

**PENSHURST RSL CLUB
CO-OP LIMITED**

ABN 56 430 538 750

**ANNUAL FINANCIAL
REPORT**

31 DECEMBER 2011

This report contains 27 pages

PENSHURST RSL CLUB CO-OP LIMITED

ABN 56 430 538 750

DIRECTORS' REPORT

Your Directors present their report together with the financial report of Penshurst RSL Club Co-op Limited for the year ended 31 December 2011 and the Auditor's Report thereon.

Directors

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

S J White
J Lloyd
J V Hoban
G A Jones - Appointed 20 March 2011
T Gardner - Appointed 20 March 2011
K Kelly - Appointed 20 March 2011
D Cunneen - Appointed 5 September 2011
G Hemopo - Resigned 16 August 2011
R Norrish - Retired 20 March 2011
P N Roffe - Retired 20 March 2011
R Pendlebury - Retired 20 March 2011

Information on Directors

S J White	:	President - Retired Chief Inspector Customs - Years of Office 7 - Board Member 31 years
J Lloyd	:	Vice President - Retired Company Director - Years of Office 7 - Board Member 11 years
J V Hoban	:	Director - Retired Public Relations Manager - Board Member 6 years
G A Jones	:	Director - Project Sales Consultant - Years of Office 1 - Board Member 5 years
T Gardner	:	Director - Bookkeeper - Board Member 1 year
K Kelly	:	Director - Retired - Board Member 1 year
D Cunneen	:	Director - Retired Engineer - Board Member 6 years
G Hemopo	:	Director - Air Conditioning Engineer - Board Member 9 years
R Norrish	:	Director - Retired - Board Member 15 years
P N Roffe	:	Director - Building Maintenance Contractor - Board Member 9 years
R Pendlebury	:	Director - TAFE Teacher in Automotive Mechanics - Board Member 1 year

PENSHURST RSL CLUB CO-OP LIMITED

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DIRECTORS' REPORT (continued)

Directors' Meetings

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

Director	BOARD MEETINGS	
	Number of Meetings Held *	Number of Meetings Attended
S J White	15	14
J Lloyd	15	15
J V Hoban	15	13
G A Jones	12	5
T Gardner	12	12
K Kelly	12	11
D Cunneen	4	4
G Hemopo	9	6
R Norrish	3	0
P N Roffe	3	3
R Pendlebury	3	3

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

Principal Activities

The principal activity of the Club during the course of the financial year was to trade as a Licensed Club, and there has been no significant change in the nature of this activity since the last report.

Review and Results of Operations

The profit for the year amounted to \$72,997 compared with a loss of \$164,718 for the prior year. This result is after charging \$398,176 (2010: \$405,127) for depreciation.

The total comprehensive profit for the year amounted to \$72,997 compared with a total comprehensive loss of \$164,718 for the prior year.

Profit was adversely affected by the continuation of a total smoking ban inside the Club premises from 1 July 2007. This was the fourth full year of trading under the total smoking ban. In particular poker machine revenue and bar revenue were much lower than years immediately prior to the ban.

Dividends

The Club is a non-profit organisation and is prevented by its articles from paying dividends.

State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Club that occurred during the financial year under review.

PENSHURST RSL CLUB CO-OP LIMITED

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DIRECTORS' REPORT (continued)

Environmental Regulation

The Club's operations are subject to various environmental regulations under either Commonwealth or State legislation.

The directors are not aware of any significant breaches during the period covered by this report.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Club to affect significantly the operations of the Club, the results of those operations, or the state of affairs of the Club, in future financial years.

Likely developments

The total smoking ban will continue to impact the profitability of the Club. Proposals by various levels of government regarding gaming bet limits or gaming pre-commitment will also impact the future profitability of the Club if implemented.

Apart from the above, the directors do not anticipate any particular development in the operations of the Club, which will affect the results in subsequent years.

Contracts with Directors

No Director, his firm or a company of which he has a substantial financial interest has, since the previous Directors' Report, received or become entitled to receive any benefit from a contract entered into with the Club, other than those which may be considered to be of a normal commercial nature.

Directors' Indemnity

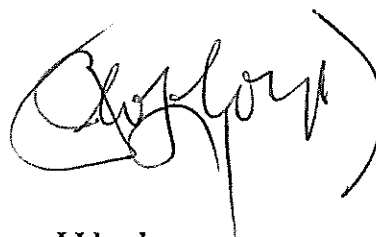
The Club has provided for and paid premiums during the year for current Directors & Officers liability insurance. The insurance is in respect of the legal liability for damages and legal costs arising from claims made by reason of any omissions or acts (other than wilful breach of duty) by them, whilst acting in their individual or collective capacity as Directors or Officers of the Club.

