

Kirribilli Ex-Service Club Limited
ABN 16 000 057 250

68th ANNUAL REPORT 2016



KIRRIBILLI EX SERVICE CLUB LIMITED

(A company limited by guarantee)

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NOTICE OF MEETING – 2016 ANNUAL GENERAL MEETING

The Sixty Eighth Annual General Meeting of the Kirribilli Club will be held at 11.00am on Sunday 30th October 2016 at 11-23 Harbourview Crescent Lavender Bay.

AGENDA

1. To conduct the business of the Annual General meeting including to receive and consider the financial statements of the company for the year ended 30th June, 2016 and the Directors' report, Directors' Statement and Audit Report. Questions in respect of the Financial Statements must be submitted in writing fourteen (14) days prior to the AGM
2. Election of Directors
3. To approve Ordinary Resolutions
4. Proposed appointment of PKF as Auditors for the 2017 Financial Year
5. General Business. Due notice must be given to issues that require prior research

FIRST ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by the President of the Club in the course of his/her duties until the next Annual General Meeting of the Club provided:

- a) each of the expenses is approved by the Board of the Club;
- b) the total amount of those expenses does not exceed \$6,000.00

SECOND ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by each Director of the Club in the course of his/her duties until the next Annual Meeting of the Club provided:

- a) each of the expenses is approved by the Board of the Club;
- b) the total amount of those expenses does not exceed \$3,000 for each Director.

THIRD ORDINARY RESOLUTION

That the members hereby approve the reimbursement of out-of-pocket expenses incurred by the Welfare Officer of the Club in the course of his/her duties (notwithstanding that the Welfare Officer may also be a Director in receipt of out-of-pocket expenses for his/her duties as a Director) provided :

- a) each of the expenses is approved by the Board of the Club;
- b) the total of those expenses does not exceed \$2,000.

FOURTH ORDINARY RESOLUTION

That the President and the Directors be entitled to be reimbursed reasonable expenses incurred for travel and accommodation when attending trade conferences, seminars and meetings provided the expenses are approved by the Board of the Club.

FIFTH ORDINARY RESOLUTION

That the President and each of the Directors shall be entitled to the following benefits which are not available equally to full members of the Club:

- a) A gift of liquor at Christmas not exceeding \$200 in value;
- b) Reasonable meals and refreshments whilst on duty.
- c) Suitable Director's attire as approved by the Board.
- d) Complimentary car parking within the club whilst on duty.

2016 PRESIDENTS REPORT

On behalf of the Board of Directors of the Kirribilli Ex-Service Club, I have pleasure in presenting to members the 68th Annual Report and Financial Statements for the year ended 30th June 2016 which will be put forward at the Annual General Meeting to be held on Sunday 30th October commencing at 11.00am.

It is pleasing to report that we have seen significant improvements in all areas of the Club's operations this year which as reported by Martin Boffey sees an overall revenue growth of 12% on the results for the previous year. The largest growth was in gaming of around 18% (up \$200,000) while our revenue from functions which has contributed around 37% of our total revenue has improved by 9% (up \$240,000).

The functions growth continues to be very much in the corporate area however weddings and family orientated functions have been very solid. A number of schools within our region are now taking advantage of our professionalism for the delivery of functions and utilising our facilities.

The club has assisted a number of organisations both service and community based by providing functions support and complimentary facilities for meetings and the like. These include our own RSL Sub-Branch, serving units such as the Royal Australian Signals Corp, Australian Army Apprentices, SAS Association, HMAS Penguin, the Pozieres Australian School Project and the local community project the Sydney Harbour High Line Walk.

As has been indicated in previous reporting, we have an Investment Committee in place with the role of developing, selecting, managing and monitoring the Club's investments which for the year have performed very well. We are fortunate to have our own Board member Robert Lynch on the committee having a comprehensive involvement in taxation, accounting and finance. We also have the involvement of club member Stuart Black AM, former President of the Institute of Chartered Accountants, Non-Executive Director of various Australian publicly listed companies and business advisor.

Growth in membership is very reassuring. Our financial membership at the end of September this year stood at 17,601 (2015 – 15,600, 2014 – 14,482, 2013 – 12,956). The makeup of this is 6,085 – Perpetual, 1,286 – 10 year, 3,686 – 5 year, 6,535 – 1 year and 9 Life Members.

