

Pacific Palms Recreation Club



PACIFIC PALMS RECREATION CLUB LTD

ABN 47 000 910 378

ACN 000 910 378

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2016

TO BE PRESENTED AT THE
ANNUAL GENERAL MEETING

TO BE HELD AT THE CLUB ON
SUNDAY 23 October 2016 at 10:15am

3957 THE LAKES WAY, ELIZABETH BEACH, NSW

Contents

Annual General Meeting 2016 Agenda

President's Report

Secretary Manager's Report

Treasurer's Report

Compilation Report

Directors' Report

Auditor's independence declaration

Statement of Profit or Loss and Other Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the financial statements

1. Statement of Significant Accounting Policies
2. Revenue & other income
3. Result for the year
4. Income Tax
5. Related Party & Key Management Disclosure
6. Cash And Cash Equivalents
7. Trade And Other Receivables
8. Inventories
9. Financial Assets
10. Property Plant And Equipment
11. Intangible Assets
12. Other Assets
13. Trade And Other Payables
14. Financial Liabilities
15. Provisions
16. Employee Benefits Expense
17. Other Liabilities
18. Capital & Leasing Commitments
19. Contingent Liabilities And Contingent Assets
20. Cash Flow Information
21. Events After Reporting Date
22. Financial Risk Management
23. Economic Dependency
24. Company Details
25. Core Property

Directors' declaration

Independent auditor's report

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Pacific Palms Recreation Club Limited (ABN: 47 000 910 378) will be held on Sunday 23 October, 2016 commencing at 10.15am.

AGENDA

1. Apologies
2. Minutes Silence
3. Confirm the minutes of the Annual General Meeting held on Sunday 25 October 2015
4. To appoint from among the members present five (5) persons who shall appoint one (1) of their number Returning Officer with the remainder being Assistant Returning Officers all of whom shall act on and for the purpose of the ballot
5. To receive and adopt the Auditor's and Director's reports for the financial year ended 30 June 2016
6. To receive and adopt the Full Financial Report for the year ended 30 June 2016
7. To declare all Board of Directors positions vacant
8. To appoint a temporary Chairman
9. Election of the Board of Directors for the ensuing year
10. To consider and if thought fit approve payment of Honorariums to the Board of Directors
11. Ordinary Resolutions – to consider and if thought fit pass Ordinary Resolutions conferring benefits on Directors
12. To deal with any business of which due notice in writing has been given
13. To receive recommendations for the incoming Board

Nominations for Board positions must be received by no later than Saturday 15 October 2016 at 12 Noon.

Any clarification of the Full Financial Statements that requires an answer at the Annual General Meeting to be placed in writing to the Club President Ms D Ellis by Saturday 15 October 2016 at 12 Noon.

DIRECTORS HONORARIUMS

That the members approve an honorarium of \$2000 each for the Executive Directors which include the President, Vice President and Treasurer. Further, that the members approve an honorarium of \$1000 each for the remaining four (4) directors.

FIRST ORDINARY RESOLUTION

“That pursuant to the Registered Clubs Act:

- (a) The members hereby approve and agree to reasonable expenditure by the Club for the following activities of the Directors:
 - (i) The reasonable cost of a meal and beverage for each director immediately before or after a Board or Committee meeting on the day of that meeting when that meeting corresponds with a normal meal time;
 - (ii) Reasonable expenses incurred by directors in relation to such other activities including entertainment of special guests of the Club;
 - (iii) Reasonable expenses involved in attending intra-club activities at the Club or the community and other promotional activities performed by directors and supported by the Board;
 - (iv) Reasonable costs of Directors attending functions and activities at the Club which are deemed by the Board to be of benefit to the Club;
 - (v) Reasonable costs of Directors and their spouses in attending functions as required by the Board and the above expenses are to be approved by the Board before payment is made on the production of receipts;

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

- (b) The members acknowledge that the benefits referred to above are not available to members generally but only those who are Directors of the Club and those members directly involved in the above activities”.

SECOND ORDINARY RESOLUTION

“That pursuant to the Registered Clubs Act:

- (a) The members hereby approve and agree to reasonable expenditure by the Club for the professional development and education of Directors such as:
- (i) The reasonable cost of Directors attending the Clubs NSW General Meeting;
 - (ii) The reasonable cost of Directors attending seminars, lectures, trade displays and similar organized events as may be determined by the Board from time to time;
 - (iii) The reasonable cost of Directors attending other clubs or similar types of business for the purpose of observing their facilities and methods of operation;
- (b) The members acknowledge that the benefits referred to above are not available to members generally but only to those who are Directors of the Club and those members directly involved in the above activities”

THIRD ORDINARY RESOLUTION

“That pursuant to the Registered Club’s Act the members hereby approve and agree to permit members who are directors of the Club to utilise dedicated parking spaces. The members agree that this benefit is not open to members who are not Directors of the Club”

NOTES TO MEMBERS

First Ordinary Resolution

The First Ordinary Resolution is to have the members in General Meeting approve reasonable expenditure by the Club in relation to duties performed by the Club’s Directors.

Second Ordinary Resolution

The Second Ordinary Resolution is to have the members in General Meeting approve reasonable expenditure by the Club for Directors to attend seminars, lectures, trade displays and other similar events including Clubs NSW Annual General Meeting and to visit other clubs to enable the Board to keep abreast of current trends and developments which may have a significant bearing on the nature and way in which the Club conducts its business.

Third Ordinary Resolution

The Third Ordinary Resolution is to have members approve preferential car spaces for Directors.

General

Each of the resolutions must be passed as a whole and cannot be amended from motions from the floor of the meeting or divided into two or more parts.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

President's Report

On behalf of the Board of Directors, I submit for your consideration and adoption the Annual Report for the year ended 30 June 2016.

