TWIN TOWNS CLUBS + RESORTS
ANNUAL REPORT 2017

TWIN TOWNS SERVICES CLUB LIMITED

Contents

Board of Management Report

Vision, foresight, good corporate governance with sound strategic planning by successive board of management teams, not forgetting robust operational management, has continued to build the ultimate structure that saw 2017 celebrate 60 years of ongoing success at Twin Towns Clubs & Resorts. Together we have achieved much since the 12th July 1957 and with your continued support, we have much more to do to future proof this great Club for the generations to follow.

The eight ASX principals for good governance and best practice are entrenched in the Director's sights covering to lay solid foundations for management and oversight, to structure the Board to add value, to act ethically and responsibly, to safeguard integrity in corporate reporting, to make timely and balanced disclosure, to respect the rights of members, to recognise and manage risk and to remunerate fairly and responsibly.

Continued education for directors and management, combined with sound compliance, risk and workplace health and safety best practice guidelines to protect members' assets and provide security for members, management and staff and to satisfy the regulators, is imperative in this modern age of club industry governance. Membership of the Australian Institute of Company Directors, Clubs NSW Club Directors Institute and the commitment to advance director industry knowledge through best practice initiatives sees Directors and management attending industry seminars, conferences and zone meetings to continue professional education for the benefit of members of Twin Towns Clubs & Resorts.

Robust decision-making by Board and management, particularly in the age of the digital revolution, to be financially prudent, allow for data collection to fine tune operations to reduce costs and simplify members everyday club usage has made Twin Towns Clubs & Resorts (in this ongoing digital space) one of the industry leaders. This would not be possible without the ongoing support of members. Although seemingly overpowering to some, this digital technology is transforming the world in all business activity; subsequently each and every one of us need to adapt to this change or we will be left behind to our detriment.

2017 has been a year of progressive consolidation, strengthening strategic direction to build the business and encourage membership. On behalf of the Directors as custodians of members and community assets, it is my pleasure and privilege to present the Board of Management report for the year ended 31 December 2017 at the Annual General Meeting on Tuesday 22 May 2018.

Based on industry standards, Twin Towns has again performed well this year following the Directors' belief that we need to reinvent and reinvest in the business to achieve growth to build membership and encourage community participation. To be risk averse would not have built the company to what it is today, however the safe pathway is to be diligent to minimise risk. Twin Towns is a so called not-for-profit community club, where all excess cash is reinvested in members' assets to provide the best of all facilities for members and guests and ongoing support for our community. This year our membership register totalled 40,780 members and total Club Assets were recorded at $177 million. Group turnover was $73.5 million, with Group Net Profit before Tax of $970K and Cash Profit totalling $9.25 million (generated by adding the net profit before tax to the depreciation of $8.28 million).

Board of Management Report (cont.)

Evolutionary technology continues to be designed and developed over time for the benefit of members, commencing with a complete re-establishment of an aged and patch worked Twin Towns Services Club Constitution with the redrawn constitution approved unanimously by members at the 2017 May Annual General Meeting. This new constitution brings Twin Towns operations in line with the Corporations Act, the Registered Clubs Act and Industry Best Practice allowing for the use of digital technology for the future of customer interaction with simplification for all our members use.

Management have been diligently working on integrated data collection technology for years looking both locally and internationally to source the best cost effective systems that combine our point of sale (POS) systems, gaming technology, booking systems with membership cards and a member secure portal including member Apps to achieve total integration. Implementation commenced last December with further development to provide essential applications to follow in the months ahead. These important changes are the future and all of us are learning, improving and developing along the way with feedback and support from our membership base essential for long term success. At the same time we must not lose sight of emerging issues such as escalating electricity, gas and other ancillary cost increases while investigating methodology to reduce costs to enhance our environment based on return on investment strategies. Our operational team continually monitor costs for improving member services while concentrating on purchasing quality goods and maintaining key performance indicators with benchmarking to provide members with great product at affordable prices.

Strategic marketing advances with improved local and highway signage remind members and community of the benefits at Twin Towns Clubs & Resorts, providing a means of growing revenue streams through participation and increased membership. After years of planning, Twin Towns major lighting display project work has commenced on the exterior facade of Twin Towns (the cotton reels) with completion anticipated prior to the Commonwealth Games commencement in April 2018. This new marketing technology will light up the Gateway to Tweed on the face of Twin Towns, with projections covering local and international events, including the many scenic wonders around our magnificent area and beyond.

Utilising a neglected space on the upper split level of Flame, the overnight success of our new restaurants Gusti d'Italia Italian restaurant and Harbour Fresh seafood restaurant, not forgetting Bliss chocolate extravaganza, has attracted new faces to Twin Towns and added a fabulous members' dining option creating a new diversified revenue stream. Head Chef Lloyd has not only created a new catering standard he has mastered Twin Towns own in-house fresh pasta-making service.

