

MHYC

MIDDLE HARBOUR YACHT CLUB

78th ANNUAL REPORT

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Annual Report For the Year Ended 30 April 2017

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Annual Report For the Year Ended 30 April 2017

Flag Officers

Commodore	John McCuaig
Vice Commodore – Racing	Mike Gallagher
Vice Commodore – Cruising	Michael Mulholland-Licht
Rear Commodore	John Sturrock
Club Captain	Peter Lewis

Directors

Chairman	Andrew Hurt
Treasurer	Neil Padden
Directors	Nigel Smyth
	Greg Young
	David Naismith
	John McCuaig
	Philip Clinton
	Kerry Burke

Premises and Registered Office

Middle Harbour Yacht Club Limited
ABN 95 000 248 877 ACN: 000 248 877 (A Company Limited By Guarantee)
Lower Parriwi Road, The Spit, Mosman NSW 2088
Telephone: (02) 9969 1244
Facsimile: (02) 9969 3326
Website: www.mhyc.com.au

Auditors

PKF
Level 8, 1 O'Connell Street, Sydney, NSW 2000

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Chairman's Report

Once again, it is my pleasure to present the Chairman's Report. In the past year, under the stewardship of our dedicated Board, Flag Officers and General Manager, the Club has not only overcome considerable commercial and operational challenges, but is beginning to thrive. I extend my thanks to the committed team of staff and club volunteers.

I would like to extend a warm welcome to our new Sailing Manager David Staley coming to us with a wealth of knowledge and enthusiasm for the sport. Also a welcome to our new Finance Manager Bruce Aitken. We look forward to Bruce helping us with some much needed changes in our internal systems.

I mentioned our Club is beginning to thrive. Karen Baldwin and her team have continued to ensure that the Club runs smoothly, and have managed to increase the number and variety of events, improve the Bistro menu and turnover, and made improvements to the Quarter Deck area, which will translate to a better use of the venue. Overall, members and their guests, whether sailors or just using the Club facilities, have a wider range of food and beverages to enjoy, now being prepared by our own in-house Chef Sarah Robinson and a core team of dedicated kitchen and wait/bar staff. The ongoing success of the writer's lunch series, the recent Commodore's dinner and the Club's beautiful breakfast menu are just a few examples we have seen this year. Particular thanks to the Food and Beverage sub-committee, which some Board members have spent considerable time on, and which has contributed to the successes we are seeing in this area.

The Treasurer's Report shows that the Club is financially stable. We have worked hard on strategies to grow our membership base. Gratifyingly, membership numbers are up in the past year, with reports that Middle Harbour is one of the only sailing clubs in Sydney who have achieved this in the current environment. The Club has taken back function booking operations, resulting in better customer experience and better income stream for the Club. Middle Harbour continues to host one of the largest junior sailing programs in the country, with the Melges fleet recognised within the Club and in the broader sailing community as providing the stepping stone for youth as intended. The Australian Sailing Team continues its success internationally and offers our best sailors a world class program of training anywhere. All from our club.

The investment we have made in facilities and the efforts to engage current and new members through both sailing and social programs are bearing fruit and the club is seeing members re-engaging. Looking forward, we have a coming year of change, with some key staff movements, office and systems improvements, and a modernisation of our Club's Constitution.

In closing, this year has seen a positive consolidation operationally, with time and financial investments bearing fruit. It has been a period of renewed engagement in the Club, which remains a premier sailing club, is starting to be used as a warm and welcoming social venue and continues to be a valuable contributor to our community. Thank you to our members who have stayed involved and make use of their Club's facilities and services.

Andrew Hurt
Chairman

Treasurer's Report

The Club's financial position remains strong, but the financial result for the year was below expectation, with profit before depreciation of \$467K at about the same level as last year. Cash Flow from Operating Activities was \$146K below last year, due mainly to the impact of fire insurance recoveries last year and increased capital spending in 2016/17.

In Sept 2016, the Club took over management of the functions and catering operations. Food revenue in the Club increased, and the standard of function and food services has significantly improved, but the extra costs associated with the transition resulted in reduced profit compared to last year. \$1.3M of debentures matured in Dec 2016 and March 2017. These were successfully refinanced at lower interest rates, which will save about \$25K pa in interest charges.

Total Borrowings (Note 14) increased by \$442K in the year. This is due to a planned repayment of debentures being delayed, and a reserve being built to cover any unexpected issues relating to the changes in the catering arrangements

A further \$2.4M of debentures mature in March 2018, which are now shown as Current Liabilities (Note 14). The Auditors have drawn attention to this in Note 1 (o), Going Concern. The Finance and Risk Committee is working on the refinancing of these debentures, and the Board and the Finance Committee are confident that the required refinancing will be completed successfully.

Profit before depreciation, excluding non operational items (grants, donations etc) was \$439K, about the same as 2015/16. There was a healthy increase in profit from Youth Sailing, and the revenue from the Cala Luna restaurant was restored after the fire impact in 2015/16. With the Marina full, profit from the marina was the same as last year, and is expected to be stable from now on. Profit from Sailing and F+B (as above) fell, and the other profit centres were about in line with last year. Interest cost fell by another \$26K compared to last year.