I am pleased to report a profit of \$109,858 for the 2015/16 financial year. Many thanks to our Manager, our hard working staff, and to you – our members – who have supported us so well throughout the past year.

During the financial year The Club has invested heavily in upgrading and replacing much of our food preparation and storage equipment in the Bistro. Thanks to this, and our hard working staff, the Club's Bistro received a 5 out of 5 score (Excellent) for Hygiene and Food Safety in the NSW Government Scores on Doors program.

By the time you receive this report our Bistro refurbishment will be well underway with all new flooring, upgraded furniture and decoration. With the Club on a firmer financial footing, the Board are confident that, in time, we can continue with our goal of modernising the entire Club interior.

We are also pleased to advise that after a hiatus of several years the Club is once again offering the opportunity for local community and sporting groups to apply for grant funding for their groups. These grants will be over and above the existing funding and support the Club provides to many local groups.

Sadly we lost another one of our Life Members this year: Joyce Palmer, who was our first and only female Life Member of the Club. Our sympathies go to her family, as they do to all families who have lost loved ones this year.

Thank you all once again for supporting the Club, and I look forward to catching up with or meeting you throughout the year.

Diane Ellis
President

Secretary Manager's Report

Members, it is with great pleasure that I submit to you my Secretary Managers report for the year ended 30 June 2016.

I genuinely would like to thank all Members for your support over the past year; it is due to your continued support and the pride you take in your club that it is as successful as it is today.

Our industry is constantly impacted by legislative changes and ever increasing costs, however through strategic management and the support of our Members we will remain in a solid position and continue to strive forward.

As mentioned in my last report I promised to update and improve your club's facilities; as you can see we have replaced the old lattice works around the outdoor terrace area and under the deck with modern stained horizontal wooden slats, the front entrance stairs have been replaced giving the entrance a brighter more inviting look. The carpet flooring in the Bistro has since been replaced with a modern commercial timber laminate flooring making the Bistro area more inviting and at the same time brightening it up. Over the next couple of months, we will be replacing the remainder of the furniture and modernising the front service area with a modern bright look.

To all staff you are the forefront of our Club and I thank you for your dedication, hard work and friendly customer service to all our patrons and visitors. A contributing factor for the Club moving forward in the right direction is due to the loyalty and commitment shown by all staff.

Once again I would like to thank the Board of Directors for your commitment, support and assistance throughout the year; the Club is fortunate to have such a diverse Board of Directors who are willing to assist and dedicate their time and efforts into the future success of your club.

To those Members who have suffered illness and bereavement during the past 12 months please accept our sincere condolences.

Kylie Podger
Secretary Manager

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

Treasurer's Report

The Club has had another pleasing year financially, with revenues up 3.43% overall and expenses up 3.37% overall, resulting in a net profit for the year of \$109,858, a small increase on last year's profit of \$104,716.

Bar trading profit improved by 4.9% to \$379,446, up from \$361,563 last year. Bistro and Catering trading profit also improved, from \$138,677 in 2015 to \$185,619 this year, an increase of 33.8%. Poker machine revenue also showed a small increase of 3%, up from \$528,933 to \$545,037 this year. This was especially pleasing given that several machines were offline for a month during the building of the outdoor poker machine area. Combined with higher depreciation due to the new machines installed during the year, however, poker machine trading profit fell 2% from \$407,260 to \$399,151.

Membership subscription income increased by 16.7% to \$19,259 up from \$16,510 in 2015. The change in membership year from January to June as well as a dedicated membership drive has seen a steady rise in members, both local and those living outside the area, with a resulting welcome increase in patronage.

These good results have been achieved through continued tight financial control of costs, monitoring of gross profit margins and wages to sales, and increased membership and patronage of the club.

Net cash flow from operating activities (after adjusting for non-cash items such as depreciation) decreased by 4%, down from \$345,766 last year to \$330,678 this year.

The board continued to pay down debt during the year, repaying \$114,727 in principal against its bank loans during the year (\$84,727 as required under the loan terms and an additional \$30,000 as cash flows permitted over the course of the year) bringing the loan balance down to \$147,662 as at 30 June 2016. In the past 4 years the club has reduced its bank loan by a massive 82% from \$832,500 at 30 June 2012 to \$147,662 at 30 June 2016. The Board remains committed to reducing debt levels and securing the best loan terms and interest rates available given its continued improvement in financial position and risk rating.

As a result of these additional repayments of principal, and reduced interest rates as a result of improved financial performance during the 2015 financial year, the total loan interest paid over the year fell by \$10,700, down from \$27,282 to \$16,582 this year.

\$202,125 was invested in new plant and equipment for the club during the year, a slight decrease of \$3,429 on the \$205,554 invested in 2015. This equipment included new poker machines, outdoor poker machine area, small courtesy bus, office computers & server, bar tills, kitchen equipment, bistro chairs and air conditioning. Despite this sizeable outlay and the additional repayment of principal, net cash on hand decreased only \$2,748 from \$109,642 in 2015 to \$106,894 at 30 June 2016.

The Board has set another challenging budget for 2017 in order to continue building a strong financial foundation for the club, while continuing to improve amenities for members and upgrade facilities during the year, as cash flows permit.

I would like to take this opportunity to thank the many people throughout the club who have contributed significantly towards achieving this financial result over the last 12 months; Secretary Manager Kylie Podger, our Bar, Bistro and Office staff, my fellow Directors and, of course, our members and guests who continue to support the club.

Yvonne Ellis
Treasurer

Pacific Palms Recreation Club Ltd

ABN 47 000 910 378

COMPILATION REPORT

Scope

On the basis of information provided by the Directors, we have compiled in accordance with APES 315: Compilation of Financial Information, the following general purpose financial report of the Pacific Palms Recreation Club Ltd for the year ended 30 June 2016.

The financial report has been prepared to comply with reporting obligations under the Corporations Act. Accounting Standards – Reduced Disclosure Requirements have been adopted in the preparation of the financial report.