Twin Towns Resort, managed by Mantra and soon to be taken over by Accor, is practically ready to commence a $10 million dollar refurbishment. Finalisation, however, awaits discussion with Accor management.

Ongoing maintenance expenditure on our world class sporting facilities, namely golf, bowls, tennis and the Oasis Pools complex at Club Banora at a cost in excess of $850K in 2017 is an ongoing commitment, with both Club Banora and Twin Towns Juniors Clubs trading very well.

While our major diversification footprint and commercial development application at Club Banora is currently on hold, Twin Towns Juniors development consent is alive and the trigger to redevelop Juniors Club nears, as housing construction on land developments surrounding this area commence.

Cobaki Memorandum of Understanding between Twin Towns and Leda Developments for a new greenfield club and child-care centre on land anticipated to house a village in excess of some 4,000 lots, gains momentum. Meanwhile the Board continues to examine opportunities locally and across the border to follow our strategic direction and support future growth planning.

As a community Club, the Directors are extremely mindful of our community corporate social responsibility covering local engagement, environmental sustainability, sound corporate governance, workplace health and safety for our 390 staff, our consultants and contractors. Harm minimisation practices for responsible service of alcohol and responsible conduct of gaming continue to expand in essence and our Salvation Army Chaplaincy Program is available for advice and assistance for all members. Risk mitigation is a major consideration for Directors with all compliance issues.

Tweed Heads and Coolangatta RSL Sub-Branch, under the leadership of Joe Russell and his dedicated

Board of Management Report (cont.)

committee, continue to set new heights with their work ethic and vision, with much of their support to veterans and their families un-noticed by most. Their prowess in organising Remembrance services for ANZAC Day, Remembrance Day (Armistice Day) and the many Ex-service group reunions, to build awareness and community support, is second to none with much of their in-house work effectively carried out supporting Ex-servicemen and families. Twin Towns is committed to both financial and in-kind support of some $145K annually remembering that without the original Ex-servicemen returning from war service and setting the foundations for this great Club, Twin Towns most likely wouldn't exist.

ClubGRANTS is a government initiative designed to support communities through a locally combined team led by Clubs on the Tweed. Twin Towns Board of Management, on behalf of members, made donations to local charities and junior sporting associations of $1.1 million in 2017.

Following the most severe flooding recorded along the Tweed River, the Board, on behalf of members, donated $50,000 in April 2017 to the Salvation Army for the Tweed Valley Flood Relief Disaster Appeal as part of our corporate social responsibility, knowing that every dollar goes directly to where it's needed most while working side-by-side with the local community. Financial assistance and in-kind support was also provided by Twin Towns Clubs & Resorts, the Clubs on the Tweed and ClubsNSW to Condong Bowls Club and several other severely flood damaged Clubs, with many of our staff pitching in individually to assist locals.

In addition to Twin Towns ClubGRANTS donations, Twin Towns Services Community Foundation contributed over $215K in 2017 mostly to medical research destined to benefit our members and community. From 2006 when past Director Ron Lewis established the Foundation with proceeds from the sale of Winders Lodge and Cottages to RSL Care, there has been in excess of $2.92 million distributed to worthy charitable organisations. These grants are based on the principle of a community club supporting the community.

The Board of Management provided over $137K in financial assistance to our Internal Clubs in 2017, including the additional grants made to the Internal Club committees. The Board recognises the invaluable contribution the dedicated volunteer members make to organise, manage and maintain membership of these social and sporting clubs available to every member. Striving to build membership with their enthusiastic approach to establish camaraderie and friendships, these humble volunteers deserve congratulatory recognition for their amazing commitment. Regular meetings of Twin Towns Directors, management and internal clubs committee members are held to provide internal club membership with information relating to Twin Towns strategic planning progress, providing transparency and understanding to benefit all concerned.

It would be remiss of me not to personally recognise the work ethic and exemplary skills of our management operations team, under the leadership of CEO Rob Smith. By encouraging ownership within the team, Rob sets a pace and direction with his leadership skills that keep visionary thinking advancing for the benefit of members, stakeholders and all concerned. Rob represents Twin Towns on the ClubsNSW State Gaming Advisory Board and locally as the Chair of the Local Liquor Accord, imparting that valuable knowledge for the benefit of Twin Towns. Through an established staff awards program and recognised training regime, we have magnificent staff performing in a passionate and dedicated team role. I thank Rob for providing his managerial skills, his vision and his profound dedication.

Twin Towns Board's intent is to continue good governance and due diligence with sound strategic planning to set up a platform to secure this great Club for the next generation of members. We intend to keep our objectives transparent for without our member and stakeholders' support, we could not achieve our goals. Thank you for your continued participation and support.

