

PACIFIC PALMS RECREATION CLUB LIMITED

ABN 47 000 910 378

ACN 000 910 378

DIRECTORS' REPORT

FOR THE YEAR ENDED

30 JUNE 2011

TO BE PRESENTED AT THE

ANNUAL GENERAL MEETING

TO BE HELD AT THE CLUB ON

SUNDAY 20 November 2011 at 10:15am

Pacific Palms Recreation Club Limited
ABN 47 000 910 378
3957 THE LAKES WAY, PACIFIC PALMS, NSW

Pacific Palms Recreation Club Limited

ABN 47 000 910 378

BOARD OF DIRECTORS

President

T Lawson

Vice President

D Ellis

Treasurer

Y Ellis

Directors

A Halson

L Schubert

B Fisher

R Mitchell

Club Manager

Vacant

Life Members

S Allan, K Clifton, D Hughes, J Palmer, S Kenyon,

B Stone, T Johnston, J Blanche, K Reynolds

Pacific Palms Recreation Club Limited
ABN 47 000 910 378

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Pacific Palms Recreation Club Limited (ABN: 47 000 910 378) will be held on Sunday 20 November, 2011 commencing at 10.15am.

AGENDA

1. Apologies
2. Confirm the minutes of the Annual General Meeting held on Sunday 21 November 2010
3. To appoint from among the members present five (5) persons who shall appoint one (1) of their number Returning Officer with the remainder being Assistant Returning Officers all of whom shall act on and for the purpose of the ballot
4. To receive and adopt the Auditor's and Director's reports for the financial year ended 30 June 2011
5. To receive and adopt the Full Financial Report for the year ended 30 June 2011
6. To declare all Board of Directors positions vacant
7. To appoint a temporary Chairman
8. Election of the Board of Directors for the ensuing year
9. To consider and if thought fit approve payment of Honorariums to the Board of Directors
10. Ordinary Resolutions – to consider and if thought fit pass Ordinary Resolutions conferring benefits on Directors
11. To deal with any business of which due notice in writing has been given
12. To receive recommendations for the incoming Board

Nominations for Board positions must be received by no later than Saturday 12th November 2011 at 12 Noon.

Any clarification of the Full Financial Statements that requires an answer at the Annual General Meeting to be placed in writing to the Club President Mr Lawson by Saturday 12 November 2011 at 12 Noon.

DIRECTORS HONORARIUMS

That the members approve an honorarium of \$400 each for the Executive Directors which include the President, Vice President and Treasurer. Further, that the members approve an honorarium of \$200 each for the remaining four (4) directors.

FIRST ORDINARY RESOLUTION

“That pursuant to the Registered Clubs Act:

- (a) The members hereby approve and agree to reasonable expenditure by the Club for the following activities of the Directors:
 - (i) The reasonable cost of a meal and beverage for each director immediately before or after a Board or Committee meeting on the day of that meeting when that meeting corresponds with a normal meal time;
 - (ii) Reasonable expenses incurred by directors in relation to such other activities including entertainment of special guests of the Club;

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- (iii) Reasonable expenses involved in attending intra-club activities at the Club or the community and other promotional activities performed by directors and supported by the Board;
 - (iv) Reasonable costs of Directors attending functions and activities at the Club which are deemed by the Board to be of benefit to the Club;
 - (v) Reasonable costs of Directors and their spouses in attending functions as required by the Board and the above expenses are to be approved by the Board before payment is made on the production of receipts;
- (b) The members acknowledge that the benefits referred to above are not available to members generally but only those who are Directors of the Club and those members directly involved in the above activities”.

SECOND ORDINARY RESOLUTION

“That pursuant to the Registered Clubs Act:

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

THIRD ORDINARY RESOLUTION

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

NOTES TO MEMBERS

First Ordinary Resolution

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

Second Ordinary Resolution

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

Third Ordinary Resolution

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

General

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

President's Report

Dear Members,

2010-11 has been a challenging and rewarding year for the Club. We have seen many improvements implemented within the Club:

- The introduction of a poker tournament on Tuesday evenings
- Minimum prize pools for Footy Tipping and Melbourne Cup Calcutta
- Replacement of the projector in the auditorium so patrons can watch sport on the big screen
- On the operational side, implementation of a new till system which allows us to more closely monitor sales and profit in the bar and bistro
- New staff uniforms
- A new membership type – Member for Life Over 55 – at a \$50 saving on regular Member for Life pricing
- Painting and refurbishment of all toilets
- Installation of speakers in the outdoor smokers' area
- The introduction of more special meal deals, both regularly, and timed with major sporting events
- The introduction of winter wine specials
- The introduction of Recky Gift Cards

I am particularly pleased with our efforts in attracting more functions and weddings to the Club. With the continuing decline in our poker machine revenue (down \$110,000 from last year) the Club must continually seek new sources of income to grow and prosper.

During this year our Club Manager resigned. Since February, your Board of Directors has taken over the day to day management of the Club. Many of the improvements listed above have been implemented during this time, and my thanks go to my fellow Directors for their hard work and effort this year. We are currently seeking applications for the Club Manager position, and hope to have a new Manager appointed soon.

To you, our members, also goes a big vote of thanks. Without your continued support and patronage, the Club would cease to survive. We thank you, and ask you to continue to support our Club. Your Club.

Ted Lawson

President

Treasurer's Report

It has been another financially challenging year for our club, as it has for many others. The Pacific Palms Recreation Club experienced a continued decrease in poker machine net receipts of \$103,135 over the last 12 months, making this the 5th straight year of decreases. Net poker machine receipts have now fallen from a high of \$1,173,385 in the 2005/2006 financial year to \$559,868 this financial year, a drop of \$613,517 over 5 years.

This drop in income contributed significantly to the overall trading result of a loss of \$118,238 for the year. This figure includes an allowance for depreciation of \$220,645, an increase of \$49,729 over the previous year, and a net loss on disposal of assets of \$6,558. When these items are excluded, we made a cash trading surplus of \$108,965 for the year which allowed us to meet all our bank and loan commitments as they fell due.