Responsibility of the Office holders

The Directors are solely responsible for the information contained in the financial report and have determined that the accounting policies used are appropriate.

Our responsibility

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided, into a financial report. Our procedures do not include verification or validation procedures and accordingly no assurance is expressed by this company other than to the Directors.

Audit

An independent audit has been performed on the financial report by Essential Assurance Services Pty Ltd. The Auditors' Report is located after the Directors' Declaration.

TJL Business Advisors & Accountants

7 Macquarie Street

TAREE NSW 2430

Signed: 

Brian Alexander

Date: 14th September 2016

Liability limited by a scheme approved under Professional Standards Legislation

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended **30 JUNE 2016**.

Directors

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

T. Lawson	L. Schubert	Y. Ellis
D. Ellis	M. Workum	
K. Reynolds	N. Montague	

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

Description of company

This report covers the single entity Pacific Palms Recreation Club Ltd, a public company limited by guarantee.

Description of objectives

The principal objective of the company is to promote sporting and social activities and citizen recreation and to aid in the civic development of the district.

Specific objectives are:

Short-term

Our short term objective is to make the Pacific Palms Recreation Club the hub of the community by offering entertainment, sporting activities, dining and other recreation options for the benefit of members whilst being financially responsible.

Long-term

As per our Constitution, the long term objective of the Pacific Palms Recreation Club is:

1. to promote sporting and social activities and citizen recreation and to aid in the civic development of the district.
2. to form friendly associations with other social groups.
3. to establish and maintain a Club for the benefit of its members and their friends.
4. to provide Clubhouses, lounges, refreshment rooms, recreational rooms and properly maintain same.
5. to provide meals and other refreshments and to purchase and sell foodstuffs and liquors both intoxicating and non-intoxicating, tobacco, cigars and cigarettes, sports equipment and other goods, wares and merchandise likely to be required by members.
6. subject to the provision of any relevant statute and to the conditions attached to any licence issued therein, to conduct or assist or take part in the conduct of art unions, dances, balls or other public or charitable balls, entertainments or functions for the purpose of raising funds and to accept donations or gifts from any source for all or any of the above purposes or for the benefit of or to carry out the objects of the Club.
7. to diffuse and disseminate knowledge and information or otherwise further the objects of the Club by the printing, publication, issue and circulation of papers, periodicals, books, circulars, brochures, and other literary or artistic matter and by advertisement of all kinds and by purchase of the exhibition of works of art or interests and by granting prizes or donations.

Strategies for achieving those objectives

Our strategy to achieve these objectives is as follows:

- ensure a wide variety of activities and entertainment is available to members which reflects local interests and tastes
- explore additional options to encourage more visitors to the Club, especially during the quieter months.
- sponsor and support local sporting and community groups.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

DIRECTORS' REPORT

Principal Activities

The principal activities of the company during the financial year were:

- Licensed recreation club

There were no other significant changes in the nature of the company's principal activities during the financial year.

Measures of performance

The key performance indicators that the Board of Directors use to monitor the overall performance of the Club are:

- Profit & loss statements
- Cash flow
- Wages versus Sales
- Gross Profit in Bar and Bistro
- Poker Machine Retention

Operating Result

The result of the company was a profit of \$109,858 (2015 \$104,716).

SECRETARY MANAGER

Kylie Podger

Kylie was appointed as the Club Manager on July 13, 2015. She entered the hospitality industry in 2006 after a background in law. Kylie most recently held the position of Assistant Manager at Tuncurry Beach Bowling Club, a position she held for 5 years. Her hospitality experience incorporates Bar Operations, Catering, Gaming, HR and Compliance. Through hard work, determination and loyalty, many of Kylie's peers within the local business industry have seen her progress through the hospitality ranks. In doing so, she has gained the respect of many high-standing members within our local community. Kylie is dedicated to providing fresh, innovative ideas and to advance our Club into the future.

Life Members

S Allan, K Clifton, D Hughes, J Palmer, S Kenyon, B Stone, T Johnston, J Blanche, K Reynolds, T Lawson, L Schubert.

BOARD OF DIRECTORS INFORMATION

Experience & Background

Diane Ellis, President

Di has a background in IT and computers plus extensive experience as a Project Manager and Project Director. She has managed multi-million dollar projects for some of Australia's leading financial services and transportation companies. Di is our go-to person for all things computer related. She joined the Board in 2009 and was appointed Vice-President in 2010 and President in 2012.

Larry Schubert, Vice President

Moved to Pacific Palms in 1983 with family and operated 2 businesses in the area for 12 years, a caravan park and then bottle shop. He became a director in 1993 and served until 1996 when he moved to Cairns. In 2007 Larry moved back to Pacific Palms and re-joined the Board. Being a qualified electrician, he looks after much of the maintenance of the club. He was appointed Vice-President in 2012.

Yvonne Ellis, Treasurer

Yvonne is a qualified accountant with degrees in Business and Communications. She is committed to continual professional development and, as a result, other qualifications include Certificates in Public Relations, Television Production, Assessment & Workplace Training and Small Business Management. She spent many years in the financial and broadcasting industries before moving to Pacific Palms. Yvonne was elected to the Board in 2010, and appointed Treasurer that same year.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