As in previous years, note that, in Note 12, the current liability of \$232,662 and the non current liability of \$592,675 for Prepaid Berth Guarantee Fees are amounts paid in advance for marina berth licenses. These will never be liable for repayment, and each year a proportion of the original guarantee fee is transferred to revenue.

Helen Jackson, Finance Manager, left the Club in May after almost 13 years to take up a new role in the club world. I would like to acknowledge the huge contribution Helen made to the Club during her time with us, and take this opportunity to welcome Bruce Aitken who joined as Finance Manager in June. Special thanks also to Accounts Assistant Lynda Mackillican who has been outstanding in her role supporting Helen's departure and the transition to Bruce's commencement.

Looking forward, the Club remains in a stronger financial position. F+B will be a major focus both in terms of the customer offering and cost control, so we encourage members to really get behind us, use the facilities and support this new direction. We still need to focus on improving cash flow, which requires further tight control of costs and capital spending, and to prioritizing the use of the improved cash flow to pay down debt, which will in turn reduce interest costs.

Neil Padden
Treasurer

Commodore's Report

As my final message as Commodore of Middle Harbour Yacht Club, I would like to thank all MHYC Members for their continued support and commitment to our great Club! I have loved every moment of being your Commodore for the past five years, and previously as Club Captain for the five years before that, and know that our next Commodore will be given the same support.

We have had a wonderful year at MHYC and look forward to another successful sailing season for 2017/18. Our Sydney Harbour Regatta saw a growth in the fleet with the Sydney 36s and 38s joining us for their National Championship so in 2018 it is sure to be another exciting regatta.

Our Australian Sailing Team did an amazing job and made us proud at the 2016 Rio Olympics. It was wonderful to see them celebrate back at the Club and especially for our youth sailors to see our Olympians train from MHYC and the opportunities of what they can aspire to do in the sport of sailing.

Each year we see many changes around the Club and one of the biggest changes has seen the Club take back the operation of functions and the Harbourview Bistro. The Bistro has seen an increase of Members and their guests enjoying the variety and taste of the new menu, in particular the new breakfast offerings, as well as utilising our function spaces for celebrations and business meetings. A new awning over the Quarterdeck balcony has not only stopped the water leakages to the Sandbar Café and offices below but has given the Club another covered outdoor area.

We welcome a few new employees to the Club – Sailing Manager, David Staley, Finance Manager, Bruce Aitken and Functions Co-Ordinator, Fran O'Connor. David is a wonderful asset for the Club with his experience and knowledge in both keelboat sailing and Youth sailing and is busy looking at improving our Youth sailing program and growing our keelboat fleet sizes with many exciting ideas. Bruce joins us as Helen Jackson leaves us after 13 years at MHYC and brings with him the experience to carry on Helen's efforts. Fran is looking after our enquiries and bookings for function spaces, on a part-time basis, and we are already seeing an increase in companies and individuals taking up the opportunity of holding their functions at the Club.

Finally, I would like to thank each and every member once again, along with our amazing staff and volunteers, for your support to me and continue to look forward to joining you at the Club and out on the water.

John McCuaig
Commodore

Vice Commodore - Racing Report

Once again, our MHYC Members enjoyed some fine sailing across the Seasons that is continuing through the winter months. It was very pleasing to note the ongoing success of the Twilight series that maintained sizeable fleets through the 22 races with only a handful affected by the weather...a particular thank you to all our Divisional Sponsors for adding to the encouragement equation with their cash contributions to the series winners.

The Sydney Harbour Regatta is the jewel in MHYC's crown and, with the determined efforts the committees, the 2017 event was to be one of the best fleets for some years. Regrettably, the weather was not on the same team and provided us with the related challenges; all things considered and with expertise of our volunteers, officials and Club Staff some exciting racing was had by all who participated.

Our Saturday point score fleets have remained somewhat static but with the Adams 10 fleet leading the way we have seen some good and enthusiastic racing. As always, this level of racing is not possible without our team of regular race management volunteers who turn up week in, week out to run our on water events – thank you to all! However, as we look forward to the next seasons, your sailing committee is actively reviewing options to encourage greater participation for all levels of sailing expertise as well as the better engagement of our Youth sailing members to better align with the overall sailing opportunities.

MHYC is always well represented at non-club events and regattas from the Sydney – Hobart to Sail Port Stephens and this year saw both Nine Dragons and MC Rumba take the honours in their respective divisions – congratulations to the winners and other participants who very capably represent the Club.

Our thanks must go to Roger Wragby who very ably stepped into the role of Sailing Manager for the most part of the Season and, as you know, he has taken the opportunity to share his expertise with RANSA. At the same time, we have been very fortunate to welcome our new Sailing Manager, David Staley, to MHYC. David brings a wealth of experience to the sailing office and has already put some new initiatives in play. His responsibilities have been extended to oversee the Youth Sailing element that we intend will present these sailors with broader options to participate as noted earlier.

Another good Season of sailing beckons as we round out this year with the Winter series and I look forward to seeing you on the water with all our events.

Mike Gallagher,
Vice Commodore – Racing

Vice Commodore - Cruising Report

2017 has and continues to be a year of more combined sea miles under the keels of members' boats than I have ever seen. Four MHYC cruising boats ventured to Hobart for the wooden boat festival this year. Zingarro, Flemingo, Galaxy II and Nashira. They all have inspiring stories to tell.