We also refinanced our bank loan during the year which provided much needed working capital and a stable cash flow through our quieter, winter trading months. Once again, Council commenced road works near the Club's entrance in May and heavy rain also fell for much of that and following months resulting in a significant downturn in revenue.

A new till system was introduced into the bar and bistro areas in May which allows a more timely monitoring of sales and profit margins which in turn is expected to improve gross profit margins as we move forward. There was also a further tightening of expenses over the year resulting in savings of close to \$30,000 although this was somewhat offset by expenses of close to \$10,000 which related to the previous financial year.

The Directors have also provided their time and expertise on maintenance works in and around the club this year as well as taking over the general and operational management of the club after the Secretary-Manager left at the end of January, saving the club an estimated \$40-\$50,000 in expenditure.

Despite the challenging conditions, we continued to maintain our traditional members' benefits in both bar and bistro areas and provide 2 courtesy buses for the transport of members and visitors. We have also increased the number of promotions and special meal deals for members.

Looking forward, we are focusing on attracting more functions such as weddings, birthdays & Christmas parties and group visits to the club to replace declining poker machine revenues.

Finally, a very big thank you to all our dedicated staff for their hard work and commitment this year, under sometimes challenging conditions; to my fellow directors for their support and contributions to the club; and to our members for their continued patronage and support.

Yvonne Ellis

Treasurer

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ABN 47 000 910 378

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Pacific Palms Recreation Club Limited
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DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended **30 JUNE 2011**.

Directors

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

J Astorini ¹	T Lawson	R Mitchell ²
M Power ¹	L Schubert	A Halson
D Ellis	B Fisher ⁴	J Owens ³
Y Ellis ²	¹ Resigned 21/11/10	² Appointed 21/11/10
	³ Appointed 21/11/10	⁴ Resigned 21/11/10
	Resigned 15/03/11	Re-appointed 10/04/11

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

Company Secretary

Mr Timothy James McTaggart held the position of Company Secretary as at the end of the financial year. Mr McTaggart was appointed on 15 April 2011.

Description of company

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

Description of objectives

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

Specific objectives are:

- Short-term

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

- Long-term

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

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

Strategy for achieving those objectives

Our strategy to achieve these objectives is as follows:

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

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Principal Activities

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

- Licensed recreation club

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

Activities undertaken to achieve the objectives

During the 2010 – 2011 financial year, the Club undertook the following activities to achieve our objectives:

The following new activities / areas were introduced:

- Childrens lounge area with TV, Austar kids channels, and activity box
- Poker tournament on Tuesday nights
- Guaranteed \$1000 prize money for Melbourne Cup Calcutta and Footy Tipping Competition
- Replacement of the auditorium projector so patrons can watch sport on the big screen

Key activities to improve the overall operation of the Club included:

- Implementation of a new till system which allows tighter monitoring and control of bar and bistro gross profit
- Improvements to the weekly cellar procedures including beer line cleaning
- Introduction of a new membership payment type – Member for Life Over 55
- Redesign of the poker machine area for more privacy, plus 8 poker machine upgrades
- New staff uniforms for bar staff
- A strategy session was held which generated many new ideas which are being implemented as time and money permit

Undertook the following major maintenance activities:

- Painting & refurbishments of all toilets
- Installation of speakers in the smokers area
- Plans were drawn up for an outdoor gaming area however these are currently on hold until funding is available

The following key activities were undertaken to improve our meal and beverage options:

- Opening of the Palms Café coffee shop
- Revised Bistro menu
- Special meal deals such as Monday Night Steaks, Thursday Roast Night and Thursday Seniors Lunch
- Special meal & drink deals on special occasion such as Grand Final, State of Origin
- Introduced new Winter Wine Specials

Heavily promoted functions and entertainment:

- Created Wedding Planner and dedicated weddings area on our website
- Advertising online on weddings websites to generate leads
- Working with the local schools to provide venues for school administration days
- Promoted the Club as a good venue for other functions especially in quiet times (such as Christmas in July dinners)
- Launched several promotions for members (eg BBQ, pool table, beer fridge)
- Launched additional prizes eg free steak meal, free meal vouchers for raffles, Recky Gift Cards

Launched the following new communication channels to provide information to members and guests regarding what is on at the Club:

- Regular Recky eNews email to members
- Regular advertising in the local School Newsletter

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DIRECTORS' REPORT

Measures of performance

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

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

Operating Result

The result of the company was a loss of \$118,238.

Information on Directors

Director	Experience	Special Responsibilities
T. Lawson	Director 16 years	President
D. Ellis	Director 3 years	Vice President
Y. Ellis	Director 10 months	Treasurer
A. Halson	Director 3 years	
B. Fisher	Director 8 months	
L. Schubert	Director 3 years	
R. Mitchell	Director 10 months	
J Astorini	Director 5 years	President to 21/11/10
M Power	Director 4 years	
J Owens	Director 4 months	

Meetings of Directors

During the financial year, 13 ordinary and 6 special meetings of directors were held. Attendances by each director during the year were as follows:

	Ordinary Meetings		Special Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended
A. Halson	13	13	4	4
T. Lawson	11	10	6	6
D. Ellis	13	13	6	6
L. Schubert	11	10	4	2
J. Astorini	5	4	2	2
M. Power	5	4	1	0
B. Fisher	8	8	1	1
R. Mitchell	8	7	4	3
J. Owens	4	4	3	3
Y. Ellis	8	8	4	4

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DIRECTORS' REPORT

Guarantee of Members

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$2.00 each towards meeting any outstanding obligations of the company. At 30 June 2011, the total amount that members of the company are liable to contribute if the company is wound up is \$3,350 (2010: \$3,214)

Auditor's Independence Declaration

The auditor's independence declaration for the year ended **30 June 2011** has been received and can be found following the directors' report.

Rounding of Amounts

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

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



Yvonne Ellis

Director

Dated: **19th October 2011**

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

I declare that, to the best of my knowledge and belief, during the year ended **30 June 2011** 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.