Club Director Trent Zimmerman submitted his resignation from the Board in December last year. Trent was appointed as replacement for Joe Hockey MP on Joe's resignation from Parliament and Trent was subsequently elected at the election held earlier this year. In light of that situation and in accordance with Section 53 (a) of the Club's constitution, the Board appointed Mr John Marsden AFC to fill that casual vacancy. John has been a member of the Club since late 2002. John served in the Australian Army for some 21 years mostly as a pilot reaching the rank of Major. He subsequently took up a position as a pilot for Qantas Airlines retiring after 18 years' service. He is a founding and current Director of the Pymont Branch of the Bendigo Bank. John holds the position of Vice President of the Kirribilli RSL Sub-Branch.

On behalf of the Board and club members I express sincere appreciation to Trent for his valued contribution and commitment to the club over the last 8 years having been originally appointed in 2007. I believe the stability of the Club at Board level over the last decade or so has enabled the Club to firstly survive and more importantly set us on a solid path moving forward and as President, I wish to acknowledge the support I receive from each member of the Board.

Our club's commitment to the veteran community through our own RSL Sub Branch remains as strong as ever. We now have Sub-Branch members who are Afghanistan veterans and through their efforts we are very supportive of the NSW Government's Veteran Employment Program which endeavours to match ranks and service of transitioning members to available positions within government departments, associated organisations and businesses generally (termed "Commandos to Boardrooms"). I encourage ex-service members who are not a member of a Sub Branch to make contact with Sub-Branch President David McDowell to consider the benefits of joining. The next RSL Sub Branch activity will be a Remembrance Day service at the club. (11.00am on 11th November).

Our club web site is constantly being updated providing details of events and promotions happening within the club - www.kirribilliclub.com.au. Also for those members with internet access and an e-mail address I encourage you to ensure our membership staff have your e-mail address on file so that you can be kept up to date on activities and promotions and member information circulars - membership@kirribilliclub.com.au.

The club's Coffee Shop is continually evolving and improving the excellence and variety of light meals, desserts and coffees. The revenue contribution this year was in the order of \$300,000 up 12% on last year and full credit to manager Jade and our staff in this area. Helen and Anthony Costanzo and their staff in the Dedes WaterGrill are also to be applauded for the continued high standard in providing excellent food and service and overall support of our club. Their "2 for 1" meal offer put forward again this year for has been very well received and supported.

On behalf of the Board of Directors I would like to acknowledge all staff, both Club and Dedes for their excellent service and enthusiasm and particularly like to single out our sincerest appreciation to our CEO Martin Boffey for his determination and commitment to the ongoing success of our club.

In closing I would like to pay tribute to all members who attended and supported our Club during the year. You have each contributed to the ongoing success and viability of your Club.

Tom Richardson OAM
President

A handwritten signature in black ink, appearing to read 'TR', is written over a horizontal line.

2016 REVIEW

The 2016 Financial Year produced significant revenue growth of approx. 12% on 2015 results and was achieved across all major operational areas.

Financial Membership numbers also hit historical highs of just over 17,000 which is another very pleasing result and highlights the popularity of the Kirribilli Club and its location with existing members and the attraction it has to new members.

The operating loss for the year after rent but before non-cash items of depreciation, amortisation and impairments was (\$171,975) with a corresponding EBITDAR of \$934,000 which is the best result since the Club reopened in late 2007.

Targeted reinvestment programmes which commenced in early 2015 are credited with improving the Club's overall appeal and those programmes continue to be progressed throughout on a priority basis.

Operating costs have essentially been well managed during the year although key utilities such as Gas and Water, strata related building contributions and margin pressure on catering related revenue have impacted the bottom line result. Increased employment costs have followed higher directly as a result of higher revenue volumes and gaming taxes also increased materially in line with overall increases in Gaming revenue.

The Investment committee has successfully navigated volatile, uncertain and low yielding share markets to achieve both modest capital growth of its original investment and reasonable interest and distribution yields compared to average market returns. The Club has recently partnered with Peak Investment Partners who will provide external investment advisory input to the Committee inclusive of reporting, presentations, research, suggested asset allocations and general opportunities.

The outlook for the 2017 financial year remains in line with results for 2016 as economic conditions and consumer sentiment continue to be potentially subdued and challenges around cost structures remain to be managed. The Club will continue to drive member and event marketing and promotion across all areas, beginning with a new website format that is about to go online and driving improved and direct engagement with its membership base via various online applications and platforms.