Flemingo calmly and effectively management a medical emergency requiring a return to Eden for minor surgery, before continuing across Bass Strait. Chris Canty sailed Galaxy II back from Hobart to Sydney solo and is now in Thailand on his global circumnavigation with his son. Nashira returned to MHYC after completing a 58day, Tasmanian cruise, including much of the East coast of the island. Lee Laurie has cruised much of the Caribbean and is now preparing Nautilee for a Pacific passage to Australia. These are a few examples, not to mention numerous coastal passages and the on water and land events conducted by the MHYC cruisers this year.

Many adventurous cruising sailors tell us that; “it all started at MHYC Cruising Division!” and the encouragement they received here to learn and up-skill in order to live their dream. That is something that we can all be proud of.

As this is my last Captain's column after 2 years in the role I would like to thank the current committee for their contribution to the Division's activities. Phil Darling, Evan Hodge, Kelly Nunn-Clarke and Dorothy Theeboom have been a great team bringing diverse skills and experience this year. Also Trevor D'Alton, Maralyn Miller, Jean Parker, Mike McEvoy, Paul Wotherspoon, Glynne and Gill Attersall have been very active members, facilitating activities of the Cruising Division at MHYC. There are also many members who regularly participate at meetings and events and add value in unique ways. Thank you all for making our Club such a worthwhile community.

Seamanship and safety are the priority of this adventurous sector of the club.

The Cruising Division is a unique clan with extensive skill and diverse experience. The meeting of seasoned sailors willing to share with the fresh enthusiasm of newer sailors is always inspiring.

Many of the Club's safety auditors come from the cruising division and volunteer their time to help all MHYC yachts both racers and cruisers meet the required standard of equipment for their chosen activity be it in shore Cat7 or Blue water racing Cat1.

See you on the water or at the Club, living the dream!

Michael Mulholland-Licht
Cruising Captain and Vice Commodore – Cruising

Rear Commodore's Report

This is my last report as Rear Commodore, having reached the maximum 5 years permitted under the Club's Constitution.

I first accepted this role in 2005 and after a couple of years, Carl Crafoord took over until 2012, when I took on the role again.

In 2005, Commodore Ian Box decided to reintroduce a Junior Sailing division after it had lapsed some years before. We started with about 16 to 20 participants, a motley collection of boats and a part-time instructor. The program was not very formalised but the kids were having fun. At that time we also worked with Northside Sailing School as they had more boats than we did.

After a year the club invested in a fleet of four RS Fevas. This enabled us to expand the program and accept more participants. The program, at this time, was heavily subsidised by other MHYC operations. The past few years have seen a substantial change in what is now our Youth Sailing Division. The Training program is now very formalised. MHYC is the largest Discover Sailing Centre in NSW and the club has a Youth Membership of almost 500. We have a fleet of twenty OziOptis, seven 420s and five safety boats. In addition, the division meets all of its operational expenses.

After Locky Pryor's departure, Nick Connor was employed as the Head Coach, reporting to the Sailing Manager. However, the absence of an all-encompassing Sailing Manager for the most part of the year, meant that Nick found himself as both Coach and Manager and my thanks go to him for taking on these roles.

As previously noted, the club has introduced Melges 20 sports boats with the aim of satisfying the owner's sailing aspirations as well as providing a further step after dinghy sailing. This is working well (thanks to Nicky Bethwaite's efforts) and enabled the club to offer a further option for school sailing. Overall our Discover Sailing and School Sailing programs are running well, however, the Sunday summer volunteer run racing program has had variable response and needs a little more attention. I have no doubt the appointment of David Staley as Sailing Manager will help MHYC Youth Sailing to achieve further heights in the coming year.

John Sturrock
Rear Commodore

Club Captain's Report

The Membership Committee has completed another successful year working tirelessly on behalf of the club to grow membership, Membership benefits and improve club morale. The success of the committee is measured by the continuing growth in membership through 2016/17. The only sailing club on Sydney Harbour to achieve this. This follows increased membership for the same period last year. We are now at 1700 members and a long way toward our medium term goal of 2000 members. Membership is key to the clubs success and the future of the club.

The Membership Committee has focussed on 4 major goals as set out last year in this report.

1. Raising membership towards 2000
2. Raise the profile of Youth Sailing
3. Concentrate on sponsorship to enhance member benefits
4. Further develop the club friendly atmosphere of the club and continue to develop new activities for the benefit of club members.

Some highlights in this pursuit were,

- * The Barefoot Ball with 400 plus patrons dancing the night away to the sounds of Mental as Anything on the Beach. By far the biggest turnout for 10 years.
- * The Ladies/Literary Lunches with some magnificent speakers and sold out lunches.
- * The feature sailing events having the best fleets in many years.
- * The twilights having the biggest fleet on the harbour of 60 plus and the many sponsors of each division donating cash and prizes.
- * The increased number and quality of sponsors attracted to the club.
- * The new dining menus and the Sandbar running 7 days a week. Not to mention the new breakfasts being served on weekends. A real treat.
- * The upcoming Commodores Black Tie event as fund raiser for The Frank Likely Trust and Youth Sailing.