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



Signed by:

Brian Alexander CA, B.Fin. Admin., Dip. Fin. Mgt., JP

19th October 2011
12/219 Victoria Street, Taree, NSW, 2430

Pacific Palms Recreation Club Limited
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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$	\$
Revenue	2	2,551,827	2,595,018
Other income	2	1,324	1,464
Cost of sales		(829,031)	(812,104)
Employee benefits expense		(920,330)	(940,407)
Depreciation and amortisation expense		(220,645)	(170,916)
Impairment of property, plant and equipment		-	-
Other operating expenses		(623,543)	(702,976)
Finance costs	3(a)	(77,840)	(55,957)
Profit/(loss) before income tax		(118,238)	(85,878)
Income tax (expense)/benefit	4(a)	-	-
Profit/(loss) from continuing operations		(118,238)	(85,878)
Profit/(loss) from discontinued operations		-	-
Profit/(Loss) for the year		(118,238)	(85,878)
Other Comprehensive income/ (loss)			
Net gain on revaluation of property, plant and equipment		-	-
Total Other Comprehensive income/ (loss) for the year		-	-
Total Comprehensive income/ (loss) for the year		(118,238)	(85,878)

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	2011	2010
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	49,348	27,509
Trade and other receivables	8	7,844	9,935
Inventories	9	39,359	39,344
Financial assets	10	-	-
Other current assets	13	36,822	35,652
TOTAL CURRENT ASSETS		133,373	112,440
NON-CURRENT ASSETS			
Financial assets	10	750	750
Property, plant and equipment	11	2,124,969	2,190,885
Intangible assets	12	-	-
TOTAL NON-CURRENT ASSETS		2,125,719	2,191,635
TOTAL ASSETS		2,259,092	2,304,075
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	195,373	244,855
Financial Liabilities	15	151,861	234,605
Short-term provisions	16	21,453	25,630
Current tax liabilities	17	-	(76)
Other	18	16,987	18,439
TOTAL CURRENT LIABILITIES		385,674	523,453
NON-CURRENT LIABILITIES			
Financial Liabilities	15	867,361	655,474
Other long-term provisions	16	-	853
TOTAL NON-CURRENT LIABILITIES		867,361	656,327
TOTAL LIABILITIES		1,253,035	1,179,780
NET ASSETS		1,006,057	1,124,295
EQUITY			
Retained earnings		1,006,057	1,124,295
TOTAL EQUITY		1,006,057	1,124,295

The accompanying notes form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

Note	Retained Earnings	Asset Revaluation Reserve	Other Reserves	Total
	\$	\$	\$	\$
Balance at 30 June 2009	1,210,173	-	-	1,210,173
2010 Profit/(loss) for the year	(85,878)	-	-	(85,878)
Other Comprehensive income/ (loss) for the year	-	-	-	-
Balance at 30 June 2010	1,124,295	-	-	1,124,295
2011 Profit/(loss) for the year	(118,238)	-	-	(118,238)
Other Comprehensive income/ (loss) for the year	-	-	-	-
Balance at 30 June 2011	1,006,057	-	-	1,006,057

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers & members		2,546,994	2,595,177
Payments to suppliers and employees		(2,415,326)	(2,329,634)
Interest received		77	9
Income tax refunded/ (paid)		76	-
Finance costs		(77,840)	(56,646)
Net cash provided by (used in) operating activities	21	53,981	208,906
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		29,859	1,480
Purchase of property, plant and equipment		(191,145)	(163,015)
Purchase of other non-current assets		-	-
Net cash provided by (used in) investing activities		(161,286)	(161,535)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds -chattel mortgage-small bus		-	17,605
Repayments -chattel mortgage-small bus		(8,802)	(4,402)
Proceeds -poker machine finance		54,720	49,320
Repayments -poker machine finance		(27,230)	(16,440)
Proceeds from borrowings-Bank		150,000	-
Repayment of borrowings- Bank bills		-	(125,000)
Proceeds from borrowings- Insurance funding		39,257	41,298
Repayment of borrowings-Insurance funding		(40,977)	(39,452)
Proceeds from borrowings-Sentouch funding		46,200	-
Repayment of borrowings-Sentouch funding		(14,200)	-
Repayment of borrowings-Hire purchase		(10,151)	(20,183)
Net cash provided by (used in) financing activities		188,817	(97,254)
NET INCREASE (DECREASE) IN CASH HELD		81,512	(49,883)
Cash at beginning of financial year	7	(78,178)	(28,295)
CASH AT END OF FINANCIAL YEAR	7	3,334	(78,178)

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements are general purpose Financial Statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Financial Statements cover the single entity Pacific Palms Recreation Club Limited a public company limited by guarantee, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in the Financial Statements containing relevant and reliable information about transactions, events and conditions to which they apply. Australian accounting standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending **30 June 2011**. The financial statements were authorised for issue on **19th October 2011** by the directors of the company.

The following is a summary of the material accounting policies adopted by the company in the preparation of the Financial Statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The Financial Statements have been prepared on an accruals basis and are based on historical costs modified, if so noted, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going concern basis

At the 30th of June 2011 current liabilities exceeded current assets by \$252,301. However \$46,014 of this relates to the overdraft facility which is not required to be repaid within the next 12 months.

Whilst the extent of current liabilities is impacted by payment timing issues, the board is confident the company can meet its liabilities as and when they fall due. The company receives the majority of its annual revenue from October to February with other peaks in school and public holiday periods. As the company is not reliant on the timing of debtor collections, trading generally provides a regular cash flow and expenditure can be curtailed, if required, in line with these cash flows. The company also has a surplus of net assets and the Directors believe the bank will support and /or tailor the company's finance facility to meet current market conditions,

Additionally, trading in 2011 produced a cash trading surplus of approximately \$109,000 before a reduction in trade payables and a payout of employee entitlements resulted in a net cash flow from operations of \$53,981. Directors estimate that the 2012 cash flows from operations will be sufficient to cover existing commitments subject to payment timing issues and the achievement of the projected results.

