personnel's interests existing at year-end.

18. Events after reporting period

The Western Sydney Performing Centre construction commenced late 2017 and is progressing as planned. Car park and related infrastructure will commence during 2018. The first draw down of the construction loan was made beginning of February 2018.

There have been no other significant events after the reporting period which may affect the Club's operations or results of those operations or the Club's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Rooty Hill RSL Club Limited (the "Club"), I state that:

In the opinion of the directors:

(a) The financial statements and notes of the Club for the financial year ended 31 December 2017 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Club's financial position as at 31 December 2017 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

(b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

R.L. Johns
Chairman

Rooty Hill, 20 March 2018

R.L. Johns
Chairman

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Independent Auditor's Report to the Members of Rooty Hill RSL Club Limited

Opinion

We have audited the financial report of Rooty Hill RSL Club Limited (the Club), which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

a) Giving a true and fair view of the Club's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

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Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Club's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Daniel Cunningham
Partner

Sydney
20 March 2018

Rooty Hill RSL