There are many more achievements that the committee has and will achieve with the willing help of our volunteers and staff. I want to thank the entire committee and in particular Karen and Pip for their tireless support and enthusiasm. The clubs vibrance, in my mind, is there for all to see. I know it is seen by every Member. To all Members, please use the club and support our initiatives and always let us know if you would like to help, sponsor or know of sponsors or have ideas you would like to suggest to continue on the road to success. In the meantime I look forward to the next year, more fun on and off the water, and wish everyone a great 2017 /18 season.

Happy and Safe Boating.

Peter Lewis
Club Captain

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Financial Statements

For the Year Ended 30 April 2017

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

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Middle Harbour Yacht Club Limited

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Directors' Report For the Year Ended 30 April 2017

The directors present their report, together with the financial statements of the Club, being the Club and its controlled entities, for the financial year ended 30 April 2017.

Directors

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

Names	Position	Appointed/Resigned
A Hurt	Director / Chairman	
G Young	Director	
D Naismith	Director	
N Padden	Director/Treasurer	
N Smyth	Director	
J McCuaig	Director / Commodore	
P Clinton	Director	Appointed 21 July 2016
P Lewis	Director	Appointed 19 October 2016
K Burke	Director	Appointed 21 July 2016

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

Principal activities

The principal activities of the Club during the financial year were to promote participation in the sport of sailing.

No significant change in the nature of these activities occurred during the year.

Short term objectives

The Club's short term objectives are to:

- Improve the cash flow position by careful management of all expenditure
- Actively promote growth of the sailing fleet and increased patronage of the club by members
- Continue the drive for new members
- Continue strong growth of junior sailing program
- Optimise the potential for increased revenue from food and beverage arrangements
- Increase sponsorship, particularly of junior sailing and the Club's major regattas
- Renegotiate debenture debt which falls due for renewal within the next 12 months

Middle Harbour Yacht Club Limited

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Directors' Report

For the Year Ended 30 April 2017

Long term objectives

The Club's long term objectives are to:

- Actively pursue increased membership and sailing activity
- Increase revenue from food and beverage operations- this being a major service and income generator for the Club
- Continue development of junior sailing program - and extending this into youth sailing activity
- Achieve improved operating performance of the Club to strengthen cash flow
- Reduce debenture debt and the associated interest charges
- Continued tight controls on expenditure

Strategy for achieving the objectives

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

- Board to set an appropriate budget and an accompanying set of objectives to be achieved, current year and longer term
- The Flag Officers, together with the Board and Club Management to work actively to achieve clearly defined objectives
- Monthly reporting of financial and operating matters

How principal activities assisted in achieving the objectives

The principal activities assisted the Club in achieving its objectives by:

- An active and comprehensive sailing and regatta program successfully implemented throughout the year. This is a highly regarded race program which encourages both members' yachts and non-member yachts to participate in Club events, being the core of our operations
- The Club holds the enviable position of being one of the leading Yacht Clubs on Sydney Harbour, long established and widely recognised
- The Club has a well formed management structure, solidly backed by a culture of volunteer support and engagement coming out of its long term member base
- The Club's location complete with its club house, marina, dinghy storage and launching facilities and its unique beach, places the Club well for active support by its members

Middle Harbour Yacht Club Limited

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Directors' Report For the Year Ended 30 April 2017

Performance measures

The following measures are used within the Club to monitor performance:

- Monthly comparisons of actual and budget expenditure and analysis of any variances
- Close monitoring of cash flow
- Questionnaires to Club members to gain feedback in areas where improvements are required
- Management Performance indicators assessed on regular basis

Information on directors

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

A Hurt

Qualifications

Experience

Import/Export Diploma / JP

30 years logistical and related industry experience and is currently CEO of Associated Customs and Freight Services and co-owner & board member of SEKO Logistics Worldwide.

G Young

Qualifications

Experience

Qualified Aircraft Engineer trained with Qantas

Director of Marine Consulting Company for past 17 years.

D Naismith

Qualifications

Experience

BComm, MBA, CA

Co-founding Director of renewable energy group specialising in commercial and government projects. Director and CFO role of publicly listed group. Corporate finance background as a Chartered Accountant.

N Padden

Qualifications

Experience

BSc MBA

Senior general Management Roles and directorships with KONE Corp a leading company in the elevator and escalator industry.

N Smyth

Qualifications

Experience

Bachelor of Electronic Systems

Group Head of Market Operations & Technology Group Macquarie, over 20 years as principal and director positions in the financial industry.

J McCuaig

Qualifications

Experience

Diploma Financial Services, Fellow Financial Services Institute

30 Years Banking & Finance, 14 years operating own Finance Broking business.

Middle Harbour Yacht Club Limited

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Directors' Report For the Year Ended 30 April 2017

Information on directors

P Clinton

Qualifications

Certified Financial Planner, Accredited Estate Planning Strategist,
Bachelor of Business in Accounting

Experience

Over 30 years experience in financial planning and is currently
licensed through the Madison Financial Group and deals mainly with
high net worth individuals and family groups.

P Lewis

Experience

Retired businessman with successful corporate and small to medium
business experience primarily in developing, manufacturing,
positioning and marketing products and services locally and overseas.

K Burke

Qualifications

Masters Degree

Experience

Over 25 years business experience mainly in human resources.
Member of executive teams of businesses with \$250m to \$800m
turnover.

Members' guarantee

Middle Harbour Yacht Club Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ NIL for members that are corporations and \$ 100 for all other members, subject to the provisions of the company's constitution.