Accordingly the directors believe the going concern basis continues to be the appropriate basis for accounts preparation purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

a. **Principal Activity**

The company operates as a licensed recreation club.

b. **Income Tax**

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

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

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

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

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

c. **Inventories**

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

d. **Construction work in Progress**

Building work in progress is not depreciated until completion.

e. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less, where applicable, any provisions for depreciation and impairment losses. The NSW Land and Property Management Authority valued the company's land at \$835,000 on 28/08/2009. This valuation has not been brought to account in the Statement of Financial Position but is provided for information purposes only. Land at cost in the Statement of Financial Position is \$10,000.

Carrying amounts

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE I: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

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

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

Class of Fixed Asset	Method	Depreciation Rate
Buildings	PC	2.50 – 10.00%
Furniture and fittings	PC	6.00 – 36.00%
Office equipment	PC	7.50 – 40.00%
Other plant and equipment	Both	7.50 – 37.50%
Bar plant	PC	6.67 – 13.00%
Catering equipment	PC	7.50 – 25.00%
Poker machines	PC	7.50 – 40.00%
Keno	PC	10.00 – 18.00%
TAB	PC	10%
Motor vehicles	PC	15.00 – 22.50%
Member amenities	PC	7.50 – 25.00%

Glossary

DV means the diminishing value method

PC means the prime cost (or straight line) method

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

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

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

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

f. Company Limited by Guarantee

The company is limited by a guarantee of members to contribute in the event of a winding up, a sum not exceeding \$2.00 per member. At **30 June 2011** there were 1,675 members so the total amount members of the company are liable to contribute if the company is wound up is \$3,350 compared to \$3,214 at 30 June 2010. As the company does not have share capital it cannot pay dividends.

g. Leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

h. Financial Instruments

Initial recognition and measurement

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

Classification and subsequent measurement

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

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

Financial assets at fair value through profit and loss

Financial assets are classified at ‘fair value through profit or loss’ when they are held for trading for the purpose of short-term profit taking, or where they are 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 fair value (ie gains or losses) being recognised in profit or loss.

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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity’s intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Derecognition

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

i. Impairment of Assets

At each reporting date, the company 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 Statement of Comprehensive Income.

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

Impairment testing is required to be performed annually for goodwill and intangible assets with indefinite lives.

j. Intangibles

Poker Machine Entitlements

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

The market value of existing poker machine entitlements has not been brought to account. At 30 June 2011 there were 28 poker machines with the market value at the same date being approximately \$35,750 - \$41,250 GST inclusive per a block of three entitlements. This market value is based on a quote provided by a broker.

Software

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

k. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. The provision for long service leave is determined on a probability basis and adjusted to net present value.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of reporting date are recognized in other payables in respect of employee service up to the reporting date. They are measured at the amounts expected to be paid when liabilities are settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Long service leave

Liability for long service leave is recognized in the provision for employee benefits and measured at the present value of expected future payments made in respect of services provided by employees up to the reporting date. Provision for employees with less than 10 years service has been allocated to non-current liabilities. In determining the liability for employee entitlements related on costs have also been included in the liability.

l. Provisions

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

m. Cash and Cash Equivalents

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

n. Revenue

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

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

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

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

o. Borrowing Costs

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

p. Goods and Services Tax (GST)

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

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

q. Comparative Figures

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

r. Rounding of Amounts

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

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

Key Judgments — Going concern basis

The directors are charged with the responsibility for ensuring the company can pay its debts as and when they fall due. Due to the company's liquidity position this was a key judgment in determining the correct basis of accounts preparation.

The company's liquidity continued to be an issue over the course of the 2011 financial year. At 30 June 2011 current liabilities exceeded current assets by \$252,301 compared to \$411,013 last year.

The liquidity situation at the start of the financial year resulted in the company having to approach the bank for temporary overdraft extensions. These have now been repaid. At the same time the company requested an extension of the repayment terms of the company's long-term debt by 5 years and subsequently re-structured the loan so that the first two years of the ten year term were interest only. The bank also granted an increase of \$150,000 in the loan facility.

It is estimated that \$106,000 will be required to meet current financial liabilities due in the 12 months ended 30 June 2012 and a further \$172,000 will be required to pay trade and other payables due to be paid in the next 12 months.

At the 30 June 2011 these commitments exceeded current assets by approximately \$144,000. The difference would need to be funded by cash flow from operations. While a cash flow forecast for the year ended 30 June 2012 has not been prepared a detailed profit and loss budget for the same period has. After adding back depreciation, which is a non-cash item, this forecast indicates that the cash flow from operations will be sufficient to discharge the above 30 June 2011 commitments requiring repayment within 12 months.

While future cash flows cannot be assured the directors are closely monitoring the situation. At 30 September 2011 there was only one creditor outstanding for more than 90 days which has since been paid and on 14 October 2011 an account summary from the Commonwealth Bank showed the main cheque account had a funds available balance of \$74,522.

The directors are pleased with sales to date and are continuing to review cost reductions.

The company also has the ability to dispose of additional poker machine entitlements in the event of unexpected outcomes.

As discussed above under "Basis of preparation" the directors' determined that the company will be able to pay its debts as and when they fall due and as such the going concern basis continues to be appropriate for accounts preparation purposes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

Key Judgments — Deferred tax assets

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

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

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

New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

- AASB 9: Financial Instruments - This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.
- AASB 124: Related Party Disclosures - No changes are expected to materially affect the Company.
- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2 - AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:
 - Tier 1: Australian Accounting Standards; and
 - Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Since the company is a not-for-profit entity, it qualifies for the reduced disclosure requirements for Tier 2 entities. It is anticipated that the company will take advantage of Tier 2 reporting at a later date.

- AASB 2009-12: Amendments to Australian Accounting Standards - The amendments are not expected to impact the company.
- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement - This Standard is not expected to impact the company.
- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements - This Standard is not expected to impact the company.
- AASB 2010-5: Amendments to Various Australian Accounting Standards - These editorial amendments have no major impact on the requirements of the respective amended pronouncements.
- AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets - This Standard is not expected to impact the company.
- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 - This Standard is not expected to impact the company.
- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets - The amendments are not expected to impact the company.
- AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters - This Standard is not expected to impact the company.
- AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters - This Standard is not expected to impact the company.