Martin Boffey
CEO/Finance

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Financial Statements

For the Year Ended 30 June 2016

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

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For the Year Ended 30 June 2016

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Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Report

For the Year Ended 30 June 2016

The directors present their report on Kirribilli Ex-Service Club Limited for the financial year ended 30 June 2016.

Directors

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

Names	Appointed/Resigned
Tom Richardson OAM	
Luke Bendt	
Trent Zimmerman	Resigned 17th December 2015
Jarrold Christmas	
Denis Dunkley	
Chris Cundy	
Robert Lynch	
John Marsden	Appointed 5th February 2016

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

Company secretary

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

Martin Boffey is the Club Secretary, Chief Executive Officer and Finance Manager of the club and has held that combined role since 1 July 2009. Martin was originally involved in the club's site development and design process from 2002 to 2005, specifically in relation to the structure of the project's financial model. Martin then joined Campbell Advisory, a specialist club and pub consultancy firm. During this time he was part of a team retained by Kirribilli Club and ANZ Banking Group to assist in a strategic review of club operations and loan serviceability.

Principal activities

The principal activity of Kirribilli Ex-Service Club Limited during the financial year was conducting the business of a registered licensed club.

No significant changes in the nature of the Company's activity occurred during the financial year.

Short Term Objectives

The Company's short term objectives are to:

- Continue to progress priority Capital Expenditure programmes;
- Undertake adequate training and education of all employees in hospitality service and operations related areas;
- Drive for continual improvements in service delivery and standards;
- Build on recent Community reconnection, support and sponsorships;
- Further expand marketing programmes and targeted promotions, bring new Club website online in first half of 2017; and
- Undertake perpetual review of cost inputs and target savings wherever possible.

Directors' Report

For the Year Ended 30 June 2016

Long Term Objectives

The Company's long term objectives are to:

- Drive financial viability through detailed accounting and strategic management of operations;
- Target capital growth and suitable returns from invested funds;
- Continue to refresh Event offering with updated equipment, furniture, fitouts and menu options;
- Preserve and enhance the Club's appeal as a preferred venue of choice for approx. 17,000 members and their guests; and
- Continue to provide an appealing, safe and positive workplace environment for all employees.

Strategy for achieving the objectives

To achieve these objectives, the Company has adopted the following strategies:

- Continue to adopt the assumptions and intent of the 2015 Strategic Plan as reviewed and endorsed by the Board and Management;
- Continue to drive and promote the significant appeal of the Club's unique Harbourside location, view profiles, food and beverage offerings, functions and events appeal and casual friendly environment;
- Identify hospitality market trends early and align investment and marketing accordingly; and
- Maintain personnel of the highest possible competency in customer service, honesty, respect and professionalism.

Investment Committee

The Investment Committee has successfully navigated volatile and low yielding investment markets to achieve a net annualised distribution yield of approx. 3.50% and modest capital growth at the time of this report.

The Committee will continue to maintain a conservative and defensive portfolio allocation strategy for the immediate interim whilst global and domestic uncertainty prevails.

The Investment Committee is pleased to advise that it has recently engaged Peak Investment Partners on a flat fee basis to provide external Investment Advisory in line with an investment mandate provided by the Club.

The scope is inclusive of:

- The provision of a detailed investment reporting platform;
- Review of portfolio allocations and subsequent recommendations;
- Presentations to the Committee, Board and Members as required; and
- Communication of Investment Market research and updates.

Peak Investment Partners is an independent boutique advisor and fund manager established in 2003 that offers portfolio services to not-for-profit organisations in addition to private individuals, superannuation funds and institutions.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Directors' Report For the Year Ended 30 June 2016

Information on directors

The names, qualifications and experience of each person who has been a director during the year and to the date of this report are:

Tom Richardson OAM

Qualifications

Years as Director

Special Responsibilities

President

Retired Facilities Manager, Ravenswood Girls School

23 years as President, 1 year as Vice President, 3 years as Director. Life Member for 16 years

Secretary, Kirribilli RSL Sub Branch

Luke Bendt

Qualifications

Years as Director

Experience

Vice President

Security Consultant

Vice President for 8 years, Director for 7 years, appointed 2001

Managing Director, Executive Security Group Aust Pty Ltd

Trent Zimmerman

Qualifications

Years as Director

Experience

Deputy Chief Executive Officer, Tourism and Transport Forum

Director for 9 years, appointed 2007

Former advisor to Joe Hockey, Member of North Sydney, Former North Sydney Councillor