BOARD OF DIRECTORS INFORMATION

Experience & Background

- Ted Lawson, Director Appointed to the Board February 1996 and since then has filled all Board positions, including 10 years on the Club's Executive Committee. Since joining the Commonwealth Bank in 1963, Ted has worked continuously in the Finance Industry and now manages his own Consultancy business. He was appointed the inaugural Treasurer of the Boomerang Beach Boardriders in 1998, a position he held until 2004. He has enjoyed all the challenges and negotiations that come with being a Board member of the Pacific Palms Recreation Club.
- Ken Reynolds, Director Moved to Pacific Palms in 1983 with his wife Dale, established and still owns Boomerang Beach Surf Co. Elected to the Board of Directors in 1993 and also served as Vice-President and President until 2007 when, due to family reasons, he did not contest the 2007 board elections. Re-elected to the Board in 2012, Ken is a long-time sponsor of the Boomerang Beach Board Riders and Pacific Palms Netball and Soccer Clubs.
- Nick Montague, Director Nick Montague moved to the area in 2007 when the family bought Blueys Cellars. Prior to this he spent 8 years in the wine industry working for Tyrrells wines. He has been involved in the hospitality industry for 25 years both in Australia and overseas. Nick has run pubs and bottle shops in Sydney, he has spent six years in Portugal as owner operator of a bar/ restaurant, and is still employed as a consultant to a number of hospitality businesses around Sydney. He was invited to join the Board in April 2013 and was subsequently elected to the Board at the 2014 AGM.
- Mark Workum, Director Moved to Pacific Palms in 2002 with his wife Adele to own and operate Hueys at Blueys Pizzeria and Bar. They now have 3 young children who attend the local school. Held position as Treasurer in 2005-06 for the Boomerang Beach Board Riders, and is currently club Registrar for the Pacific Palms Football Club, and on the committee since 2010. Mark has 13 years experience in the printing/ desktop publishing industry, and over 25 years in hospitality. Mark was invited to join the Board in September 2013 and was subsequently elected to the Board at the 2013 AGM.

Meetings of Directors

During the financial year 17 meetings of directors were held. Attendances by each director during the year were as follows:

Director	Board of Directors Meetings		Special Directors Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended
Diane Ellis	12	12	5	5
Larry Schubert*	12	7	5	3
Yvonne Ellis	12	12	5	5
Ted Lawson*	12	8	6	5
Ken Reynolds	12	9	6	4
Nick Montague	12	12	6	6
Mark Workum	12	11	6	5

*Special leave was granted to T Lawson and L Schubert for 4 meetings during the year.

Guarantee of Members

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstanding obligations of the company. At 30 June 2016, the total amount that members of the company are liable to contribute if the company is wound up is \$5,128 (2015: \$4,576)

Auditor's Independence Declaration

The auditor's independence declaration for the year ended **30 June 2016** has been received and can be found following the directors' report.

Rounding of Amounts

Amounts in the financial statements and directors' report have been rounded to the nearest dollar and accordingly small rounding errors may occur.

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

Yvonne Ellis

Director

Dated: **21st September 2016**

A handwritten signature in black ink, appearing to be 'Yvonne Ellis', is written over a horizontal line. The signature is stylized and cursive.

**Pacific Palms Recreation Club Ltd
ABN 47 000 910 378**

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF
PACIFIC PALMS RECREATION CLUB LTD**

I declare that, to the best of my knowledge and belief, during the year ended **30 June 2016** there have been:

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

Essential Assurance Services Pty Ltd, ABN 51 119 802 229
Registered company auditor No. 305383

Signed by:



Rhonda Futterleib

21st September 2016

9/57 Pulteney Street, Taree, NSW, 2430

Liability limited by a scheme approved under Professional Standards Legislation

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
Revenue	2	2,819,627	2,726,245
Cost of sales		(830,192)	(825,288)
Employee benefits expense	16	(984,707)	(958,942)
Depreciation and amortisation expense		(210,155)	(186,467)
Other operating expenses		(664,097)	(619,374)
Finance costs		(20,618)	(31,458)
Profit/(loss) before income tax		109,858	104,716
Income tax (expense)/benefit	4(a)	-	-
Profit/(loss) after income tax		109,858	104,716
Other Comprehensive income/ (loss)		-	-
Total Other Comprehensive income/ (loss) for the year		-	-
Total Comprehensive income/ (loss) for the year		109,858	104,716

The accompanying notes form part of these financial statements.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016	2015
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	106,894	109,642
Trade and other receivables	7	5,846	6,420
Inventories	8	41,396	33,564
Other assets	12	30,588	32,218
TOTAL CURRENT ASSETS		184,724	181,844
NON-CURRENT ASSETS			
Financial assets	9	1,569	1,569
Property, plant and equipment	10	1,767,954	1,775,984
TOTAL NON-CURRENT ASSETS		1,769,523	1,777,553
TOTAL ASSETS		1,954,247	1,959,397
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	197,627	182,684
Financial liabilities	14	210,227	208,689
Provisions	15	18,529	13,758
Other liabilities	17	53,050	45,232
TOTAL CURRENT LIABILITIES		479,433	450,363
NON-CURRENT LIABILITIES			
Other Financial liabilities	14	101,079	238,663
Provisions	15	10,832	17,326
TOTAL NON-CURRENT LIABILITIES		111,911	255,989
TOTAL LIABILITIES		591,344	706,352
NET ASSETS		1,362,903	1,253,045
EQUITY			
Retained earnings		1,362,903	1,253,045
TOTAL EQUITY		1,362,903	1,253,045

The accompanying notes form part of these financial statements.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

Note	Retained Earnings	Asset Revaluation Reserve	Other Reserves	Total
	\$	\$	\$	\$
Balance at 30 June 2014	1,148,329	-	-	1,148,329
2015 Profit/(loss) for the year	104,716	-	-	104,716
Balance at 30 June 2015	1,253,045	-	-	1,253,045
2016 Profit/(loss) for the year	109,858	-	-	109,858
Balance at 30 June 2016	1,362,903	-	-	1,362,903

The accompanying notes form part of these financial statements.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers & members		3,104,914	3,003,489
Payments to suppliers and employees		(2,753,783)	(2,626,427)
Dividends received		91	91
Interest received		74	71
Finance costs		(20,618)	(31,458)
Net cash provided by (used in) operating activities	20	330,678	345,766
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(202,125)	(205,554)
Proceeds from property, plant and equipment		4,745	1,818
Net cash provided by (used in) investing activities		(197,380)	(203,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		103,039	176,803
Repayment of borrowings		(239,085)	(320,027)
Net cash provided by (used in) financing activities		(136,046)	(143,224)
NET INCREASE (DECREASE) IN CASH HELD		(2,748)	(1,194)
Cash at beginning of financial year	6	109,642	110,836
CASH AT END OF FINANCIAL YEAR	6	106,894	109,642

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements cover the single entity Pacific Palms Recreation Club Ltd a public company limited by guarantee, incorporated and domiciled in Australia. The company's principal activity is operating as a licensed recreation club.