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2: REVENUE & OTHER INCOME

	Note	2011 \$	2010 \$
Operating activities			
— sale of goods		1,759,971	1,743,718
— poker machine receipts		559,868	663,003
— member activities		46,217	66,546
— dividends received		-	-
— interest received	2(a)	77	9
— government subsidies received		18,543	20,180
— sale of gaming entitlements		67,500	-
— other revenue		6,542	9,414
— services revenue-member subscriptions		11,829	14,770
— services revenue-room hire		-	-
— services revenue-bus income		7,443	7,966
— rebates received		6,000	4,950
— commissions		67,837	64,462
Total Revenue		2,551,827	2,595,018
Non-operating activities			
— gain on disposal of property, plant and equipment		1,324	1,464
Other Income		1,324	1,464
Total		2,553,151	2,596,482
<u>Note</u>			
2(a) Interest revenue above comprises:			
— directors		-	-
— other persons		-	-
— other entities		77	9
Total interest revenue		77	9

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 3: RESULT FOR THE YEAR

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

		Note	2011	2010
			\$	\$
a.	Expenses			
	Finance costs:			
	— external parties		77,840	55,957
	— related entities		-	-
	— other related parties		-	-
	Total finance costs		77,840	55,957
	Impairment of non-current investments		-	-
	Bad and doubtful debts		-	300
	Movement in employee leave entitlements		(22,362)	(249)
	Rental expense on operating leases			
	— minimum lease payments		10,239	9,325
	Loss on disposal of property plant and equipment		7,882	1,125
	Profit/(Loss) on disposal of poker machine entitlements		67,500	-
	Director honorariums		2,000	2,000
b.	Significant Revenue and Expenses			
	<u>Revenue</u>			
	Sale of poker machine entitlements	Refer above	67,500	-
	<u>Expenses</u>			
	Termination payments		-	42,713
	Movement in employee leave entitlements	Refer above	(22,362)	(249)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4: INCOME TAX

	Note	2011 \$	2010 \$
a. The components of tax expense comprise:			
Current tax		-	-
Deferred tax		-	-
Recoupment of prior year tax losses		-	-
(Over)/under provision in respect of prior years		-	-
Income tax expense/(benefit)		-	-
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2010: 30%)		-	
Less:			
Tax effect of			
- permanent and temporary differences		-	
Income tax expense/(benefit)		-	-
The applicable effective tax rates are as follows		0%	0%
Refer Note 1(b) and Note 1 Key judgements – deferred tax assets, regarding tax losses.			
c. Pay as you go instalments			
During the 2011 year the company recouped \$76 of instalments paid.			

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5: RELATED PARTY & KEY MANAGEMENT DISCLOSURE

	Note	2011	2010
		\$	\$
Key management personnel compensation			
Key management personnel comprise directors and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.			
Short-term employee benefits		68,643	80,172
Post employment benefits		-	-
Other long-term benefits		-	-
Termination benefits		-	-
Total		68,643	80,172

Other related parties

James Lawson, son of director Ted Lawson, was occasionally employed as a casual bus driver and paid according to the award. He earned less than \$4,000 during the year.

NOTE 6: AUDITORS' REMUNERATION

	Note	2011	2010
		\$	\$
Remuneration of the auditor for:			
— auditing or reviewing the Financial Statements	2010 annual only	16,588	9,000
— other services provided by related practice of auditor.		10,074	7,150
		26,662	16,150
Dissected as:			
Audit	Base audit	9,360	9,000
	Interim verification reviews	3,000	-
	Liquidity & special issues review	1,168	-
	2010 additional issues	3,060	-
	Total audit	16,588	9,000
Other	Statutory accounts	6,000	6,000
	Corporate assistance	1,474	1,150
	Tax	1,600	-
	2010 Additional accounting	1,000	-
	Total Other	10,074	7,150

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 7: CASH AND CASH EQUIVALENTS

	Note	2011	2010
		\$	\$
Cash on hand		40,023	23,815
Cash at bank		9,325	3,694
		49,348	27,509
		49,348	27,509

Reconciliation of cash

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

— Cash and cash equivalents		49,348	27,509
— Bank overdrafts		(46,014)	(105,687)
		3,334	(78,178)
		3,334	(78,178)

NOTE 8: TRADE AND OTHER RECEIVABLES

	Note	2011	2010
		\$	\$
CURRENT			
Other debtors		7,844	9,935
Refundable GST on acquisitions		-	-
		7,844	9,935
NON-CURRENT			
Other debtors - non current		-	-
		-	-
PROVISION FOR IMPAIRMENT OF RECEIVABLES			
There are no material trade receivables and therefore no provision for impairment is required.		-	-
		-	-
		-	-

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 9: INVENTORIES

	Note	2011	2010
		\$	\$
CURRENT			
At lower of cost and net realisable value			
Consumables		-	-
Finished goods		39,359	39,344
		39,359	39,344

NOTE 10: FINANCIAL ASSETS

	Note	2011	2010
		\$	\$
CURRENT			
Other		-	-
		-	-
NON CURRENT			
Shares – Non related entity – ILG- at cost		750	750
		750	750

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		\$	\$
LAND AND BUILDINGS			
Freehold Land			
— at cost (value \$835,000 at 28/08/09)	1	10,000	10,000
Buildings			
— at cost		2,335,962	2,335,962
Provision for depreciation		(690,799)	(633,354)
		1,645,163	1,702,608
Total Land and Buildings		1,655,163	1,712,608
PLANT AND EQUIPMENT			
Plant and equipment			
— at cost		702,913	702,913
Provision for depreciation		(435,802)	(491,886)
		267,111	211,027
Office Equipment			
— at cost		25,923	25,923
Provision for depreciation		(17,663)	(17,579)
		8,260	8,344

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONT.)