Dated at Peshurst this 14th day of February 2012.

Signed in accordance with a resolution of the Directors.



S J White
President



J Lloyd
Senior Vice President

PENSHURST RSL CLUB CO-OP LIMITED

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$	2010 \$
REVENUE			
Revenue from Bar Trading		1,084,676	1,083,499
Poker Machine Net Revenue		3,393,147	3,269,279
Subscriptions		28,536	29,317
Profit from Sale of Non-current Assets		25,055	-
Catering Income - Net		-	12,200
Interest Income		5,822	3,625
Rent Received		52,891	51,500
Other Revenue		171,637	143,165
TOTAL REVENUE	2	4,761,764	4,592,585
LESS: EXPENDITURE			
Cost of Goods Sold – Bar		453,189	455,838
Employment Expenses		1,496,547	1,527,900
Depreciation	3	398,176	405,127
Loss on Disposal of Plant	3	-	55
Administration Expenses		235,158	243,598
Operating Expenses		617,364	613,200
Borrowing Costs	3	231,328	224,346
Social Expenses		401,732	463,422
Welfare Expenses		42,734	45,884
Senior Members		6,710	6,470
Poker Machine Expenses		178,847	165,760
Catering Expenses - Net		7,214	-
Bar Trading Expenses		5,714	9,059
TAB/Keno Expenses		7,298	8,792
Rental Property Expenses		3,216	3,343
Auditors Fees – Audit		16,200	16,200
Poker Machine Tax		587,340	568,309
TOTAL EXPENSES		4,688,767	4,757,303
PROFIT/(LOSS) BEFORE INCOME TAX		72,997	(164,718)
Less Income Tax	5	-	-
PROFIT/(LOSS) for the year attributable to members of the Club		72,997	(164,718)

The Income Statement is to be read in conjunction with the notes to the financial statements set out on pages 9 - 24.

PENSHURST RSL CLUB CO-OP LIMITED

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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 \$	2010 \$
Profit/(Loss) for the year		72,997	(164,718)
Other comprehensive income/(loss) after income tax:		-	-
Total comprehensive Profit/(Loss) for the year		<u>72,997</u>	<u>(164,718)</u>

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 - 24.

PENSHURST RSL CLUB CO-OP LIMITED
ABN 56 430 538 750

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 \$	2010 \$
CURRENT ASSETS			
Cash and Cash Equivalents		350,211	220,515
Trade and Other Receivables	6	17,411	8,844
Inventories	7	58,184	61,975
Other Current Assets	8	89,530	85,533
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		515,336	376,867
NON-CURRENT ASSETS			
Property, Plant & Equipment	9	7,319,353	7,300,125
		<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS		7,319,353	7,300,125
		<hr/>	<hr/>
TOTAL ASSETS		7,834,689	7,676,992
CURRENT LIABILITIES			
Trade and Other Payables	10	299,119	342,493
Short Term Borrowings	11	2,428,449	139,759
Short Term Provisions	12	258,621	280,867
Other Current Liabilities	13	23,184	27,958
		<hr/>	<hr/>
TOTAL CURRENT LIABILITIES		3,009,373	791,077
NON-CURRENT LIABILITIES			
Long Term Borrowings	11	162,433	2,306,990
Long Term Provisions	12	19,309	9,628
Other Non-Current Liabilities	13	9,982	8,702
		<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES		191,724	2,325,320
		<hr/>	<hr/>
TOTAL LIABILITIES		3,201,097	3,116,397
		<hr/>	<hr/>
NET ASSETS		4,633,592	4,560,595
		<hr/>	<hr/>
MADE UP OF EQUITY			
Reserves	14	14,403	14,403
Retained Surplus		4,619,189	4,546,192
		<hr/>	<hr/>
TOTAL EQUITY		4,633,592	4,560,595
		<hr/>	<hr/>

The Statement of Financial Position is to be read in conjunction with
the notes to the financial statements set out on pages 9 - 24.