Michael Fraser

CEO's Report 2017

I present the Chief Executive Officer's report for the financial and calendar year 2017 with the headline results being a turnover of $73M, operating profit of $970K and a cash profit of $9.256M, net profit plus depreciation of $8.28M, for the group.

The contributions from each entity were:

	Operating Profit/Loss	Cash Profit
Twin Towns	-$ 1,553,101	$ 4,607,854
Club Banora	$ 1,047,342	$ 2,318,785
Juniors	$ 707,818	$ 1,098,671
Resort	$ 768,383	$ 1,230,734
Group	$ 970,442	$ 9,256,044

Group turnover was flat with growth of just .4% for the year. This was above industry trends and is consistent with the broader economic drivers of low interest rates, low wages growth and the resulting low inflation.

A drop in gaming revenue of 1.35% is a stark measure of market sentiment as it is entirely discretionary spending. This is countered by equally modest growth in food, beverage and entertainment, all of which is lower margin business for the Club and resulted in the drop in profitability.

The largest areas of cost growth were in labour, with almost our entire workforce positively impacted by the FWA wages decision in the middle of the year and a significant rise in the cost of electricity.

Looking forward the trends indicate a continuing of the current trading conditions and the need to restrain costs while managing limited growth.

Despite a harder set of circumstances the Club showed an operating profit and maintained a strong cash position in both inflows and surplus reserves. This has enabled the continued delivery of all of our traditional entertainment services and the ability to maintain and improve the substantial assets the Club operates.

During the year we completed further upgrades to the HVAC systems which improve the quality of experience in the venues and reduce electricity consumption through more efficient equipment. Work has also seen improvements in our consumption of water as we strive to minimise the overall impacts on the Club and receive the benefits of reduced costs of operation.

The creation of our two new dining options, Harbour Fresh and Gusti, was completed in October and are designed to offer further variety and table serviced options. These offers supplement the ever popular Flame outlets and I encourage you to give them a try on your next visit.

CEO's Report 2017 (cont.)

Work also progressed on the planned refurbishment of the Hotel and we completed a "mock up" of the new fitout in one room late in the year to test the design and decor. Whilst we are happy with the outcome the news late in the year of the proposed takeover of Mantra by Accor has seen us delay any full scale works until the transition has occurred and we can discuss our plans with the ultimate operator of the property.

The Resort complex, built in 1996 through to 1999, is at present going through a number of upgrades in line with the age of the property. In addition to the costs of refurbishing our hotel space, the Club has also incurred rising body corporate costs for the share the Club owns in the overall development. Not that this is at all uncommon in community living these are cost increases which also have to be accommodated in our plans and expenditure.

Our plans for a retail precinct at Club Banora have become frustrated through town planning requirements being completely at odds with the commercial realities of the proposal. Earlier in the year the Board resolved to maintain a watching brief over the proposal until such time as the circumstances are more conducive to achieving our long term diversification goals on the site. The project is currently not being actively advanced.

The long awaiting light show on the façade of the Club is coming together with work commencing before Christmas and the major components on ships from Italy, Czech Republic and China. We look forward to lighting up the entry to NSW and the Club in early 2018.

Looking toward the future the Club secured two additional blocks of land adjoining our existing Recreation Street holdings. Whilst there are no current plans for this land, the opportunity arose and was unlikely to be repeated so the acquisition was completed. The Board will ask members to approve this land as non-core so that future development can progress on normal commercial terms at that time.

I'd like to thank the Board and especially Michael Fraser for the support that I and all the management and staff have received during the year. The Club is a truly cooperative organisation in terms of the delivery of our plans and the level of knowledge and acute interest in the common goal of advancing the Club for our members at every step is unwavering for the entire Board.

To my fellow management and the whole team, I appreciate your efforts every day.

To our members, thank you for again making Twin Towns your Club of choice. I truly hope you are proud of your Club and we strive to make it meet your needs at every turn. I trust you continue to enjoy the facility and services in the year ahead and well beyond that of course.

Sincerely
Rob Smith

Directors' Report

Your directors present their report on the financial accounts of Twin Towns Services Club Limited for the year ended 31 December 2017.