Note	2011 \$	2010 \$
Furniture & Fittings		
— at cost	223,962	223,962
Provision for depreciation	(179,480)	(164,821)
	44,482	59,141
Leased plant & equipment		
— at cost	25,000	25,000
Provision for depreciation	(25,000)	(25,000)
	-	-
Catering plant & equipment		
— at cost	169,355	169,355
Provision for depreciation	(108,648)	(89,595)
	60,707	79,760
Members amenities – equipment		
— at cost	35,645	35,645
Provision for depreciation	(25,791)	(22,832)
	9,854	12,813
Other equipment		
— at cost	296,532	296,532
Provision for depreciation	(255,913)	(241,421)
	40,619	55,111
Motor vehicles		
— at cost	63,119	63,119
Provision for depreciation	(24,346)	(11,038)
	38,773	52,081
Total Plant & Equipment	469,806	478,277
Total Property, Plant & Equipment	2,124,969	2,190,885
Plant and equipment under construction	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONT.)

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 financial year

2011 YEAR	1 July 2010	Adds	Disposals	Depreciation	30 June 2011
	\$	\$	\$	\$	\$
Land	10,000	-	-	-	10,000
Buildings	1,702,608	3,920	-	61,365	1,645,163
Office equipment	8,344	2,572	535	2,121	8,260
Furniture & fittings	59,141	-	-	14,659	44,482
Motor vehicles	52,081	-	-	13,308	38,773
Plant & equipment	211,027	173,765	35,882	81,796	267,114
Other equipment	55,111	3,439	-	17,934	40,616
Catering	79,760	7,450	-	26,503	60,707
Member amenities	12,813	-	-	2,959	9,854
	<u>2,190,885</u>	<u>191,146</u>	<u>36,417</u>	<u>220,645</u>	<u>2,124,969</u>

2010 YEAR	1 July 2009	Adds	Disposals	Depreciation	30 June 2010
	\$	\$	\$	\$	\$
Land	10,000	-	-	-	10,000
Buildings	1,731,754	31,153	-	60,299	1,702,608
Office equipment	4,461	5,898	-	2,015	8,344
Furniture & fittings	57,419	12,609	-	10,887	59,141
Motor vehicles	41,109	16,464	-	5,492	52,081
Plant & equipment	185,394	85,470	1,142	58,695	211,027
Other equipment	62,232	11,420	-	18,541	55,111
Catering	91,619	-	-	11,859	79,760
Member amenities	15,941	-	-	3,128	12,813
	<u>2,199,929</u>	<u>163,014</u>	<u>1,142</u>	<u>170,916</u>	<u>2,190,885</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 12: INTANGIBLE ASSETS

	2011	2010
	\$	\$
Poker machine entitlements – at cost	-	-
Less accumulated impairment losses	-	-
Net carrying value	-	-

The market values of existing licences have not been brought to account. No purchased entitlements were held.

During the 2011 year two blocks of poker machine entitlements were sold and realised \$67,500 after costs. They had a nil cost so the \$67,500 was profit.

2011	2010
\$	\$

Reconciliation

Balance at start of year	-	-
Purchase	-	-
Sale	-	-
Balance at end of year	-	-

Profit/(Loss) on disposal	67,500	-
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NOTE 13: OTHER ASSETS

	Note	2011	2010
		\$	\$
CURRENT			
Prepayments		36,822	35,652
NON-CURRENT			
Prepayments		-	-

NOTE 14: TRADE AND OTHER PAYABLES

	Note	2011	2010
		\$	\$
CURRENT			
Trade creditors		83,542	124,880
Other creditors		20,056	22,367
Accrued expenses		30,923	23,139
Accrued holiday pay & RDO's		23,575	40,906
Activity statement liabilities		37,277	33,563
		195,373	244,855
NON-CURRENT			
		-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: FINANCIAL LIABILITIES

	Note	2011 \$	2010 \$
CURRENT			
<u>Unsecured liabilities</u>			
Unsecured loan – insurance funding		23,554	25,275
Total unsecured		<u>23,554</u>	<u>25,275</u>
<u>Secured liabilities</u>			
Bank overdraft		46,014	105,687
Hire purchase instalments due in 12 months		12,742	12,742
Hire purchase finance charges not yet due		(1,530)	(2,591)
Poker machine – type 4 licence		34,680	16,440
Equipment loan – small bus		4,401	8,802
Equipment loan – Sentouch bar till		32,000	-
Term loan instalments due in 12 months	15(d)	-	68,250
Total secured		<u>128,307</u>	<u>209,330</u>
Total current		<u><u>151,861</u></u>	<u><u>234,605</u></u>

Pacific Palms Recreation Club Limited
ABN 47 000 910 378

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: FINANCIAL LIABILITIES (CONT.)

	Note	2011 \$	2010 \$
NON-CURRENT			
<u>Unsecured liabilities</u>			
Unsecured loans		-	-
		-	-
<u>Secured liabilities</u>			
Hire purchase instalments		9,556	22,299
Hire purchase finance charges not yet due		(385)	(1,916)
Poker machine – type 4 licence		25,690	16,440
Equipment loan – small bus		-	4,401
Term loan account	15(d)	832,500	614,250
Total secured		867,361	655,474
Total non-current		867,361	655,474
a. Total current and non-current <u>secured</u> liabilities:			
Bank overdraft		46,014	105,687
Poker machine – type 4 finance		60,370	32,880
Hire purchase – net of future interest payable		20,383	30,534
Bank loan		832,500	682,500
Equipment loan – Sentouch bar till		32,000	-
Equipment loan – small bus		4,401	13,203
		995,668	864,804
b. The carrying amounts of <u>non-current</u> assets pledged as security for the above liabilities are:			
Land and buildings subject to first mortgage		1,655,163	1,712,608
Floating charge over assets		470,556	479,027
		2,125,719	2,191,635
c. The bank facility is secured by:			
—	Registered equitable mortgage by Pacific Palms Recreation Club Limited over the whole of the company's assets and undertakings.		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: FINANCIAL LIABILITIES (CONT.)