At 30 April 2017 the collective liability of members was \$ 164,200 (2016: \$ 156,400).

Review of operations

The following changes occurred during the financial year:

i) The Club issued \$1,100,000 and repaid \$620,000 of debentures during the year.

ii) During the year the Club issued:

- One 3 year marina berth license to a value of \$38,365.

Middle Harbour Yacht Club Limited

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Directors' Report
For the Year Ended 30 April 2017

Meetings of directors


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


Directors' Meetings		
	Number eligible to attend	Number attended
A Hurt	12	12
G Young	12	11
D Naismith	12	6
N Padden	12	8
N Smyth	12	8
J McCuaig	12	12
P Clinton	9	8
P Lewis	12	9
K Burke	9	9

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 April 2017 has been received and can be found on page 6 of the financial report.

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

Director: 
ANDREW HURT

Director: 
NEIL J PADDEN

Dated 13/6/17

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Middle Harbour Yacht Club Limited and Controlled Entities

I declare that, to the best of my knowledge and belief, during the year ended 30 April 2017, there have been:

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



PKF
Chartered Accountants

Level 8, 1 O'Connell Street, Sydney

Dated: 13 June 2017



SCOTT TOBUTT
Partner

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 April 2017

		2017	2016
	Note	\$	\$
Revenue	3	3,765,928	3,587,537
Other income	3	35,209	274,252
Cost of sales	4	(598,243)	(613,865)
Employee benefits expense		(1,285,846)	(1,130,010)
Depreciation expense	4	(666,874)	(668,696)
Cleaning		(44,942)	(40,515)
Finance costs	4	(358,305)	(384,593)
Regatta and sponsorship expenses		(200,503)	(195,375)
Insurance		(119,131)	(89,149)
Rates and utilities		(65,151)	(86,608)
Rental and leasing outgoings		(186,882)	(132,266)
Repairs and maintenance		(120,775)	(185,748)
Other expenses		(354,599)	(535,423)
Loss before income tax		(200,114)	(200,459)
Income tax expense		-	-
Loss for the year		(200,114)	(200,459)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(200,114)	(200,459)

The accompanying notes form part of these financial statements.

Middle Harbour Yacht Club Limited

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Consolidated Statement of Financial Position As At 30 April 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	681,801	146,958
Trade and other receivables	8	120,710	151,082
Inventories	7	82,846	90,293
TOTAL CURRENT ASSETS		<u>885,357</u>	<u>388,333</u>
NON-CURRENT ASSETS			
Trade and other receivables	8	81,689	81,689
Property, plant and equipment	9	8,789,673	9,354,499
TOTAL NON-CURRENT ASSETS		<u>8,871,362</u>	<u>9,436,188</u>
TOTAL ASSETS		<u>9,756,719</u>	<u>9,824,521</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	243,737	367,163
Borrowings	14	2,413,484	1,305,984
Other financial liabilities	13	64,912	64,912
Short-term provisions	11	91,019	88,763
Other liabilities	12	335,764	356,604
TOTAL CURRENT LIABILITIES		<u>3,148,916</u>	<u>2,183,426</u>
NON-CURRENT LIABILITIES			
Borrowings	14	2,875,606	3,541,590
Long-term provisions	11	15,357	8,763
Other liabilities	12	592,675	766,463
TOTAL NON-CURRENT LIABILITIES		<u>3,483,638</u>	<u>4,316,816</u>
TOTAL LIABILITIES		<u>6,632,554</u>	<u>6,500,242</u>
NET ASSETS		<u>3,124,165</u>	<u>3,324,279</u>
EQUITY			
Reserves	16	5,355,741	5,355,741
Accumulated losses		(2,231,576)	(2,031,462)
TOTAL EQUITY		<u>3,124,165</u>	<u>3,324,279</u>

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 April 2017

	Accumulated losses	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 May 2016	(2,031,462)	5,355,741	3,324,279
Loss for the year	(200,114)	-	(200,114)
Balance at 30 April 2017	(2,231,576)	5,355,741	3,124,165

	Accumulated losses	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 May 2015	(1,831,003)	5,355,741	3,524,738
Loss for the year	(200,459)	-	(200,459)
Balance at 30 April 2016	(2,031,462)	5,355,741	3,324,279

Middle Harbour Yacht Club Limited

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Consolidated Statement of Cash Flows For the Year Ended 30 April 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	3,996,711	4,065,460
Payments to suppliers and employees	(3,446,274)	(3,375,766)
Interest received	3,507	7,242
Finance costs	(358,305)	(384,593)
Net cash provided by operating activities	24 <u>195,639</u>	<u>312,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	<u>(102,312)</u>	(144,842)
Net cash used in investing activities	<u>(102,312)</u>	<u>(144,842)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds/ (repayment) of borrowings	<u>441,516</u>	(508,484)
Net cash provided by / (used in) financing activities	<u>441,516</u>	<u>(508,484)</u>
Net increase/(decrease) in cash and cash equivalents held	534,843	(340,983)
Cash and cash equivalents at beginning of year	<u>146,958</u>	487,941
Cash and cash equivalents at end of financial year	6 <u><u>681,801</u></u>	<u><u>146,958</u></u>

The accompanying notes form part of these financial statements.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

The financial report includes the consolidated financial statements and notes of Middle Harbour Yacht Club Limited (Parent) and controlled entities ('the Club'). Middle Harbour Yacht Club Limited is a not-for-profit Club limited by guarantee, incorporated and domiciled in Australia.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

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

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

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

(b) Principles of Consolidation

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have an April financial year end.