DIRECTORS
The names and details of the directors in office during the financial year and until the date of this report are as follows:

Michael M Fraser POSITION: Chairman
OCCUPATION: Retired Real Estate Company Director
EXPERIENCE: 36 years Board Member. Board Chairman. Chairman of Executive, Compliance/Risk, Remuneration, Nominations, and New Projects Sub-Committees.
MEETING ATTENDANCES: 30/30

Brian M Brown M.A.I.C.D. POSITION: Deputy Board Chairman
OCCUPATION: Retired
EXPERIENCE: 9 years Board Member. Member of Executive. Chairman of Donations Sub-Committee and Member of Remuneration, Disciplinary, Compliance/Risk, Nominations, and New Projects Sub-Committees. Club representative on ClubGrants Local Committee.
MEETING ATTENDANCES: 45/45

Kenneth C Culpitt (Ken) B Sc. Dip P.M. Australian Sports Medal POSITION: Director
OCCUPATION: Retired
EXPERIENCE: 1 year Board Member. Member of Donations, Disciplinary and Compliance/ Risk Sub-Committees. Work Health & Safety Delegate.
MEETING ATTENDANCES: 37/37

Paul M Day (Mark) B.Sc. Grad.Dip.Phty Master Phty Sts. A.P.A.M. F.A.I.C.D. POSITION: Director
OCCUPATION: Physiotherapist
EXPERIENCE: 21 years Board Member. Chairman of Disciplinary Sub-Committee and Member of Compliance/ Risk, Remuneration and Nominations Sub-Committees.
MEETING ATTENDANCES: 26/30

John F Griffin JP PhD MJuris MEng BE DipEE DipME DipCD CPEng FIEAust FAICD LCDR RANR (Retired) POSITION: Director
OCCUPATION: Retired
EXPERIENCE: 20 years Board Member. Chairman of Audit Sub-Committee. Member of Compliance/Risk, Remuneration, and New Projects Sub-Committees. Work Health & Safety Delegate.
MEETING ATTENDANCES: 23/29

Robert D Loring (Bob) POSITION: Director
OCCUPATION: District Fisheries Officer
EXPERIENCE: 11 years Board Member. Member of Compliance/Risk, Nominations, Donations and Audit Sub-Committees.
MEETING ATTENDANCES: 31/32

Anthony D Mitchell (Tony) B.Com. LLB Notary Public POSITION: Director
OCCUPATION: Solicitor
EXPERIENCE: 29 years Board Member. Previously Board Chairman 15 years to 15 May 2007. Member of Remuneration, Audit, Nominations and New Projects Sub-Committees.
MEETING ATTENDANCES: 17/18

Ross S O'Leary JP POSITION: Director
OCCUPATION: Retired
EXPERIENCE: 9 years Board Member. Member of Compliance/Risk, Disciplinary, and Donations Sub-Committees and Club Representative on ClubGrants Local Committee. Work Health & Safety Delegate.
MEETING ATTENDANCES: 46/46

David W Phillips LTCOL RAInf (Retired) FAICD POSITION: Director
OCCUPATION: Residential Unit Manager
EXPERIENCE: 9 years Board Member. Member of Disciplinary, Nominations, Audit and New Projects Sub-Committees. Club representative on Building Management Committee Ocean and Harbour Towers.
MEETING ATTENDANCES: 27/31

COMPANY SECRETARY
Mr Robert L Smith was appointed company secretary on 1 July 2005 and is also the General Manager of Twin Towns Services Club Limited.

PRINCIPAL ACTIVITIES
The principal activities of the company during the financial year were that of a Licensed Club, Resort/Hotel and related sporting facilities.

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

Short and long term objectives
To be financially prudent within the current and expected conditions that are confronting the Club industry, whilst providing facilities and services that members and guests have come to expect.

Strategy for achieving the objectives
Continue to review the planning that had been put in place for Club Banora, Twin Towns Juniors and the main club Twin Towns, and to respond in a positive and progressive manner to enhance facilities and services for members within the framework previously established but remaining cognisant of external constraints.

How these activities assist in achieving the objectives
The Club has been built upon the premise of providing facilities within a responsible fiscal framework enabling members to partake in the range of services offered by the Club. This long term strategic planning, reviewed annually, provides a basis for realistic annual budgets for staffing, maintenance and capital projects.

Performance measurement
Performance is assessed regularly against relevant internal and industry benchmarks enabling views to be formed as to whether strategic initiatives have been effective in achieving the Club objectives.

OPERATING RESULTS
The net profit after income tax of the company amounted to $843,643 (2016: $1,975,710) after providing for depreciation of $8,285,602 (2016: $8,474,626).

DIVIDENDS
Payment of dividends to members is prohibited under the company's constitution.

EVENTS SUBSEQUENT TO BALANCE DATE
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

MEMBERS' LIMITED LIABILITY
The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. In accordance with the Constitution of the company, each member undertakes to contribute an amount limited

to $2 per member in the event of the winding up of the company during the time that he or she is a member or within one year thereafter. At 31 December 2017, the total number of members was 40,780 (2016: 41,919) and the total amount that members are liable to contribute if the Company is wound up is $81,560 (2016: $83,838).

WORK HEALTH AND SAFETY REGULATIONS

The company takes a proactive approach to risk management and the Board is committed to ensuring that a systematic approach is adopted in regard to the policies concerning the Work Health and Safety issues of the employees, members and visitors' safety and well being whilst attending the club.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of a Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act follows this directors' report.