The company applies the Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements, except for the cash flow information, 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. The amounts presented in the financial statements have been rounded to the nearest dollar.

Unless otherwise stated, Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending **30 June 2016**.

The financial statements were authorised for issue on **21st September 2016** by the directors of the company.

Accounting Policies

a. **Principal Activity**

The company operates as a licensed recreation club.

b. **Income Tax**

When applicable, the charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items and is calculated using tax rates in effect at year end.

Deferred tax liabilities, when applicable, are accounted for using the Statement of Financial Position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are only recognised in the event that it becomes probable that future tax profits will be available against which deductible temporary differences and tax losses can be utilised.

When applicable, deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. If applicable, deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

If applicable, the amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

d. **Construction work in Progress**

Building work in progress is not depreciated until completion.

e. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any provisions for depreciation and impairment losses. The NSW Land and Property Management Authority valued the company's land at \$723,000 on 1/7/2014. This valuation has not been brought to account in the Statement of Financial Position but is provided for information purposes only. Land at cost in the Statement of Financial Position is \$10,000.

Carrying amounts

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure there have been no impairment losses as a consequence of the carrying amounts exceeding the recoverable amount of the assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. A formal assessment of recoverable amounts is made when improvement indicators are present.

Costs subsequent to the original purchase are either aggregated with the asset's original carrying amount or recognised as a separate asset, as appropriate, but only when it is probable that future economic benefits associated with the item will flow to the company. All other repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

Depreciation

All fixed assets including building and capitalised lease assets, but excluding land, are depreciated over their useful lives to the company commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Method	Depreciation Rate
Buildings	PC	2.50 – 10.00%
Furniture and fittings	PC	2.00 – 25.00%
Office equipment	PC	5.00 – 100.00%
Other plant and equipment	Both	6.67 – 37.50%
Bar plant	PC	10.00 – 33.33%
Catering equipment	PC	5.00 – 100.00%
Poker machines	PC	14.29 – 33.33%
TAB	PC	10.00%
Motor vehicles	PC	20.00%
Member amenities	PC	10.00%

Glossary

DV means the diminishing value method

PC means the prime cost (or straight line) method

BOTH means both the DV and PC methods are used in the asset class

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

If an asset's carrying amount is greater than its estimated recoverable amount it is written down to the recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

f. Company Limited by Guarantee

The company is limited by a guarantee of members to contribute in the event of a winding up, a sum not exceeding \$2.00 per member. At **30 June 2016** there were 2,564 financial members so the total amount members of the company are liable to contribute if the company is wound up is \$5,128 compared to \$4,576 at 30 June 2015. As the company does not have share capital it cannot pay dividends.

g. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the company by the lessor, notwithstanding the fact that legal ownership remains with the lessor, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold within 12 months after the end of the reporting period. All other available -for-sale financial assets are classified as current assets.

(v) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment of financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence that impairment as a result of one or more events (a "loss event") has occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance accounts.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled, or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i. Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

Impairment testing is performed annually for intangible assets with indefinite lives.

j. Intangibles

Poker Machine Entitlements

Purchased poker machine entitlements are initially recorded at cost and included in intangible assets. They are tested annually for impairment and carried at the lower of cost or fair value.

The market value of existing (non purchased) poker machine entitlements has not been brought to account.

Software

Software is recorded at cost. Software has a finite life and is carried at cost less accumulated amortisation and any impairment losses. It has an estimated useful life of between one and three years. It is assessed annually for impairment.

k. Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled *wholly* within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the Statement of Financial Position.

Where annual leave is wholly expected to be settled within 12 months of reporting date it is recognized in other payables in respect of employee service up to the reporting date. It is measured at the amount expected to be paid when liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Other long-term employee benefits

The company classifies employees' long service leave and annual leave entitlements as other long-term employee benefits where they are not expected to be settled *wholly* within 12 months after the end of the annual reporting period in which the employees render the related service. Provision is made for the company's obligation for other long-term employee benefits, which are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures, and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the re-measurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss classified under employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current liabilities in its Statement of Financial Position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current liabilities.

l. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. Cash and Cash Equivalents

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

n. Revenue

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to members and customers.

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

o. Borrowing Costs

Borrowing costs, whether related to specific assets or not, are expensed in the period in which they are incurred.

p. Goods and Services Tax (GST)

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

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which, when they arise, are disclosed as cash flows from operating activities.

q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

r. Rounding of Amounts

Amounts in the Financial Statements and directors' report have been rounded off to the nearest \$1 and accordingly small rounding errors may result.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. When such a determination becomes necessary, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments — Deferred tax assets

Deferred tax assets exist in respect of both temporary differences and unused tax losses. The directors have chosen not to bring the deferred tax assets to account for the following reasons:

1. tax losses still exist which could negate any future tax payable;
2. the impact of the increased petrol and electricity prices on disposable income and the impact on trading of the changes to smoking laws are all continuing to affect profitability and taxable income.