Jarrold Christmas

Qualifications

Years as Director

Experience

National Operations Manager

Director for 6 years, appointed 2010

FBIS International Protective Services

Denis Dunkley

Qualifications

Years as Director

President of North Sydney ANZAC Memorial Club

Director for 6 years, appointed 2010

Chris Cundy

Qualifications

Years as Director

Experience

Human Resources/Change Management

Director for 3 years, appointed 2013

AGL Energy Limited, Westpac Bank

Robert Lynch

Qualifications

Years as Director

Experience

Masters of Taxation from University of Sydney, Bachelor of Business Degree in Accounting and Finance

Director for 1 year, appointed 2015

Senior Director of International Tax for 21 years with Kimberly Clark Corporation, Toshiba, and Ernst & Young

John Marsden

Qualifications

Years as Director

Experience

Retired Pilot

Director for 5 months, appointed 5th February 2016

Qantas Airlines pilot for 18 years, 21 years service in the Australian Army rising to the rank of Major, also a founding Director of the Bendigo Bank Pymont Branch

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

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Directors' Report
For the Year Ended 30 June 2016**

Meetings of directors

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Tom Richardson OAM	12	12
Luke Bendt	12	11
Trent Zimmerman	6	4
Jarrold Christmas	12	7
Denis Dunkley	12	11
Chris Cundy	12	6
Robert Lynch	12	10
John Marsden	5	5

Indemnification and insurance of officers and auditors

The Club has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Club or of a related body corporate:

(i) Indemnified or made any relevant agreement for indemnifying against a liability including costs and expenses in successfully defending legal proceedings; or

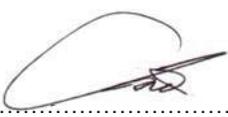
(ii) Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

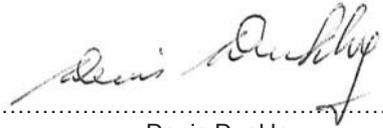
With the exception of the payment of a premium to insure the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Club, other than wilful breach of duty in relation to the Club. The amount of the premium was \$2,258 (2015 : \$2,070).

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2016 has been received and can be found on page 5 of the financial report.

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

Director: 
Tom Richardson

Director: 
Denis Dunkley

Dated this 12th day of September 2016

Kirribilli Ex-Service Club Limited
ABN: 16 000 057 250

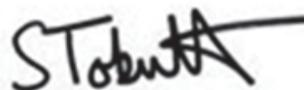
Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Kirribilli Ex-Service Club Limited

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.



PKF
Chartered Accountants



SCOTT TOBUTT
Partner

Dated this 12th day of September 2016

Level 8, 1 O'Connell Street, Sydney

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016**

		2016	2015
	Note	\$	\$
Revenue	2	7,549,540	6,864,173
Other income	2	153,816	26,351
Cost of sales	3	(1,890,565)	(1,715,196)
Employee benefits expense	3	(2,728,948)	(2,570,214)
Depreciation, amortisation and impairments	3	(543,592)	(507,497)
Finance charges	3	(50,063)	(233,570)
Staff amenities		(116,423)	(107,026)
Entertainment		(110,644)	(105,925)
Repairs and maintenance		(214,854)	(203,668)
Utilities		(282,884)	(535,826)
Insurance		(36,105)	(41,569)
Membership expenses		(330,795)	(289,352)
Accounting and legal expenses		(44,862)	(140,973)
Gaming		(283,124)	(195,471)
Cleaning and security		(300,059)	(313,073)
Marketing		(160,386)	(146,090)
Parking levy tax		(60,153)	(60,649)
Bridge and bingo		(73,039)	(74,344)
Loss on disposal of non-current assets	3	-	(109,653)
Rental expense		(1,090,961)	(722,340)
Other expenses		(101,466)	(67,939)
Loss before income tax		(715,567)	(1,249,851)
Income tax expense	4	-	-
Loss for the year		(715,567)	(1,249,851)
Other comprehensive income		-	-
Total comprehensive loss for the year		(715,567)	(1,249,851)

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Statement of Financial Position**As at 30 June 2016**