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

M M Fraser
Director
Dated at Tweed Heads this 29th day of March 2018.

Auditor's Independence Declaration

Under Section 307C of the Corporations Act 2001

Under Section 307C of the Corporations Act 2001

To: the Directors of Twin Towns Services Club Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 there have been:

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

M J Sullivan
Sullivan & Associates

Registered Company Auditor
Dated at Coolangatta, Qld this 29th day of March 2018.

Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	**2017** **$**	2016 $
REVENUE FROM ORDINARY ACTIVITIES	2	**73,544,230**	73,220,294
LESS EXPENDITURE	3		
Cost of goods sold		**7,788,551**	7,495,551
Depreciation expenses		**8,285,602**	8,474,626
Employment expenses		**17,943,637**	16,369,455
Gaming machine taxes and levies		**10,444,956**	10,626,184
Property expenses		**11,915,338**	12,965,273
Promotions and advertising		**5,759,465**	5,404,149
Entertainment		**3,956,718**	3,322,184
Members expenses		**1,560,807**	1,505,825
Communication expenses		**421,764**	445,517
Other operating expenses		**4,496,950**	4,338,975
		72,573,788	70,947,739
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**970,442**	2,272,555
INCOME TAX EXPENSE	4	**(126,799)**	(296,845)
NET PROFIT		**843,643**	1,975,710
OTHER COMPREHENSIVE INCOME		**-**	2,461,268
TOTAL COMPREHENSIVE INCOME		**843,643**	4,436,978

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2017

	Reserves	Retained Earnings	Total
	$	$	$
Total Equity at 1 January 2016	47,302,940	115,573,331	162,876,271
Profit for the year	-	1,975,710	1,975,710
Other comprehensive income	2,461,268	-	2,461,268
Total Equity at 31 December 2016	**49,764,208**	**117,549,041**	**167,313,249**
Profit for the year	-	843,643	843,643
Other comprehensive income	-	-	-
Total Equity at 31 December 2017	**49,764,208**	**118,392,684**	**168,156,892**

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 31 December 2017

	Note	**2017**	2016
		$	$
CURRENT ASSETS			
Cash and cash equivalents	5	**27,625,359**	29,966,755
Trade and other receivables	6	**1,382,646**	1,233,735
Inventories	7	**485,909**	602,661
Other	9	**1,678,062**	1,026,233
TOTAL CURRENT ASSETS		**31,171,976**	32,829,384
NON CURRENT ASSETS			
Property, plant and equipment	10	**144,541,088**	141,749,649
Intangible assets	8	**1,108,000**	1,108,000
Deferred tax assets	4(b)	**369,124**	356,605
Other	9	**20,000**	24,546
TOTAL NON CURRENT ASSETS		**146,038,212**	143,238,800
TOTAL ASSETS		**177,210,188**	176,068,184
CURRENT LIABILITIES			
Trade and other payables	11	**5,424,597**	5,438,731
Current tax liabilities	4	**-**	-
Provisions	13	**3,148,098**	2,879,730
TOTAL CURRENT LIABILITIES		**8,572,695**	8,318,461
NON CURRENT LIABILITIES			
Financial liabilities	12	**-**	-
Deferred tax liabilities	4(c)	**110,413**	43,750
Provisions	13	**370,188**	392,724
TOTAL NON CURRENT LIABILITIES		**480,601**	436,474
TOTAL LIABILITIES		**9,053,296**	8,754,935
NET ASSETS		**168,156,892**	167,313,249
EQUITY			
Reserves		**49,764,208**	49,764,208
Retained profits		**118,392,684**	117,549,041
TOTAL EQUITY		**168,156,892**	167,313,249

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2017

	Note	**2017**	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**79,814,771**	80,041,565
Payments to suppliers and employees		**(71,159,112)**	(69,013,820)
Interest received		**518,375**	580,813
Interest paid		**-**	-
Income tax paid		**(384,368)**	(518,291)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**8,789,666**	11,090,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment		**(11,233,563)**	(9,018,775)
Proceeds from sale of property, plant & equipment		**97,955**	35,047
Proceeds/(purchase) of investments		**(362,584)**	(551,506)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(11,498,192)**	(9,535,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		-	-
NET INCREASE/(DECREASE) IN CASH HELD		**(2,708,526)**	1,555,033
Cash at the beginning of the financial year		**13,216,836**	11,661,803
Cash at the end of the financial year	14	**10,508,310**	13,216,836

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

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.

The financial report is presented in Australian dollars.

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

(b) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the company, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised over their estimated useful lives. 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.

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured. Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the sales of products and services. Other revenue includes interest and rental income, commissions and other fees received.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods. Revenue from the sale of goods primarily includes revenue from catering and beverages.