A list of controlled entities is contained in Note 22 to the financial statements.

(c) Revenue and other income

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

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

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

Rendering of services

Revenue from rendering services comprises revenue from memberships together with other services to members and other patrons of the club and is recognised when the services are provided.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(c) Revenue and other income

Rental income

Revenue from marina and moorings is recognised on a straight-line basis for leases with fixed rental increases. For all other leases, revenue is recognised when the Club has a right to receive the rent in accordance with the lease agreement.

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

Bar and catering revenue

Revenue from 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.

Interest revenue

Interest is recognised using the effective interest method.

(d) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

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

(e) Cash and cash equivalents

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

(f) Inventories

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

Net realisable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale.

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition, which is the deemed cost.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(g) Property, plant and equipment

Classes of property, plant and equipment is carried at cost or revaluation model as specified below.

Property

Property is measured using the revaluation model. Assets measured using the revaluation model are carried at fair value at the revaluation date less any subsequent accumulated depreciation and impairment losses. Revaluations are performed whenever there is a material movement in the value of an asset under the revaluation model.

Plant and equipment

Plant and equipment are measured using the cost model. Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

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

Leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

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

Fixed asset class	Depreciation rate
Leasehold premises	5%
Marina and Moorings	5%
Building Improvements	10%
Plant and Equipment	10%

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

(h) Impairment of non-financial assets

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

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

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

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(h) Impairment of non-financial assets

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

(i) Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Club becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.;

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- loans and receivables

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Club's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(i) Financial instruments

Classification and subsequent measurement of financial liabilities

The Club's financial liabilities include borrowings, trade and other payables and amounts held on trust. Financial liabilities are measured subsequently at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Club gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

(j) Income Tax

No provision for income tax has been raised as the Club is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(k) Trade and other payables

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

(l) Provisions

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

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

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

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred.

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(m) Adoption of new and revised accounting standards

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

The adoption of these Standards has not impacted the recognition, measurement and disclosure of the financial statements of Middle Harbour Yacht Club Limited.

(n) New Accounting Standards and Interpretations

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

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 Leases	30 April 2020	Replaces AASB 117 Leases. Requires all leases to be accounted for "on-balance sheet" by leases, other than short-term and low value asset leases. Also requires new and different disclosures about leases.	Existing commitments in relation to operating leases will need to be recognised "on-balance sheet" rather than disclosed in the Notes to the Financial Statements.
AASB 9 Financial Instruments and amending standards AASB 2010-7 /AASB 2012-6	30 April 2019	Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments.	The impact of this is expected to be minimal.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

1 Summary of Significant Accounting Policies

(n) New Accounting Standards and Interpretations

Standard Name	Effective date for entity	Requirements	Impact
AASB 15 Revenue from Contracts with Customers	30 April 2019	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB118 which covers contracts for goods and services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.</p> <p>The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 May 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.</p>	<p>At this stage, the Club is not able to estimate the impact of the new rules on the financial statements.</p> <p>The Club will make more detailed assessments of the impact over the next twelve months.</p>

(o) Going concern

The financial statements have been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 April 2017 the Club had net current liabilities of \$2,263,559 (2016: \$1,795,093), of which \$2,375,000 (2016: \$1,267,500) related to loans repayable to debenture holders within the next 12 months.

The Directors are confident that the Club will be able to negotiate the roll-over, or reissue of these existing debenture loans. This is based on the fact that historically the Club has a proven track record of raising new debentures, and in addition the Club continues to receive ongoing support from its various stakeholders who actively participate in the debenture scheme.

Therefore the ability of the Club to continue as a going concern is dependent upon the Club continuing to achieve their projected trading budget and to successfully roll over or replace the debenture loans as they fall due. These conditions therefore indicate the existence of an uncertainty which casts doubt over the Club's ability to continue as a going concern. Therefore the Club may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report if these conditions and the assumptions they are based upon are found to be invalid.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements

For the Year Ended 30 April 2017

2 Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements 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 within the Club.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Key estimates - fair value of marina and moorings, leasehold premises and clubhouse

The Club carries these assets at fair value with changes recognised in the revaluation reserve.

The marina and moorings, leasehold premises and clubhouse were independently valued on the 23rd of January 2013 by LandMark White valuers.

The marina and moorings were revalued by the Directors on the 1st of January 2014, following the completion of the marina extension, adopting the same assumptions as were used in the 2013 independent valuation.

The Directors have reviewed the assumptions adopted in the 2013 valuation of the leasehold premises and clubhouse and believe the carrying value of the leasehold premises and clubhouse correctly reflects the fair value at 30 April 2017.

For further details on the methods and significant assumptions applied in estimating fair value, refer to Note 15.

Key estimates - impairment of property, plant and equipment

The Club assesses impairment at the end of each reporting period by evaluating conditions specific to the Club that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

With respect to cash flow projections for marina and moorings based in Australia, growth rates of 3% have been factored into valuation models for the next 20 years on the basis of the lease signed with NSW Maritime in 2009. The rates used incorporate allowance for inflation. Pre-tax discount rates of 10% have been used in all models

Key judgments - impairment of receivables

The Club assesses impairment of receivables by considering the ageing of receivables, communication with the debtors and prior history. As at 30 April 2017, no provision for impairment of receivables has been recorded.