The directors have therefore opted to be conservative and only recognise the deferred tax asset in respect of temporary differences once the unused tax losses have been expended and then only if the deferred tax asset is material and realisation is reasonably probable.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 2: REVENUE & OTHER INCOME

	2016	2015
	\$	\$
Operating activities		
— sale of goods	2,065,127	1,970,514
— poker machine receipts	545,037	528,933
— member activities	54,962	55,297
— dividends received	91	91
— interest received – third parties	74	71
— government subsidies received	17,180	17,180
— other revenue	2,047	2,800
— services revenue-member subscriptions	19,259	16,510
— services revenue-bus income	17,441	13,881
— rebates received	12,498	7,660
— workers compensation reimbursements	6,273	31,504
— commissions	74,893	79,986
Total Revenue	2,814,882	2,724,427
Non-operating activities		
— gain on disposal of property, plant and equipment	4,745	1,818
Other Income	4,745	1,818
Total	2,819,627	2,726,245

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 3: RESULT FOR THE YEAR

Included in the result are the following items requiring specific disclosure:

	2016	2015
	\$	\$
Expenses		
Movement in employee leave entitlements	(7,873)	7,857
Rental expense on operating leases		
— minimum lease payments	-	1,608
Director honorariums	10,000	2,000
Rent – Dept. of Lands	-	178
Electricity	64,860	78,020
Repairs and maintenance	79,916	75,342
Insurance	51,000	50,802

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4: INCOME TAX

	2016	2015
	\$	\$
a. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	32,957	31,414
Less:		
Tax effect of		
– permanent and temporary differences & tax losses	(32,957)	(31,414)
Income tax expense/(benefit)	-	-
The applicable effective tax rates are as follows	0%	0%

Refer Note 1(b) and Note 1 Key judgements – deferred tax assets, regarding tax losses.

- b. Pay as you go instalments
 During the 2016 year the company paid nil instalments.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 5: RELATED PARTY & KEY MANAGEMENT DISCLOSURE

	2016	2015
	\$	\$
Key management personnel compensation		
Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.		
Total key management personnel compensation	108,196	100,880
Other related parties		
Employees related to key management personnel	-	-
Other related entities		
Purchases from Bluey's Cellars	175,739	173,526
Bluey's Cellars is a related entity of director Nick Montague		
Purchases from Boomerang Beach Surf Co	70	4,293
Boomerang Beach Surf Co is a related entity of director Ken Reynolds		
Purchases from Jason Schubert	500	2,400
Jason Schubert is a related party to director Lawrence Schubert		
Administration fees – Guiberelli Pty Ltd	40,392	-
Guiberelli Pty Ltd is a related entity of directors, Diane Ellis and Yvonne Ellis.		

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 6: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash on hand	49,993	52,205
Cash at bank	56,901	57,437
	106,894	109,642
	106,894	109,642

Reconciliation of cash

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

— Cash and cash equivalents - As above	106,894	109,642
Per Statement of Cash Flows	106,894	109,642
	106,894	109,642

NOTE 7: TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
CURRENT		
Sundry debtors	-	1,149
Other debtors	1,396	1,581
ATM clearing account	4,450	3,690
Total current trade and other receivables	5,846	6,420

PROVISION FOR IMPAIRMENT OF RECEIVABLES

There are no material trade receivables and therefore no provision for impairment is required.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 8: INVENTORIES

	2016	2015
	\$	\$
CURRENT		
At lower of cost and net realisable value		
Finished goods	41,396	33,564
	41,396	33,564

NOTE 9: FINANCIAL ASSETS

	2016	2015
	\$	\$
NON CURRENT		
Shares – Non related entity – ILG- at cost	750	750
Shares – Non related entity – IAG shares	819	819
	1,569	1,569

Comprising: -

a.	Shares at cost – redeemable for cost		
	Shares redeemable at cost - ILG	750	750
	Total	750	750
b.	Available-for-sale financial assets		
	Shares in listed corporations:		
	Balance at the beginning of the year	819	819
	Purchases	-	-
	Disposals	-	-
	Fair value gains/(losses)	-	-
	Balance at the end of the year	819	819

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of the 234 IAG Shares at 30 June 2016 was \$1,275 (2015 \$1,246).

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2016	2015
	\$	\$
LAND AND BUILDINGS		
Freehold Land		
— at cost (value \$723,000 at 1/07/14)	10,000	10,000
	<hr/>	<hr/>
Building works in progress	-	4,760
	<hr/>	<hr/>
Buildings		
— at cost	2,391,106	2,345,622
Provision for depreciation	(1,003,091)	(941,292)
	<hr/>	<hr/>
	1,388,015	1,404,330
	<hr/>	<hr/>
Total Land and Buildings	1,398,015	1,419,090
	<hr/> <hr/>	<hr/> <hr/>
PLANT AND EQUIPMENT		
Plant and equipment		
— at cost	967,865	934,074
Provision for depreciation	(742,709)	(685,037)
	<hr/>	<hr/>
	225,156	249,037
	<hr/>	<hr/>
Office Equipment		
— at cost	34,709	40,148
Provision for depreciation	(25,261)	(22,795)
	<hr/>	<hr/>
	9,448	17,353
	<hr/>	<hr/>
Furniture & Fittings		
— at cost	240,727	235,829
Provision for depreciation	(220,134)	(212,797)
	<hr/>	<hr/>
	20,593	23,032
	<hr/>	<hr/>
Leased plant & equipment		
— at cost	25,000	25,000
Provision for depreciation	(25,000)	(25,000)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Catering plant & equipment		
— at cost	198,696	166,805
Provision for depreciation	(156,613)	(152,211)
	<hr/>	<hr/>
	42,083	14,594
	<hr/>	<hr/>
Members amenities – equipment		
— at cost	18,761	18,760
Provision for depreciation	(18,733)	(18,589)
	<hr/>	<hr/>
	28	171
	<hr/>	<hr/>

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONT.)