Revenue from the rendering of services is recognised upon the delivery of service to the customers. Revenue from services primarily includes accommodation, entertainment, membership and gaming revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Rental revenue is recognised on an accruals basis or straight line basis in accordance with the lease agreements.

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

(d) Income Tax

The company's taxable income has been determined based on the principle of mutuality.

Deferred tax is accounted for using the balance sheet 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 recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

(e) Inventories

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

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(g) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings 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 valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings is credited to a revaluation reserve in equity. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of property, 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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Property, plant and equipment, other than freehold land, is depreciated over their estimated useful lives using the straight line method or the reducing balance method.

Major depreciation periods are:

Freehold Buildings	66 years
Plant and Equipment	3-15 years

(h) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

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

(ii) Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined Contribution Superannuation Plans

The company contributes to several defined contribution superannuation funds for employees. Contributions are recognised as an expense based on employees' past service. There is no legal or constructive obligation to pay contributions should a fund have insufficient assets to meet its obligations to pay employee benefits.

(i) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above excluding term deposits, net of outstanding bank overdrafts. Term deposits are shown within investing activities on the statement of cash flows. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 component of investing and financing activities, which are disclosed as operating cash flows.

(k) Intangible assets

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at value in use less any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the company's intangible assets is as follows:

Licences
Useful lives
Indefinite
Amortisation method used
No amortisation
Internally generated or acquired
Acquired
Impairment testing
Annually and more frequently when an indication of impairment exists.

(l) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of its fair value less costs to sell and value in use.

Where the asset does not generate cash flows that are largely independent of the cash inflows from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash- generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(m) Financial Instruments

Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

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 expire. The difference between the carrying value of the financial liability

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.

Classification and Subsequent Measurement

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 using the effective interest rate method.

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 company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available for Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

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

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.

(n) Comparatives

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Significant Accounting judgements, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have an effect on the carrying amounts of certain assets and liabilities are:

Impairment

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

No impairment has been recognised in respect of any assets for the year ended 31 December 2017.

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the company have determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation. The board of directors and management work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The executive manager

(o) Significant Accounting judgements, estimates and assumptions (Cont.)

finance reports the independent valuation findings to the board of directors of the company via the audit committee to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques inputs used in determining the fair value of various assets and liabilities are disclosed in Note 10.

The directors have determined the fair value of land and buildings by reference to independent valuations performed on 31 December 2016 (for which the valuation details are disclosed in Note 10). The directors have formed the view that the assumptions used in the valuation methodology as at 31 December 2016 remain materially correct for the year ended 31 December 2017. Therefore, it is considered appropriate to adopt the fair value as determined in the valuation of 31 December 2016 less accumulated depreciation on buildings to 31 December 2017.

	2017	2016
	$	$
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities		
Gaming	**39,833,333**	40,370,153
Catering and beverages	**24,384,634**	24,306,730
Accommodation	**3,970,746**	3,725,225
Showroom	**2,854,549**	2,179,260
Sporting activities	**388,601**	410,436
Membership, commissions and other operating activities	**1,157,705**	1,241,428
Entertainment	**233,521**	192,425
Bank interest	**518,375**	580,813
Rental	**202,766**	213,824
Total revenue from ordinary activities	**73,544,230**	73,220,294
3. EXPENSES FROM ORDINARY ACTIVITIES		
Expenses from operating activities includes:		
Cost of goods sold	**7,788,551**	7,495,551
Depreciation	**8,285,602**	8,474,626
Operating Lease payments	**35,847**	34,688
4. INCOME TAX		
a. Income Tax Expense		
Prima facie income tax on operating profit at 30%	**291,133**	681,767
Tax effect of timing and temporary differences	**(7,025)**	55,887
Mutual income/expenditure [Note 1(d)]	**(157,309)**	(440,809)
	126,799	296,845
The components of income tax expense comprises:		
Current tax	**126,799**	296,845
Deferred tax	**-**	-
	126,799	296,845
b. Deferred tax assets		
Non-Current Asset		
Deferred income tax assets	**369,124**	356,605
c. Deferred tax liabilities		
Non-Current Liability		
Deferred tax liabilities	**110,413**	43,750