Key judgments - income tax exemption

The directors of the Club self-assess income tax exemption status each year by filling out the income tax exemption self-assessment form provided by the ATO. The directors assessed the Club as income tax exempted this financial year given its sporting nature and accumulated losses.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

3 Revenue and Other Income

Revenue from continuing operations

	2017	2016
	\$	\$
- Rendering of services	1,053,177	981,047
- Marina Rentals	1,405,261	1,403,293
- Mooring Rentals	34,184	40,667
- Bar and Catering revenue	1,160,660	1,062,481
- Other miscellaneous sales revenue	37,903	31,761
- Interest income	3,507	7,242
- Commercial rental income	63,808	48,626
- Other revenue	7,428	12,420
	<u>3,765,928</u>	<u>3,587,537</u>

Other Income

- Insurance recoveries	9,222	251,486
- Other	25,987	22,766
	<u>35,209</u>	<u>274,252</u>

4 Result for the Year

The result for the year includes the following specific expenses:

Cost of sales

Cost of sales - bar and catering	588,031	602,822
Cost of Sales - Other	10,212	11,043
	<u>598,243</u>	<u>613,865</u>

Depreciation and amortisation expense

- Depreciation	666,874	668,696
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Finance Costs

- Debenture interest expense	358,305	384,593
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Other expenses includes

Other expenses include material repairs following fire damage to the Cala Luna Restaurant and the cost of preparing the insurance claim as detailed above.

5 Remuneration of Auditors

Remuneration of the auditor PKF, for:

- Auditing the financial report	25,250	25,250
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Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

6 Cash and cash equivalents

	2017	2016
	\$	\$
Cash on hand	8,500	6,500
Cash at bank	673,301	140,458
	<u>681,801</u>	<u>146,958</u>

7 Inventories

CURRENT

Merchandise stock, at cost	23,012	23,679
Bar stock, at cost	59,834	66,614
	<u>82,846</u>	<u>90,293</u>

8 Trade and other receivables

CURRENT

Trade receivables	75,198	46,340
Term deposits	19,313	19,056
Other receivables	26,199	85,686
	<u>120,710</u>	<u>151,082</u>

NON-CURRENT

Term deposits	81,689	81,689
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Collateral held as security

The Club does not hold any collateral over any receivables balances.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

9 Property, plant and equipment

	2017	2016
	\$	\$
Marina and Moorings		
At fair value	8,850,183	8,840,433
Less: accumulated depreciation	<u>(1,494,133)</u>	<u>(1,046,689)</u>
	<u>7,356,050</u>	<u>7,793,744</u>
Leasehold premises		
At fair value	781,988	781,988
Less: accumulated depreciation	<u>(149,052)</u>	<u>(111,814)</u>
	<u>632,936</u>	<u>670,174</u>
Plant and equipment		
At cost	1,056,344	1,023,453
Less: accumulated depreciation	<u>(830,106)</u>	<u>(758,730)</u>
	<u>226,238</u>	<u>264,723</u>
Club house		
At fair value	927,451	886,961
Less: accumulated depreciation	<u>(353,002)</u>	<u>(261,103)</u>
	<u>574,449</u>	<u>625,858</u>
Total property, plant and equipment	<u><u>8,789,673</u></u>	<u><u>9,354,499</u></u>

Movements in carrying amounts of property, plant and equipment

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

	Leasehold premises	Marina and Moorings	Plant and Equipment	Clubhouse	Total
	\$	\$	\$	\$	\$
2017					
Balance at the beginning of year	670,174	7,793,744	264,723	625,858	9,354,499
Additions					
Additions	-	9,750	52,072	40,490	102,312
Disposals					
Disposals - written down value	-	-	(264)	-	(264)
Depreciation expense	<u>(37,238)</u>	<u>(447,444)</u>	<u>(90,293)</u>	<u>(91,899)</u>	<u>(666,874)</u>
Balance at the end of the year	<u><u>632,936</u></u>	<u><u>7,356,050</u></u>	<u><u>226,238</u></u>	<u><u>574,449</u></u>	<u><u>8,789,673</u></u>

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

9 Property, plant and equipment continued

Movements in carrying amounts of property, plant and equipment

	Leasehold premises	Marina and Moorings	Plant and Equipment	Clubhouse	Total
	\$	\$	\$	\$	\$
2016					
Balance at the beginning of year	707,411	8,233,471	316,953	716,160	9,973,995
Additions	-	6,802	45,832	-	52,634
Depreciation	(37,237)	(446,529)	(94,628)	(90,302)	(668,696)
Disposals - written down value	-	-	(3,434)	-	(3,434)
Balance at 30 April 2016	670,174	7,793,744	264,723	625,858	9,354,499

On the 23rd of January 2013, the leasehold premises, marina and moorings and clubhouse development held by the Club were valued by LandMark White valuers. They were instructed to value the fair value of property on the basis that it could be used as a "commercial marina". The current terms of the head lease do not allow for such usage. Although the Directors did not contemplate seeking a variation of the terms they believed that it was appropriate to base the unadjusted fair value as if such a variation was granted. The Directors then resolved to adopt 85% of the fair value determined by LandMark White for the marina and rigging deck, leasehold premises and clubhouse.