	2016	2015
	\$	\$
Other equipment		
— at cost	318,512	312,800
Provision for depreciation	(275,029)	(260,093)
	43,483	52,707
Motor vehicles		
— at cost	78,475	61,919
Provision for depreciation	(49,327)	(61,919)
	29,148	-
Total Plant & Equipment	369,939	356,894
Total Property, Plant & Equipment	1,767,954	1,775,984

Movements in Carrying Amounts

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

	1 July	Adds	Disposals	Depreciation	30 June
	\$	\$	\$	\$	\$
Land	10,000	-	-	-	10,000
Building works in progress	4,760	-	4,760	-	-
Buildings	1,404,330	45,484	-	61,799	1,388,015
Office equipment	17,353	907	-	8,812	9,448
Furniture & fittings	23,032	4,897	-	7,336	20,593
Motor vehicles	-	33,020	-	3,872	29,148
Plant & equipment	249,037	84,345	-	108,226	225,156
Other equipment	52,707	5,712	-	14,936	43,483
Catering	14,594	32,520	-	5,031	42,083
Member amenities	171	-	-	143	28
TOTAL excluding WIP	1,771,224	206,885	-	210,155	1,767,954
TOTAL including WIP	1,775,984	206,885	4,760	210,155	1,767,954

NOTE 11: INTANGIBLE ASSETS

The market value poker machine entitlements created at nil cost has not been brought to account.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 12: OTHER ASSETS

	2016	2015
	\$	\$
CURRENT		
Prepayments	30,588	32,218

NOTE 13: TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
CURRENT		
Trade creditors	53,300	54,957
Other creditors	12,991	18,900
Accrued expenses	96,488	66,763
Accrued holiday pay & RDO's	26,837	32,987
GST liabilities	8,011	9,077
	197,627	182,684

NOTE 14: FINANCIAL LIABILITIES

	2016	2015
	\$	\$
CURRENT		
<u>Unsecured liabilities</u>		
Unsecured loan – insurance funding	19,852	21,340
Total unsecured	19,852	21,340
<u>Secured liabilities</u>		
Poker machine – type 4 licence	79,559	75,363
Equipment loan – Global Gaming System	-	1,067
CBA - Term loan instalments due in 12 months	110,816	110,919
Total secured	190,375	187,349
Total current	210,227	208,689
 NON-CURRENT		
<u>Secured liabilities</u>		
Poker machine – type 4 licence	64,233	87,193
Equipment loan – Global Gaming System	-	-
CBA - Term loans	36,846	151,470
Total secured	101,079	238,663
Total non-current	101,079	238,663

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 14: FINANCIAL LIABILITIES (CONT.)

	2016	2015
	\$	\$
a. Total current and non-current <u>secured</u> liabilities:		
Poker machine – type 4 finance	143,792	162,556
Bank loan	147,662	262,389
Chattel Mortgage - Global Gaming System	-	1,067
	<u>291,454</u>	<u>426,012</u>
b. The carrying amounts of fixed assets pledged as security for the above liabilities	1,767,954	1,775,984
c. The bank facility is secured by:		
— Registered equitable mortgage by Pacific Palms Recreation Club Ltd over the whole of the company's assets and undertakings.		
— First registered mortgage by Pacific Palms Recreation Club Ltd over the licensed club property situated at The Lakes Way, Pacific Palms, NSW.		
d. Other facilities		
Other facilities such as the Global Gaming System finance and the Type 4 poker machine finance agreements are secured over the related assets.		

NOTE 15: PROVISIONS

	2016	2015
	\$	\$
Long Service Leave		
Opening balance at 1 July	31,084	25,209
Movement	(1,723)	5,875
Balance at 30 June	<u>29,361</u>	<u>31,084</u>
 Analysis of Total Provisions		
	2016	2015
	\$	\$
Current	18,529	13,758
Non-current	10,832	17,326
	<u>29,361</u>	<u>31,084</u>

Provision for Long-term Employee Benefits

Provision for employee benefits represents amounts accrued for long service leave. Annual leave is only included as a provision if the amounts payable is not expected to be wholly settled within 12 months. The directors believe the annual leave payable as at 30th of June 2016 will be wholly settled within 12 months and accordingly annual leave payable is disclosed in Note 13 - Trade and other payables.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 15: PROVISIONS (CONT.)

The current portion for this provision includes the total amount accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the company does not expect the full amount of long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1.

NOTE 16: EMPLOYEE BENEFITS EXPENSE

	2016	2015
	\$	\$
Wages, salaries	887,888	853,941
Superannuation	82,525	79,381
Other staff expenses	22,167	17,763
Movement in employee benefit provision	(7,873)	7,857
Total Employee benefits expense	<u>984,707</u>	<u>958,942</u>

NOTE 17: OTHER LIABILITIES

	2016	2015
	\$	\$
Member subscriptions in advance	48,808	42,032
Member points	4,242	3,200
	<u>53,050</u>	<u>45,232</u>

NOTE 18: CAPITAL AND LEASING COMMITMENTS

	2016	2015
	\$	\$
a. Finance Lease Commitments		
Payable —		
— not later than 12 months	79,559	75,363
— between 12 months and 5 years	64,233	87,193
— greater than 5 years	-	-
	<u>143,792</u>	<u>162,556</u>

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 18: CAPITAL AND LEASING COMMITMENTS (CONT.)

**Operating Lease
Commitments**

There were no operating lease (rental) commitments at 30 June 2016 (2015: Nil) There are no contingent rentals.