	2017 $	2016 $
5. CASH AND CASH EQUIVALENTS		
Cash on hand	**625,473**	719,140
Cash at bank	**9,882,837**	12,497,696
Term deposits	**17,117,049**	16,749,919
	27,625,359	29,966,755
6. TRADE AND OTHER RECEIVABLES		
CURRENT		
Debtors	**1,161,194**	1,090,837
Other receivables	**221,452**	142,898
	1,382,646	1,233,735
7. INVENTORIES		
Finished goods - at cost	**485,909**	602,661
8. INTANGIBLE ASSETS		
Poker machine licences	**1,108,000**	1,108,000
Balance at beginning of year	**1,108,000**	1,108,000
Acquired	**-**	-
Disposal	**-**	-
Revaluation	**-**	-
Balance at end of year	**1,108,000**	1,108,000
9. OTHER ASSETS		
CURRENT		
Prepayments	**1,678,062**	1,026,233
NON-CURRENT		
Agency Licences	**20,000**	24,546
10. PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	**29,203,811**	26,855,000
Buildings and improvements at fair value	**85,313,065**	85,313,065
Additions - at fair value	**-**	-
Additions - at cost	**2,510,180**	-
Disposals	**-**	-
Less accumulated depreciation	**(2,022,749)**	-
	85,800,496	85,313,065
Plant and equipment at cost	**83,371,442**	83,159,759
Less accumulated depreciation	**(56,614,992)**	(55,252,640)
	26,756,450	27,907,119
Capital work in progress at cost	**2,780,331**	1,674,465
	144,541,088	141,749,649

An independent valuation of the company's freehold land and buildings was carried out as at 31 December 2016 by registered valuers, Herron Todd White and Global Valuation Services.

10. PROPERTY, PLANT AND EQUIPMENT (Cont.)

Movements in Carrying Amounts

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

	Land	Buildings	Plant & Equipment	Capital Work in Progress	Total
	$	$	$	$	$
Balance at beginning of year	26,855,000	85,313,065	27,907,119	1,674,465	141,749,649
Additions	2,348,811	2,510,180	5,208,219	1,105,866	11,173,076
Disposals	-	-	(96,035)	-	(96,035)
Revaluation	-	-	-	-	-
Depreciation expense	-	(2,022,749)	(6,262,853)	-	(8,285,602)
Carrying amount at year end	**29,203,811**	**85,800,496**	**26,756,450**	**2,780,331**	**144,541,088**

FAIR VALUE MEASUREMENT

Fair value measurement of non-financial instruments

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	2017	2016
	$	$
Land at Fair Value	**29,203,811**	26,855,000
Buildings and Improvements	**85,800,496**	85,313,065

Fair value of the Company's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers during the 2016 financial year. The significant inputs and assumptions were developed on the basis of market-based information, and, to a lesser extent, consultation with Management. It was determined after a review of the valuation methodology by the Directors at balance date, that there were no conditions in existence that would cause a material change to the valuation inputs. There were no transfers between hierarchy levels as at the end of the reporting period.

Further information is set out below.

Land held at fair value (Level 3)

The 2016 appraisal was carried out using a market approach that reflects observed process for recent transactions for similar properties, specifically land sales of large residential and commercial development sites which are suitable for development with tourist accommodation, medium and/or high density residential or commercial uses. Adjustments for factors specific to the land in question were considered, including sales evidence for the zoning of the site, and its current use being a club premise, and not based on any alternate use of the site.
The land was revalued on 31 December 2016. The land was previously revalued on 31 December 2013.

Buildings and improvements (Level 3)

The fair values of the buildings and improvements were estimated using a cost approach which reflects the current replacement cost of the asset group at its current service capacity. The depreciated replacement cost was determined by deducting from the estimated current replacement cost, an allowance for accrued physical wear and tear, economic and functional obsolescence. This allowance was independently determined by a qualified Quantity Surveyor and subject to review by registered valuers, Herron Todd White and Global Valuation Services.

	2017 $	2016 $
11. TRADE AND OTHER PAYABLES		
CURRENT		
Creditors and accruals	**4,368,140**	4,253,250
Income in advance	**1,031,917**	1,171,131
Security deposits held	**24,540**	14,350
	5,424,597	5,438,731
12. FINANCIAL LIABILITIES		
NON-CURRENT		
Loan	**-**	-

First Mortgage over the company's Wharf Street East land and buildings, a Second Mortgage over the whole of the company's assets and uncalled capital.

Financing Arrangements
The company has the following credit facilities available:
$500,000 Bank overdraft facility remains unutilised.
Business Credit Card facility $100,000 limit.
The facilities provided by the Commonwealth Bank of Australia are subject to annual review by the bank.

13. PROVISIONS		
CURRENT		
Poker machine duty / jackpots	**1,090,169**	969,756
Employee entitlements	**2,044,495**	1,899,543
Members advantage	**13,434**	10,431
	3,148,098	2,879,730
NON-CURRENT		
Employee Entitlements	**370,188**	392,724

The aggregate employee entitlement liability including on-costs, is comprised of:

- Current	**2,044,495**	1,899,543
- Non Current	**370,188**	392,724
	2,414,683	2,292,267

14. CASH FLOW INFORMATION
Reconciliation of Cash
Cash at the end of the financial year as shown in the Statement of Cash Flows comprises of:

Cash	**10,508,310**	13,216,836

15. CONTINGENT LIABILITIES
$100,000 bank guarantee in favour of the Liquor Administration Board as security for the Link Progressive Jackpots.
$15,000 bank guarantee in favour of TAB Limited as security for potential amounts owing.