PENSHURST RSL CLUB CO-OP LIMITED

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Retained Earnings	Members Withdrawn Shares Reserve	Total
	\$	\$	\$
Balance at 31 December 2009	4,710,910	14,403	4,725,313
(Loss) attributable to the Club	(164,718)	-	(164,718)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2010	4,546,192	14,403	4,560,595
	<hr/>	<hr/>	<hr/>
Profit attributable to the Club	72,997	-	72,997
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	<u>4,619,189</u>	<u>14,403</u>	<u>4,633,592</u>

The Statement of Changes In Equity is to be read in conjunction with
the notes to the financial statements set out on pages 9 - 24.

PENSHURST RSL CLUB CO-OP LIMITED

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts in the course of operations		5,190,709	5,049,090
Cash Payments in the course of operations		(4,587,291)	(4,583,966)
Interest Received		5,822	3,625
Borrowing Costs Paid		(231,328)	(224,346)
NET CASH PROVIDED BY OPERATING ACTIVITIES	18(b)	<u>377,912</u>	<u>244,403</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant & Equipment		(430,492)	(171,070)
Proceeds from Sale of Plant & Equipment	2	38,143	-
NET CASH USED IN INVESTING ACTIVITIES		<u>(392,349)</u>	<u>(171,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Borrowings		144,133	(73,781)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		<u>144,133</u>	<u>(73,781)</u>
NET INCREASE/(DECREASE) IN CASH HELD		129,696	(448)
CASH AT BEGINNING OF THE FINANCIAL YEAR		<u>220,515</u>	<u>220,963</u>
CASH AT THE END OF THE FINANCIAL YEAR	18(a)	<u>350,211</u>	<u>220,515</u>

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 9 - 24.

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Australian Accounting interpretations, other authoritative pronouncements of the Australian Standards Board, the Co-operative Act 1992, the Registered Clubs Act and the Gaming Machine Tax Act 2001.

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

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

(b) Revenue Recognition – Note 2

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sales of goods

Revenue from sale of goods comprising revenue earned from the provision of food, beverage and other goods is recognised (net of rebates, returns, discounts and other allowances) when control of the goods passes to the customer.

Rendering of services

Revenue from gaming facilities together with other services to members and other patrons of the club are recognised when the services are provided.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Statement of Significant Accounting Policies (continued)

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

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

(d) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance charges in respect of finance leases.

Ancillary costs incurred in connection with the arrangement of borrowings are netted against the relevant borrowings and amortised over their life.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

(e) Taxation – Note 5

The Club adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences and tax losses which arise from items brought to account in different periods for income tax and accounting purposes, are not carried forward in the statement of financial position as a future income tax benefit as the realisation of the asset is not assured beyond reasonable doubt.

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

1 Statement of Significant Accounting Policies (continued)

(f) Acquisition of Assets

All assets acquired including property, plant and equipment are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Expenditure is only recognised as an asset when the Club controls future economic benefits as a result of the costs incurred, that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

(g) Use and Revisions of Accounting Estimates

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

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

(h) Receivables – Note 6

The collectability of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade debtors

Debtors are generally settled within 60 days and are carried at amounts due.

(i) Inventories – Note 7

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

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Statement of Significant Accounting Policies (continued)

(j) Leased Assets

Leases under which the Club assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Operating leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(k) Impairment of Assets

At each reporting date, the Club reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the comprehensive income statement.

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

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Statement of Significant Accounting Policies (continued)

(I) Property, Plant and Equipment

Club Property

Freehold land and buildings occupied by the Club are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity. All other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the time of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Club and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

(m) Depreciation and Amortisation

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful lives

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account estimated residual values.

Finance lease assets are amortised over the term of the relevant lease, or where it is likely the Club will obtain ownership of the asset, the life of the asset.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	2011	2010
<i>Property, plant and equipment</i>		
Buildings & improvements	2.5%	2.5%
Plant and equipment – poker machines	20%	20%
Plant and equipment – other	10-20%	10-20%

(n) Payables – Note 10

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(o) Borrowings – Note 11

Loans are recognised at their principal amount. Interest expense is prepaid/accrued at the contracted rate and included in Note 8 "other assets" or Note 10 "trade and other payables".

(p) Employee Benefits – Notes 10 and 12

Wages, salaries, annual leave, long service leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and long service leave represent present obligations resulting from employees' services provided to reporting date, calculated at amounts based on remuneration wage and salary rates that the Club expects to pay as at reporting date including related salary oncosts.

Superannuation plan

The Club contributes to several defined contribution superannuation plans. Contributions are recognised as an expense. The Club has no legal or constructive obligation to fund any deficit.

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 Statement of Significant Accounting Policies (continued)

(q) Comparative Figures

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

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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 within the Club.