	2016	2015
	\$	\$
c. Capital Expenditure Commitments	-	-

NOTE 19: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2016	2015
	\$	\$
Contingent Liabilities		
Security deposit guarantee – TAB	5,000	5,000
Contingent Assets		
Deferred tax assets not brought to account in the Financial Statements. Refer Note I		

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 20: CASH FLOW INFORMATION

	2016	2015
	\$	\$
a. Reconciliation of Cash Flow from Operating Activities with Profit/(loss) after Income Tax		
Profit/(loss) after income tax	109,858	104,716
Non-cash flows in profit		
Depreciation	210,155	186,467
(Profit/loss on disposal of property, plant and equipment)	(4,745)	(1,818)
Increase/(decrease) in provisions	(7,873)	7,857
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	574	5,086
(Increase)/decrease in prepayments	1,630	(2,403)
(Increase)/decrease in inventories	(7,832)	(2,544)
Increase/(decrease) in trade payables and accruals	21,093	39,621
Increase/(decrease) in subscriptions in advance & member points	7,818	8,784
Cash flow from operations	330,678	345,766
b. Non-cash Financing and Investing Activities	-	-
c. Credit Standby Arrangements with Banks		
Business direct credit facility	100,000	100,000
Amount utilised	-	-
Un-utilised	100,000	100,000
d. Loan Facilities		
Loan facilities	147,662	262,390
Amount utilised	(147,662)	(262,390)
	-	-
The major facilities are summarised as follows:		
Better Business Variable Rate Loan (6.35% at 30 June 2016)	147,662	104
Better Business 1 year 7.12% fixed rate loan	-	137,466
Better Business 2 year 7.39% fixed rate Loan	-	124,820
Overdraft – variable rate	100,000	100,000
	247,662	362,390

— The hire purchase liabilities are secured by the related assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 20: CASH FLOW INFORMATION (CONT.)

- The total bank facility matures April 2021. The directors have advised they intend to redraw \$40,000 of the loan funds in October 2016 to fund bistro refurbishments.

NOTE 21: EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2016 which has or will significantly affect:

- i The operations of the company
 - ii The results of those operations
 - iii The state of affairs of the company
- in financial years subsequent to 30 June 2016.

NOTE 22: FINANCIAL RISK MANAGEMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Accordingly financial instruments include both financial assets and financial liabilities.

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

a. **Financial Risk Management Policies**

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and hire purchase commitments.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT.)

	2016	2015	
Note	\$	\$	
Financial Assets comprise:			
Cash and cash equivalents	6	106,894	109,642
Receivables	7	5,846	6,420
Shares	9	1,569	1,569
Total Financial Assets		114,309	117,631

Financial Liabilities Comprise:

Trade and sundry payables – excluding holiday pay and RDO'S	21(a)	170,790	149,697
Bank loan	14	147,662	262,389
Loan – global gaming	14	-	1,067
Other loans	14	19,852	21,340
Type 4 poker machine finance	14	143,792	162,556
Total Financial Liabilities		482,096	597,049

(a) Reconciliation of Trade and Other Payables

Per Statement of Financial Position	13	197,627	182,684
less excluded items:			
Accrued holiday pay, sick leave and RDO's	13	(26,837)	(32,987)
Financial Liabilities as Trade and Other Payables		170,790	149,697

Net Fair Values

- (i) For listed available-for-sale financial assets and financial assets at fair value through profit or loss the fair values have been based on closing quoted bid prices at the end of the reporting period.
- (ii) For other Financial Assets and Financial Liabilities there is no material difference between the carrying amount and net fair value.

NOTE 23: ECONOMIC DEPENDENCY

The company is not economically dependent on any other single entity other than:

- i Government and regulatory authorities who administer and control liquor and gaming licences and the intrinsic value of poker machine entitlements.
- ii Commonwealth Bank and other financiers.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

NOTE 24: COMPANY DETAILS

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

3957 The Lakes Way
Pacific Palms NSW 2428

NOTE 25: CORE PROPERTY

Core property is defined as any real property owned by the club that comprises the defined premises of the club or any facility provided by the club for the use of its members and their guests. Core properties of the club consist of the land occupied by the clubhouse and car park at 3957 The Lakes Way, Pacific Palms NSW. Non-Core property of the club means any real property owned by the club that is not core property. The club does not have any non core property.

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the:
 - Statement of Profit or Loss and Other Comprehensive Income,
 - Statement of Financial Position as at 30 June 2016,
 - Statement of Changes in Equity
 - Statement of Cash Flows for the year then ended, and
 - Notes to the Financial Statements

are in accordance with the Corporations Act 2001, comply with Australian Accounting Standards – Reduced Disclosure Requirements, and give a true and fair view of the financial position of the company, as at 30 June 2016 and of its performance for the year ended on that date;

2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director



Yvonne Ellis

Dated this 21st day of September 2016

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PACIFIC PALMS RECREATION CLUB LTD**

Report on the Financial Statements

I have audited the accompanying financial statements of Pacific Palms Recreation Club Ltd (the company), comprising:

- Statement of Financial Position as at 30 June 2016,
- Statement of Profit or Loss and Other Comprehensive Income,
- Statement of Changes in Equity
- Statement of Cash Flows for the year then ended,
- Notes to the Financial Statements, and
- Directors Declaration

Directors' responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the Financial Statements in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements that are 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

The auditor's responsibility is to express an opinion on the Financial Statements based on the audit. The audit is conducted in accordance with Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and the audit is planned and performed to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, 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 Statements 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 Statements.

The audit evidence obtained is believed to be sufficient and appropriate to provide a basis for the audit opinion.

Independence

In conducting the audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors on **21st September 2016**, would be in the same terms if provided to the directors as at the date of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation

Pacific Palms Recreation Club Ltd
ABN 47 000 910 378

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PACIFIC PALMS RECREATION CLUB LTD

Auditor Opinion

In my opinion the Financial Statements of Pacific Palms Recreation Club Ltd are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at **30 June 2016** and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.

Name of Auditor: Essential Assurance Services Pty Ltd (ASIC Authorised audit company 305383)



Signed by: Rhonda Futterleib

Address: 9/57 Pulteney Street, Taree, NSW, 2430

Dated this 21st day of September 2016

Liability limited by a scheme approved under Professional Standards Legislation