- First registered mortgage by Pacific Palms Recreation Club Limited over the licensed club property situated at The Lakes Way, Pacific Palms, NSW.
 - The hire purchase liabilities are secured by the related assets.
- d. Other facilities
- Other facilities such as the Sentouch till finance and the Type 4 poker machine finance agreements are secured over the related assets.
- e. Change of bank facility
- On 26 August 2010 the company's \$682,500 Commonwealth Bank bill facility was retired and replaced with a better business loan for \$682,500. On 13 April 2011 the better business loan was increased by \$150,000 to \$832,500. The new facility commenced on 1 April 2011 and finishes on 1 April 2020. The commencing variable rate was 9.50%. It is interest only for the first 22 months then repayable in 9 annual payments.

NOTE 16: PROVISIONS

	2011	2010
Long Service Leave	\$	\$
Opening balance at 1 July	26,483	44,303
Movement	(5,030)	(17,820)
Balance at 30 June	21,453	26,483

NOTE 16: PROVISIONS (CONT.)

	2011	2010
Analysis of Total Provisions	\$	\$
Current	21,453	25,630
Non-current	-	853
	21,453	26,483

Annual leave entitlements are treated as payables and disclosed in note 14.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17: TAX ASSETS & LIABILITIES

	Note	2011 \$	2010 \$
a. Liabilities			
Current			
Current income tax payable/(refundable)		-	(76)
Non Current			
Deferred tax liability		-	-
b. Assets			
Non current			
Deferred tax assets		-	-
c. Reconciliations			
i. Current tax payable/(refundable)			
The overall movement in the current tax liability is as follows:			
Opening balance		(76)	(76)
Instalments		-	-
Refund		76	-
Charge/(credit) to Statement of Comprehensive Income		-	-
Closing balance		-	(76)
ii. Deferred Tax Liability			
There were no deferred tax liability transactions recorded during the year.			
iii. Deferred Tax Assets			
There were no deferred tax asset transactions recorded during the year.			
d. Balances not brought to account			
Deferred tax assets in respect of the items below have not been brought to account as the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur.			
— temporary differences			
— tax losses			

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 18: OTHER CURRENT LIABILITIES

	2011	2010
	\$	\$
Member subscriptions in advance	16,987	18,439

NOTE 19: CAPITAL AND LEASING COMMITMENTS

	2011	2010
	\$	\$
a. Finance Lease Commitments		
The Type 4 poker machine finance agreements are similar to finance leases, however they are interest free.		
Payable —		
— not later than 12 months	34,680	16,440
— between 12 months and 5 years	25,690	16,440
— greater than 5 years	-	-
	60,370	32,880

b. Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	11,263	11,263
— between 12 months and 5 years	9,196	11,263
— greater than 5 years	10,276	19,471
	30,735	41,997

The leases are for various plant & equipment items and are standard operating leases all with terms no longer than 60 months. There are no contingent rentals.

c. Capital Expenditure Commitments		
Capital expenditure commitments contracted for:		
Plant and equipment purchases	-	-
Capital expenditure projects	-	-
	-	-

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19: CAPITAL AND LEASING COMMITMENTS (CONT.)

	2011	2010
	\$	\$
Payable:		
— not later than 12 months	-	-
— between 12 months and 5 years	-	-
— greater than 5 years	-	-
	-	-
	-	-

d. **Contract for disposal of poker machine entitlements**

Last year prior to 30 June 2010 the 30 June the company entered into a contract, subject to approval by the OLGR, to sell a block of 3 poker machines for \$35,750 GST inclusive.

The approval was granted in July 2010. The disposal was accounted for in the 2011 financial year.

NOTE 20: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2011	2010
	\$	\$
Contingent Liabilities		
Security deposit – Department of Lands	500	500
Security deposit – TAB	5,000	5,000
Contingent Assets		
Deferred tax assets not brought to account in the Financial Statements. Refer Note 1		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21: CASH FLOW INFORMATION

	2011	2010
	\$	\$
a. Reconciliation of Cash Flow from Operating Activities with Profit/(loss) after Income Tax		
Profit/(loss) after income tax	(118,238)	(85,878)
Non-cash flows in profit		
Depreciation	220,645	170,916
Net loss/(gain) on disposal of property, plant and equipment	6,558	(339)
Increase/(decrease) in provisions	(22,363)	(250)
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	2,091	(1,368)
(Increase)/decrease in prepayments	(1,170)	3,661
(Increase)/decrease in inventories	(14)	(943)
Increase/(decrease) in trade payables and accruals	(32,152)	123,536
Increase/(decrease) in subscriptions in advance	(1,452)	(429)
Increase/(decrease) in tax payable	76	-
Net cash flow from operating activities	53,981	208,906
b. Non-cash Financing and Investing Activities	-	-
c. Credit Standby Arrangements with Banks		
Credit facility	100,000	130,000
Amount utilised	(46,014)	(105,687)
Un-utilised	53,986	24,313

The company's standard overdraft facility is for \$100,000. Prior to 30 June 2010 it was temporarily increased to \$130,000 and then to \$160,000 during the 2011 financial year before reverting back to \$100,000. It is subject to annual review.

d. Significant items in cash flow from operations

The cash flow from operations was significantly affected by the movement in provisions and trade payables and accruals. Refer to (a) above for details.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21: CASH FLOW INFORMATION (CONT.)

	2011	2010
	\$	\$
d. Loan Facilities		
Loan facilities	832,500	682,500
Amount utilised	(832,500)	(682,500)
	-	-
The major facilities are summarised as follows:		
Better Business Loan expiring 2020 – Interest only for first 2 years than principal plus interest for remaining 8 years	832,500	682,500
Overdraft – variable rate	100,000	130,000
	932,500	812,500
Contingent liability – bank guarantees	5500	5500

NOTE 22: EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 30 June 2011 which has or will significantly affect:

- i The operations of the company
 - ii The results of those operations
 - iii The state of affairs of the company
- in financial years subsequent to 30 June 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: FINANCIAL RISK MANAGEMENT

a. Financial Risk Management Policies

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

i Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed with a variable loan facility and fixed rate equipment finance.