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	107,230	4,209,960
Trade and other receivables	6	724,724	518,157
Inventories	7	69,983	69,925
Other financial assets	8	3,776,996	-
Other assets	10	150,305	150,305
TOTAL CURRENT ASSETS		<u>4,829,238</u>	<u>4,948,347</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,864,770	1,991,513
Other assets	10	1,102,237	1,252,542
TOTAL NON-CURRENT ASSETS		<u>2,967,007</u>	<u>3,244,055</u>
TOTAL ASSETS		<u>7,796,245</u>	<u>8,192,402</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	1,029,643	824,948
Borrowings	12	36,390	7,388
Short-term provisions	13	96,884	95,886
TOTAL CURRENT LIABILITIES		<u>1,162,917</u>	<u>928,222</u>
NON-CURRENT LIABILITIES			
Borrowings	12	61,694	-
Long-term provisions	13	116,253	93,232
TOTAL NON-CURRENT LIABILITIES		<u>177,947</u>	<u>93,232</u>
TOTAL LIABILITIES		<u>1,340,864</u>	<u>1,021,454</u>
NET ASSETS		<u>6,455,381</u>	<u>7,170,948</u>
EQUITY			
Retained earnings		6,455,381	7,170,948
TOTAL EQUITY		<u>6,455,381</u>	<u>7,170,948</u>

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Statement of Changes in Equity
For the Year Ended 30 June 2016

	Retained Earnings	Total
	\$	\$
Balance at 1 July 2015	7,170,948	7,170,948
Loss for the year	(715,567)	(715,567)
Balance at 30 June 2016	6,455,381	6,455,381
Balance at 1 July 2014	8,420,799	8,420,799
Loss for the year	(1,249,851)	(1,249,851)
Balance at 30 June 2015	7,170,948	7,170,948

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Statement of Cash Flows
For the Year Ended 30 June 2016**

	2016	2015
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	7,945,150	6,995,877
Payments to suppliers and employees	(8,198,789)	(8,772,588)
Interest received	52,527	82,371
Finance costs	(50,063)	(233,570)
Net cash provided by / (used in) operating activities	<u>(251,175)</u>	<u>(1,927,910)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	21,959	15,500,000
Acquisition of property, plant and equipment	(267,012)	(148,706)
Investment in Financial Assets	(3,776,996)	-
Dividends received	79,798	-
Net cash provided by / (used in) investing activities	<u>(3,942,251)</u>	<u>15,351,294</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Proceeds / (Repayment) of borrowings	90,696	(9,304,263)
Net cash provided by / (used in) financing activities	<u>90,696</u>	<u>(9,304,263)</u>
Net increase / (decrease) in cash and cash equivalents held	(4,102,730)	4,119,121
Cash and cash equivalents at beginning of year	4,209,960	90,839
Cash and cash equivalents at end of financial year	5 <u>107,230</u>	<u>4,209,960</u>

The accompanying notes form part of these financial statements.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2016

The financial statements are for Kirribilli Ex-Service Club Limited as a not-for-profit individual entity, incorporated and domiciled in Australia. Kirribilli Ex-Service Club Limited is a company limited by guarantee.

The functional and presentation currency of Kirribilli Ex-Service Club Limited is Australian dollars.

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

(b) Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Sale of goods

Revenue is recognised on transfer of goods to the customer as this is deemed to be the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

Revenue from sale of goods primarily includes revenue from catering and beverages.

Rendering of services

Revenue in relation to rendering of services is recognised depends on whether the outcome of the services can be measured reliably. If this is the case then the stage of completion of the services is used to determine the appropriate level of revenue to be recognised in the period.

If the outcome cannot be reliably measured then revenue is recognised to the extent of expenses recognised that are recoverable.

Revenue from services primarily includes entertainment, membership and gaming revenue being gaming machine clearances, net of payouts.

Interest revenue

Interest is recognised using the effective interest method.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(b) Revenue and other income (cont'd)

Rental income

Investment property revenue is recognised on a straight-line basis over a period of the lease term so as to reflect a constant periodic rate of return on the net investment.

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

(c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included 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 operating cash flows.

(d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Non-member income of the association is only assessable for tax, as member income is excluded under the principle of mutuality.

(e) 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.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and are net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(g) Property, Plant and Equipment

Classes of property, plant and equipment are measured using the cost or revaluation model as specified below.

Plant and equipment

Plant and equipment are measured using the cost model.

Depreciation

The depreciable amount of all property, plant and equipment, except for freehold land is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

(i) Depreciation Rates

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and equipment	5% - 25%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(h) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. 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 either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(h) Financial instruments (cont'd)

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

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 value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Company does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy.

Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

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

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(h) Financial instruments (cont'd)

Impairment of financial assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

(i) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss. Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

(j) Trade and other payables

Trade and other payables represent the liabilities outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(k) Employee benefits (cont'd)

Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

(l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company 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 that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

In accordance with AASB 117, the Company has deferred and amortised the loss from the sale and leaseback transaction over the term of the lease, as the consideration on sale was compensated by future lease payments at below market price.

(m) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(n) Critical accounting estimates and judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates. There are no critical accounting estimates and judgements applied in the preparation of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2016

Note 1 Summary of Significant Accounting Policies (cont'd)

(o) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 Leases	30 June 2019	Replaces AASB 117 Leases. Requires all leases to be accounted for "on balance sheet" by leases, other than short term and low value asset leases. Also requires new and different disclosures about leases.	Existing commitments in relation to operating leases will need to be recognised "on balance sheet" rather than disclosed in the Notes to the Financial Statements.
AASB 9 Financial Instruments and amending standards AASB 2010 7 / AASB 2012 6	30 June 2018	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of this is expected to be minimal.
AASB 15 Revenue from Contracts with Customers	30 June 2018	The AASB has issued a new standard for the recognition of revenue. This will replace AASB118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	At this stage, it seems unlikely this will have any effect on the Club. The Club will make more detailed assessments of the impact over the next twelve months.

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2016

2016	2015
\$	\$

Note 2 Revenue and Other Income

Sales revenue		
- Gaming	1,321,200	1,123,025
- Beverage	2,986,708	2,736,351
- Function catering	1,329,347	1,204,774
- Function ancillaries	74,563	86,808
- Venue hire and catering rent	940,817	888,824
- Subscription income	142,114	138,289
- Car parking	287,747	270,734
- Other revenue	467,044	415,368
	<u>7,549,540</u>	<u>6,864,173</u>
Other Income		
- Gifts and Donations	-	(56,020)
- Gain on disposal of non-current assets	21,491	-
- Interest revenue	52,527	82,371
- Dividend revenue	79,798	-
	<u>153,816</u>	<u>26,351</u>

Note 3 Result for the Year

The Result for the year includes the following specific expenses:

Cost of sales	1,890,565	1,715,196
Depreciation, amortisation and impairments	543,592	507,497
Finance charges	50,063	233,570
Employee benefits expense	2,728,948	2,570,214
Loss on disposal of non-current assets	-	109,653

Note 4 Income Tax Expense

(a) Income tax expense

The Income Tax Assessment Act 1936 (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.

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2015: 30%)	(214,670)	(374,955)
Add/(Less):		
Tax effect of:		
- net income and expenditure items relating to member activity	235,853	312,903
- tax losses not brought to account	22,572	96,404
- tax effect of timing differences not recognised	(43,755)	(34,352)
Income tax expense	<u>-</u>	<u>-</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 4 Income Tax Expense (cont'd)		
(b) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following:		
Tax losses at 30%	1,768,689	1,719,264
Temporary differences at 30%	1,832,594	34,352
Capital losses at 30%	43,755	1,785,833
	<u>3,645,038</u>	<u>3,539,449</u>
Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which Kirribilli Ex-Service Club Limited can utilise the benefits therein.		
Note 5 Cash and cash equivalents		
Cash on hand	65,301	60,000
Cash at bank	41,929	149,960
Short-term bank deposits	-	4,000,000
Cash and bank and in hand	<u>107,230</u>	<u>4,209,960</u>
Note 6 Trade and other receivables		
CURRENT		
Trade receivables	22,249	7,118
Loans to directors, managers and employees	28,800	-
Deposits	467,961	458,269
Other receivables	205,714	52,770
	<u>724,724</u>	<u>518,157</u>
Note 7 Inventories		
CURRENT		
At cost:		
Stock on hand	69,983	69,925
Note 8 Other financial assets		
CURRENT		
Available for sale financial assets	<u>3,776,996</u>	-
Note 9 Property, plant and equipment		
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	6,837,470	6,676,011
Accumulated depreciation	(4,972,700)	(4,684,498)
Total property, plant and equipment	<u>1,864,770</u>	<u>1,991,513</u>

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements For the Year Ended 30 June 2016

2016	2015
\$	\$

Note 9 Property, plant and equipment (cont'd)

(a) 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 current financial year:

	Plant and Equipment
	\$
Balance at the beginning of year	1,991,513
Additions	267,012
Disposals	(468)
Depreciation expense	(393,287)
Balance at 30 June 2016	1,864,770

Note 10 Other assets

CURRENT

Deferred lease incentive	150,305	150,305
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NON-CURRENT

Deferred lease incentive	1,102,237	1,252,542
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As part of the sale and leaseback of the Lavender Bay Property Asset for \$15,500,000, the Club received future concessional rental terms materially below market accepted yields.