Key estimates - Impairment

The Club assesses impairment at each reporting date by evaluating conditions specific to the Club that may be indicative of impairment triggers.

(s) Adoption of New Accounting Standard

During the year, the Club adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

(t) Going Concern

The Club has current liabilities in excess of current assets of \$2,494,037. The significant portion of this relates to a loan of \$2,300,000, which is due for repayment on 30 June 2012. The financier has indicated to the Club that it will not renew this loan facility, as a consequence of changes in Government banking regulation. The financier is therefore not in a position to renew the facility and the Club will have to seek an alternative financier.

Notwithstanding this uncertainty, the Club's financial report has been prepared on the going concern basis, as the Club's directors are confident that a new loan facility will be established.

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 \$	2010 \$
2 Revenue and Other Income		
Sale of goods revenue	1,084,676	1,083,499
Rendering of services revenue	3,646,211	3,505,461
Other revenues		
<i>From operating activities</i>		
Interest:		
Other parties	5,822	3,625
<i>From outside operating activities</i>		
Profit from sale of non-current assets	25,055	-
Total other revenues	30,877	3,625
Total revenue from ordinary activities	4,761,764	4,592,585
	2011 \$	2010 \$
3 Profit/(Loss) Before Income Tax Expense		
(a) Individually significant items included in profit/(loss) before income tax expense		
Inclusion of extra Building Depreciation.	-	24,698
(b) Profit/(Loss) before income tax expense has been arrived at after charging/(crediting) the following items:		
Borrowing costs:		
other parties	231,328	224,346
Operating lease rental expenses:		
Minimum lease payments	66,414	69,889
Depreciation of:		
Buildings and improvements	82,250	82,250
Plant and equipment	315,926	322,877
Total depreciation	398,176	405,127
Net expense from movements in provision for:		
employee entitlements	(12,565)	10,905
Loss on disposal of non-current assets	-	55

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

4 Auditor's Remuneration	2011	2010
	\$	\$
Audit services:		
Auditors of the company		
Priestley & Morris		
Audit and review of the financial reports	16,200	16,200
	<u> </u>	<u> </u>

5 Income Tax

The Income Tax Assessment Act, 1997 (amended) provides that under the concept of mutuality clubs are only liable for income tax on income derived from non-members and from outside entities. Under this formula the Club has not been liable for taxation in this or previous years.

	2011	2010
	\$	\$
6 Trade and Other Receivables		
Debtors	12,411	3,844
TAB Guarantee Deposit	5,000	5,000
	<u> </u>	<u> </u>
	17,411	8,844
	<u> </u>	<u> </u>

No provisions have been raised for impairment of Debtors.

7 Inventories

Finished goods – at lower of cost or net realisable value	<u>58,184</u>	<u>61,975</u>
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8 Other Assets

Current		
Prepayments	89,530	81,510
Borrowing Costs	-	4,023
	<u> </u>	<u> </u>
	89,530	85,533
	<u> </u>	<u> </u>

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011 \$	2010 \$
9 Property, Plant & Equipment		
Freehold land – <i>at independent valuation 2009</i>	3,270,000	3,270,000
Buildings and improvements – <i>at independent valuation 2009</i>	3,290,000	3,290,000
Improvements to Buildings	16,580	-
<i>Accumulated depreciation</i>	<u>(164,500)</u>	<u>(82,250)</u>
	<u>6,412,080</u>	<u>6,477,750</u>
Depreciable plant		
<i>At cost</i>	4,366,529	4,167,981
<i>Accumulated depreciation</i>	<u>(3,459,256)</u>	<u>(3,345,606)</u>
	<u>907,273</u>	<u>822,375</u>
Total property, plant and equipment net book value	<u><u>7,319,353</u></u>	<u><u>7,300,125</u></u>
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<i>Freehold land</i>		
<i>Buildings and improvements</i>		
Carrying amount at beginning of year	6,477,750	6,560,000
Additions	16,580	-
Depreciation	<u>(82,250)</u>	<u>(82,250)</u>
Carrying amount at end of year	<u>6,412,080</u>	<u>6,477,750</u>
<i>Depreciable plant</i>		
Carrying amount at beginning of year	822,375	974,237
Additions	413,912	171,070
Disposals	(13,088)	(55)
Depreciation	<u>(315,926)</u>	<u>(322,877)</u>
Carrying amount at end of year	<u>907,273</u>	<u>822,375</u>
Core and Non-Core Property		
As at 31 December the Club had \$5,508,830 Core Property and \$903,250 Non-Core Property.		
10 Trade and Other Payables		
Trade creditors	111,250	139,483
Other creditors and accruals	<u>187,869</u>	<u>203,010</u>
	<u>299,119</u>	<u>342,493</u>