Interest rate risk is assessed as high due to the potential impact on profitability of rate increases given the high debt ratio.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Liquidity risk is assessed as high due to commitment increases. While budgets have been prepared the inherent uncertainty of future cash flows must be considered. Another factor that must be considered is that the company has already reduced its variable costs to compensate for falling revenues and as a result there is less capacity for further reductions to variable costs.

Credit risk

Receivables

Exposure to credit risk attaches to unsecured financial assets (other than cash and bank balances held at any time during the year). At reporting date the company held no material financial assets other than cash and bank balances and such risk was minimal.

Payables

Due to the impact of the global financial crisis and a reassessment of risk by lenders, there is an exposure to credit risk in that the company's financiers may impose covenants or other lending restrictions. In particular some financiers are increasing their loan to value ratios to minimise their own exposure to risk.

Price risk

The company is not materially exposed to price risk, other than in respect of packaged liquor due to volume discounts by large liquor outlets.

ii. Financial Instrument Composition And Maturity Analysis

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: FINANCIAL RISK MANAGEMENT (CONT.)

2011	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing			Non Interest Bearing	Total Financial Assets / Liabilities
	Rate		Within Year	1 to 5 Years	Over 5 Years		
	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	-	-	-	-	-	49,348	49,348
Receivables	-	-	-	-	-	7,844	7,844
Shares	-	-	-	-	-	750	750
Total Financial Assets		-	-	-	-	57,942	57,942
Plus Non Financial Assets:							
Property, plant and equipment							2,124,969
Inventories							39,359
Other							36,822
Total Assets per Statement of Financial Position							2,259,092
Financial Liabilities:							
Bank overdraft	11.24	46,014	-	-	-	-	46,014
Trade and sundry payables – excluding holiday pay and RDO'S	-	-	-	-	-	171,798	171,798
Variable loan	9.50	832,500	-	-	-	-	832,500
Loan – sentouch bar till	0	-	-	-	-	32,000	32,000
Loan – small bus	12.65	-	-	4,401	-	-	4,401
Other loans	6.79	-	23,554	-	-	-	23,554
Hire purchase	10.35	-	-	20,383	-	-	20,383
Type 4 poker machine finance	0	-	-	-	-	60,370	60,370
Total Financial Liabilities		878,514	23,554	24,784	-	264,168	1,191,020
Plus Non Financial Liabilities:							
Accrued holiday pay and RDO'S							23,575
Provisions							21,453
Other							16,987
Total Liabilities per Statement of Financial Position							1,253,035

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: FINANCIAL RISK MANAGEMENT (CONT.)

2010	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing			Non Interest Bearing	Total Financial Assets / Liabilities
	Rate		Within Year	1 to 5 Years	Over 5 Years		
	%	\$	\$	\$	\$	\$	\$
Financial Assets:							
Cash and cash equivalents	-	-	-	-	-	27,509	27,509
Receivables	-	-	-	-	-	9,935	9,935
Shares	-	-	-	-	-	750	750
Total Financial Assets		-	-	-	-	38,194	38,194
Plus Non Financial Assets:							
Property, plant and equipment							2,190,885
Inventories							39,344
Other							35,652
Total Assets per Statement of Financial Position							2,304,075
Financial Liabilities:							
Bank overdraft	10.94	105,687	-	-	-	-	105,687
Trade and sundry payables – excluding holiday pay and RDO'S	-	-	-	-	-	203,873	203,873
Variable loan	8.75	682,500	-	-	-	-	682,500
Loan – small bus	12.65	-	-	13,203	-	-	13,203
Other loans	6.6	-	25,275	-	-	-	25,275
Hire purchase	9.98	-	-	30,534	-	-	30,534
Type 4 poker machine finance		-	-	-	-	32,880	32,880
Total Financial Liabilities		788,187	25,275	43,737	-	236,753	1,093,952
Plus Non Financial Liabilities:							
Accrued holiday pay and RDO'S							40,906
Provisions							26,483
Other							18,439
Total Liabilities per Statement of Financial Position							1,179,780

Pacific Palms Recreation Club Limited
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 23: FINANCIAL RISK MANAGEMENT (CONT.)

Trade and other payables (excluding holiday pay & RDO's) are expected to be paid as follows:

	2011	2010
	\$	\$
Less than 6 months	171,798	203,873
6 months to 1 year	-	-
	171,798	203,873

iii. **Net Fair Values**

There is no material difference between aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

iv. **Sensitivity Analysis**

Interest Rate Risk

The company 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 **30 June 2011**, the effect on net result 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/equity		
— Increase in interest rate by 2%	(17,570)	(15,763)
— Decrease in interest rate by 2%	17,570	15,763

NOTE 24: ECONOMIC DEPENDENCY

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

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

NOTE 25: COMPANY DETAILS

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

3957 The Lakes Way
Pacific Palms NSW 2428

NOTE 26: CORE PROPERTY

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

Pacific Palms Recreation Club Limited
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, Accompanying Notes to the Financial Statements, and the Directors' Declaration for the year ended **30 JUNE 2011** are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at **30 JUNE 2011** and of the performance for the year ended on that date of the company.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Director

Yvonne Ellis

Dated this 19th day of October 2011

Pacific Palms Recreation Club Limited
ABN 47 000 910 378

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

Report on the Financial Statements

I have audited the accompanying Financial Statements of Pacific Palms Recreation Club Limited (the company), which comprise the Statement of Financial Position as at **30 June 2011**, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration

Directors' responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the Financial Statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Statements.

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

Independence

In conducting the audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors on **19 October 2011**, would be in the same terms if provided to the directors as at the date of this auditor's report.

Pacific Palms Recreation Club Limited
ABN 47 000 910 378

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

Auditor Opinion

In my opinion:

the Financial Statements of Pacific Palms Recreation Club Limited are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at **30 June 2011** and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Signed:



Signed by: Brian Alexander

Address: 12/219 Victoria St Taree

Dated this 19th day of October 2011