As the consideration on sale was compensated by future lease payments at below market price, the loss on the sale of the property has been deferred and amortised in proportion to the lease payments over the 10 year lease term.

Note 11 Trade and other payables

CURRENT

Trade payables	536,035	409,641
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Sundry payables and accrued expenses	105,418	69,025
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Other payables	388,190	346,282
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1,029,643	824,948
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Note 12 Borrowing

CURRENT

Finance lease obligation	31,811	7,388
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Bank overdraft	4,579	-
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36,390	7,388
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NON-CURRENT

Finance lease obligation	61,694	-
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Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
Note 13 Provisions		
CURRENT		
Employee entitlements- annual leave	96,884	95,886
NON-CURRENT		
Employee entitlements- long service leave	116,253	93,232
Note 14 Leasing Commitments		
(a) Finance Leases		
Minimum lease payments:		
- not later than one year	38,765	7,616
- between one year and five years	66,822	-
Minimum lease payments	105,587	7,616
Less: finance changes	(12,082)	(228)
Present value of minimum lease payments	93,505	7,388
(b) Operating Leases		
Minimum lease payments under non-cancellable operating leases:		
- not later than one year	1,120,977	1,120,977
- between one year and five years	4,363,984	4,399,961
- later than five years	3,611,699	4,702,660
	9,096,660	10,223,598
Note 15 Financial Risk Management		
The main risks Kirribilli Ex-Service Club Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.		
The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, bank loans and overdrafts, bills and leases.		
The totals 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:		
Financial Assets		
Cash and cash equivalents	107,230	4,209,960
Trade and other receivables	724,724	518,157
Available-for-sale financial assets:		
- listed investments	3,776,996	-
Total financial assets	4,608,950	4,728,117

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Notes to the Financial Statements For the Year Ended 30 June 2016

2016	2015
\$	\$

Note 15 Financial Risk Management (cont'd)

Financial Liabilities

Financial liabilities at amortised cost

- Trade and other payables	1,029,643	824,948
- Borrowings	98,084	7,388
Total financial liabilities	1,127,727	832,336

Note 16 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2016 (30 June 2015: None).

Note 17 Related Parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 18 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 183,567 (2015: \$ 191,862).

Note 19 Events Occurring After the Reporting Date

The financial report was authorised for issue on 12th September 2016 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Note 20 Members' Guarantee

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 each towards meeting any outstanding obligations of the Company. At 30 June 2016 the number of members was 16,688 (2015: 14,953).

Note 21 Company Details

The registered office of the company is:

Kirribilli Ex-Service Club Limited
11 Harbour View Crescent
LAVENDER BAY NSW 2061

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

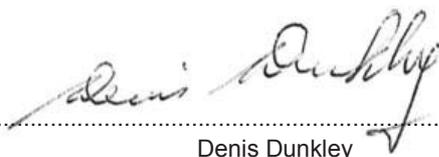
Directors' Declaration

The directors of the Company declare that:

- 1. The financial statements and notes as set out on pages 6 to 21, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company.
- 2. In the directors' 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 
Tom Richardson OAM

Director 
Denis Dunkley

Dated this 12th day of September 2016

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

Independent Audit Report to the members of Kirribilli Ex-Service Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Kirribilli Ex-Service Club Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PKF(NS) Audit & Assurance Limited
Partnership

ABN 91 850 861 839

Liability limited by a scheme
approved under Professional
Standards Legislation

Sydney

Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001

p +61 2 8346 6000
f +61 2 8346 6099

Newcastle

755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309

p +61 2 4962 2688
f +61 2 4962 3245

Kirribilli Ex-Service Club Limited

ABN: 16 000 057 250

**Independent Audit Report to the members of
Kirribilli Ex-Service Club Limited**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kirribilli Ex-Service Club Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion the financial report of Kirribilli Ex-Service Club Limited is in accordance with the *Corporations Act 2001*, including:

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



PKF
Chartered Accountants



SCOTT TOBUTT
Partner

Dated this 12th day of September 2016

Level 8, 1 O'Connell Street, Sydney