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

		2011 \$	2010 \$
11 Borrowings			
Short Term			
Loan - Secured		2,300,000	-
Hire purchase liabilities	16	104,450	108,167
Loan - Hunter Insurance		23,999	31,592
		<hr/>	<hr/>
		2,428,449	139,759
		<hr/>	<hr/>
Long Term			
Loan – secured		-	2,300,000
Hire purchase liabilities	16	162,433	6,990
		<hr/>	<hr/>
		162,433	2,306,990
		<hr/>	<hr/>

Security

The loan facility is secured by registered first mortgages over properties of the Club. The covenant within the borrowing is that the loan value shall not exceed 65% of the value of the secured properties. The valuation of the secured properties as at 31 December 2009 was \$6,560,000

The loan facility is interest only and expires on 30 June 2012.

		2011 \$	2010 \$
12 Provisions			
Current			
Employee benefits - long service leave		83,242	104,875
- annual leave		175,379	175,992
		<hr/>	<hr/>
		258,621	280,867
		<hr/>	<hr/>
Non-current			
Employee benefits - long service leave		19,309	9,628
		<hr/>	<hr/>
13 Other Liabilities			
Current			
Income received in advance		23,184	27,958
		<hr/>	<hr/>
Non-current			
Income received in advance		9,982	8,702
		<hr/>	<hr/>
14 Reserves			
Members withdrawn shares reserve		14,403	14,403
		<hr/>	<hr/>

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15 Financial Risk Management

The Club's financial instruments and the policies associated with the risks of carrying these are summarised below:

(a) Interest Rate Risk

The Club's financial assets and liabilities are subject to interest rate risk. The Club does not use derivatives to minimise this risk and these will fluctuate in accordance with movements in the market interest rates.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Club might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. In particular The Club must refinance its loan facility that falls due for repayment on 30 June 2012 to maintain liquidity and be able to meet its financial obligations. The Club manages risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities
- monitoring undrawn credit facilities
- maintaining a reputable credit risk profile
- managing credit risk related to financial assets
- investing surplus cash with major financial institutions

The tables below reflect an undiscounted contractual maturity analysis for financial instruments.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Total Contractual Cash Flow	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Bank overdrafts and loans	2,323,999	31,592	-	2,300,000	2,323,999	2,331,592
Trade and other payables	299,119	342,493	-	-	299,119	342,493
Hire purchase liabilities	104,450	108,167	162,433	6,990	266,883	115,157
Total expected contractual outflows	2,727,568	482,252	162,433	2,306,990	2,890,001	2,789,242
Financial assets - cash flows realisable						
Cash and cash equivalents	350,211	220,515	-	-	350,211	220,515
Trade and other receivables	17,411	8,844	-	-	17,411	8,844
Total anticipated inflows	367,622	229,359	-	-	367,622	229,359
Net outflow on financial instruments	(2,359,946)	(252,893)	(162,433)	(2,306,990)	(2,522,379)	(2,559,883)

PENSHURST RSL CLUB CO-OP LIMITED

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Notes to the Financial Statements For the year ended 31 December 2011(continued)

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The credit risk on financial assets, excluding investments, of the Club which have been recognised on the statement of financial position is the carrying amount, net of any provision for impairment.

The Club minimises credit risk by undertaking transactions primarily with a large number of patrons.

(d) Sensitivity Analysis

Interest Rate Risk

The Club has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity analysis:

At 31 December 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2011	2010
	\$	\$
Change in profit		
- Increase in interest rate by 2%	(46,000)	(46,000)
- Decrease in interest rate by 2%	46,000	46,000
Change in Equity		
- Increase in interest rate by 2%	(46,000)	(46,000)
- Decrease in interest rate by 2%	46,000	46,000

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as the Club is not exposed to foreign currency fluctuations.

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

16 Commitments

	2011	2010
	\$	\$
Hire purchase commitments		
Hire purchase payments are payable as follows:		
Within one year	120,038	119,298
One year or later and no later than five years	186,869	7,917
	<u>306,907</u>	<u>127,215</u>
Less: Future hire purchase charges	(40,024)	(12,058)
	<u>266,883</u>	<u>115,157</u>
Hire purchase liabilities provided for in the financial statements:		
Current	104,450	108,167
Non-current	162,433	6,990
Total hire purchase liabilities	<u>266,883</u>	<u>115,157</u>

The Club hires plant and equipment under hire purchase agreements expiring from one to five years. The hire purchase facility is secured against the assets purchased under this facility.