	2017	2016
	$	$
16. LEASE COMMITMENTS		
Operating Lease Commitments		
Operating leases contracted for:		
Payable		
- not later than one year	**40,905**	38,157
- later than one year and not later than five years	**42,889**	90,302
	83,794	128,459
17. KEY MANAGEMENT PERSONNEL		
Total compensation for Key Management Personnel	**1,618,006**	1,548,963

Transactions with Directors

During the financial year, goods and services provided to the company by the Director listed below were in the ordinary course of business and on normal commercial terms and conditions.

P M Day Medical Services

18. EVENTS SUBSEQUENT TO BALANCE DATE

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

Directors' Declaration

The Directors of Twin Towns Services Club Limited declare that:

1. The financial statements and notes, as set out on pages 11 to 24 are:
   (a) in accordance with the Corporations Act 2001;
   (b) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and
   (c) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the year ended on that date of the company.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

M. M. Fraser
Director

Dated at Tweed Heads, NSW this 29th day of March 2018.

Independent Auditor's Report to the Members of Twin Towns Services Club Limited

Report on the Financial Report

Opinion

We have audited the financial report of Twin Towns Services Club Limited which comprises the statement of financial position as at 31 December 2017, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration.

In our opinion the financial report of Twin Towns Services Club Limited is in accordance with the Corporations Act 2001, including:

1. giving a true and fair view of the company's financial position as at 31 December 2017 and of its performance for the year then ended; and
2. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the entity's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Twin Towns Services Club Limited (Cont.)

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations , or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report to the Members of Twin Towns Services Club Limited (Cont.)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

M J Sullivan

Sullivan & Associates
2/11 Griffith Street, Coolangatta, QLD 4225

Dated this 29th day of March 2018

Core and Non-Core property

In accordance with Sect 41J(2) of the Registered Clubs Act 1976 the core property and non-core property of Twin Towns Services Club Limited as at 31 December 2017 is provided below. This information does not form part of the audited financial accounts.

CORE PROPERTY

(i) The Main Club Premises east of Wharf Street, Tweed Heads described as Lot 1 in deposited plan 777183 excluding:
   (a) that part of the premises that comprises the TAB agency.
   (b) that part of the premises that comprises the bar "1st on Wharf".

(ii) Club Banora Leisure Drive Banora Point described as Lot 2 in deposited plan 1040576 with the exception of the Oasis Pool and the Golf Pro shop (currently subject to leases).

(iii) Twin Towns Juniors Cnr Fraser Drive and Leisure Drive Banora Point described as Lot 1 in deposited plan 1088100.

(iv) The Land owned by the Club being Lots 7 and 8 of Section 4 in Deposited Plan 2379 situated at 41 and 43 Boyd Street, Tweed Heads.

NON-CORE PROPERTY

(i) The Oasis Pool and the Golf Pro shop at Club Banora Leisure Drive, Banora Point described as part of Lot 2 in deposited plan 1040576.

(ii) Recreation Street Tweed Heads (administration and storage facility) described as Lot 2 of Section 4 in deposited plan 2379.

(iii) The commercial, hotel and accommodation areas of the Resort building west of Wharf Street Tweed Heads described as Lots 1 and 2 in deposited plan 1007168 and Lot 6 in deposited plan 1096714.

(iv) The air bridge over Wharf Street between the main club and the Resort being a lease expiring on 31st July 2038 and being Lease No 7131486 over Lot 1 in deposited plan 860665, which is owned by Tweed Shire Council.

(v) The parcel of Land approved by the resolution of members at the 2009 Annual General Meeting as detailed in the Plans initialed by the Chairman for identification purposes at that meeting and located at Club Banora Leisure Drive, Banora Point described as part of Lot 2 in deposited plan 1040576. The area is generally described as approximately 30,000m2 in the north east corner of Lot 2 in deposited plan 1040576 and is detailed in B & P Surveys plans 17505/1 D and 17505/2 D dated 06/07/01.

(vi) The part of the Club Premises on Wharf Street, Tweed Heads described as Lot 1 in deposited plan 777183:
   (a) that comprises the TAB agency.
   (b) that comprises the bar known as "1st on Wharf".

(vii) The Land owned by the Club being:
   (a) Lot 164 in deposited plan 1057452 situate at 261 Darlington Drive Banora Point.
   (b) Lot 1, Lot 2 and Lot 3 in strata plan 37977 situate at 1/42, 2/42 and 3/42 Recreation Street Tweed Heads.
   (c) Lot 1 in deposited plan 1228463 situate at Darlington Drive Banora Point.

Wharf Street Tweed Heads NSW 2485 Telephone: 07 5536 2277 www.twintowns.com.au