17 Segment Reporting

The Club operates predominantly in the hospitality and entertainment industry.

The Club's operations and customers are located predominantly in Sydney, New South Wales. The Club provides food, beverage gaming and other entertainment facilities to members and guests.

PENSHURST RSL CLUB CO-OP LIMITED

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

18 Notes to The Statement of Cash Flows

a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Note	2011 \$	2010 \$
Cash assets		350,211	220,515
		<u>350,211</u>	<u>220,515</u>

b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities

Profit/(Loss) after income tax		72,997	(164,718)
Add/(less) items classified as investing/ financing activities:			
(Profit)/loss on sale of plant and equipment		(25,055)	55
Add/(less) non-cash items:			
Depreciation		398,176	405,127
Amounts set aside to provisions		(12,565)	10,905
		<u>433,553</u>	<u>251,369</u>
Net cash provided by operating activities before change in assets and liabilities		433,553	251,369
Change in assets and liabilities during the financial year			
(Increase)/decrease in receivables		(8,567)	7,205
(Increase)/decrease in inventories		3,791	(1,449)
(Increase)/decrease in intangibles		-	8,047
(Increase)/decrease in prepayments		(3,997)	7,022
Increase/(decrease) in payables		(43,374)	(21,708)
Increase/(decrease) in income received in advance		(3,494)	(6,083)
		<u>377,912</u>	<u>244,403</u>
Net cash provided by operating activities		377,912	244,403

PENSHURST RSL CLUB CO-OP LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

	2011	2010
19 Key Management Personnel Compensation		
Total Compensation	\$ 245,771	\$ 227,789

20 Related parties

Directors

The names of each person holding the position of director of Penshurst RSL Club Co-op Limited during the financial year are: S J White, J Lloyd, J V Hoban, G A Jones, T Gardner, K Kelly, D Cunneen, R Norrish, G Hemopo, P N Roffe, and R Pendlebury.

Apart from the details disclosed in this note, no director has entered into a material contract with the Club since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

21 Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the Club to affect significantly the operations of the Club, the results of those operations, or the state of affairs of the Club, in further financial years.

PENSHURST RSL CLUB CO-OP LIMITED

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DIRECTORS' DECLARATION

The directors of the Club declare that -

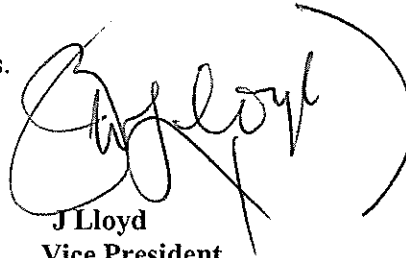
- (a) The financial statements and notes attached:
- I Comply with Accounting Standards and the Co-operatives Act 1992; and
 - II Give a true and fair view of the financial position as at 31 December 2011 and performance and cash flows for the year ended on that date of the Club.
- (b) In the directors' opinion there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Dated at Penshurst this 14th day of February 2012.

Signed in accordance with a resolution of the Directors.



S J White
President



J Lloyd
Vice President

PENSHURST RSL CLUB CO-OP LIMITED

ABN 56 430 538 750

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the Financial Report

We have audited the accompanying financial report of Penshurst RSL Club Co-op. Limited (the Club), which comprises the statement of financial position as at 31 December 2011, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Club's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Act 1992 and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that is free of 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Club's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club's internal control. An audit also includes an evaluation of 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.

PENSHURST RSL CLUB CO-OP LIMITED

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Independence

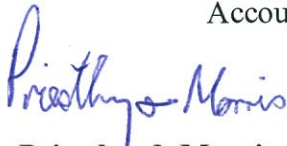
In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion:

The financial report of Penshurst RSL Club Co-op. Limited is in accordance with the Co-operatives Act 1992 including:

- (a) giving a true and fair view of the Club's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
- (b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Co-operatives Act 1992.



Priestley & Morris

Chartered Accountants

Level 7, 3 Horwood Place

Parramatta NSW 2150



P A Cordwell

Partner

Dated this 14th day of February 2012 at Parramatta

Liability is limited by a scheme approved under
Professional Standards Legislation