On the 1st of January 2014, the Board resolved to adopt a total value for the expanded 103 berth marina and moorings of \$8,834,412. The valuation was based on an increase in total chargeable linear meters of the marina and reduced mooring farm, following the completion of the marina extension during the 2014 financial year.

The Directors have reviewed the assumptions adopted in the 2013 valuation of the leasehold premises and clubhouse and believe the carrying value of the leasehold premises and clubhouse correctly reflects the fair value at 30 April 2017.

For further details on the methods and significant assumptions applied in estimating fair value, refer to Note 15.

10 Trade and other payables

	2017	2016
	\$	\$
CURRENT		
Unsecured liabilities		
Trade payables	130,509	132,379
Sundry payables and accrued expenses	113,228	234,784
	243,737	367,163

11 Provisions

CURRENT		
Employee entitlements	91,019	88,763
NON-CURRENT		
Employee entitlements	15,357	8,763

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

11 Provisions continued

Movement in carrying amounts

	Annual Leave	Long Service Leave	Total
	\$	\$	\$
Opening balance at 1 May 2016	65,309	32,217	97,526
Additional provisions	43,920	8,658	52,578
Provisions used	(43,728)	-	(43,728)
Balance at 30 April 2017	65,501	40,875	106,376

12 Other liabilities

	2017	2016
	\$	\$
CURRENT		
POS liability	30,077	30,421
Customer deposits	73,025	71,483
Prepaid berths guarantee fees	232,662	254,700
	<u>335,764</u>	<u>356,604</u>
NON-CURRENT		
Prepaid berths guarantee fees	592,675	766,463
	<u>592,675</u>	<u>766,463</u>

13 Other Financial Liabilities

CURRENT		
Frank Likely Trust	64,912	64,912
	<u>64,912</u>	<u>64,912</u>

14 Borrowings

CURRENT		
Unsecured liabilities:		
Other loans	38,484	38,484
Secured liabilities:		
Debentures	2,375,000	1,267,500
	<u>2,413,484</u>	<u>1,305,984</u>
NON-CURRENT		
Unsecured liabilities:		
Other loans	48,106	86,590
Secured liabilities:		
Debentures	2,827,500	3,455,000
	<u>2,875,606</u>	<u>3,541,590</u>

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

14 Borrowings continued

Collateral Provided

Debentures are secured by a first mortgage over the assets of the Club. The carrying amounts of non-current assets pledged as security are:

	2017	2016
	\$	\$
- Marina and Moorings	7,356,050	7,793,744
- Leasehold premises and club house	1,207,385	1,296,032
- Other property plant and equipment	226,238	264,723
	8,789,673	9,354,499

Debenture schedule

The maturity profile of debentures on issue is as follows:

Maturity Dates	Interest Rates (%)		
31 December 2016	7.5	-	200,000
31 March 2017	7.3	-	1,067,500
15 March 2018	7.5	2,375,000	2,675,000
15 March 2019	8.0	580,000	580,000
01 May 2019	7.5	200,000	200,000
31 December 2019	5.8	200,000	-
15 March 2020	5.5	842,500	-
15 March 2021	5.7	655,000	-
15 March 2022	6.1	350,000	-
		5,202,500	4,722,500

15 Fair Value Measurement

The Club carries the following assets at fair value:

- Marina and Moorings \$7,356,050.
- Leasehold premises and clubhouse \$1,207,385.

Fair value hierarchy

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

15 Fair Value Measurement continued

Fair value hierarchy

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as 30 April 2017.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 April 2017				
Marina and moorings	-	-	7,356,050	7,356,050
Leasehold premises and clubhouse	-	-	1,207,385	1,207,385
	-	-	8,563,435	8,563,435

Level 3 measurements

Fair value of the Club's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the Board of Directors at each reporting date.

Further information is set out below.

Marina and Moorings (Level 3)

The fair values of the Marina and Moorings are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a capitalisation rate derived from market yields implied by recent transactions in similar Marinas. When actual revenue differs materially from the estimated revenue, adjustments have been made to the estimated revenue value. The estimated revenue stream takes into account current occupancy level, estimates of future vacancy levels and expectations for income from future revenue over the remaining economic life of the Marina and Moorings.

The most significant inputs, all of which are unobservable, are the estimated revenue value per linear metre, assumptions about vacancy levels, and the capitalisation rate. The estimated fair value increases if the estimated revenue increases, vacancy levels decline or if capitalisation rates decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for revenue values and vacancy levels and that there is also an interrelationship between these inputs. The inputs used in the valuations at 30 April 2017 were:

- Income per berth linear metre assuming 95% occupancy
- Income per mooring linear metre assuming 95% occupancy
- Capitalisation rate of 9.25%
- Market comparison of recent sales, looking at the \$value per berth and mooring.

Leasehold premises and clubhouse (Level 3)

Level 3 fair values of the leasehold premises and clubhouse have been determined by an independent valuer using the valuation indexes for similar sites and buildings to obtain a representative \$ per m using the highest and best use methodology. Recent sales have also been considered, however due to the nature and zoning of the property they are not considered to be comparable properties.

There is no change in the valuation technique since the prior year. There is no evidence to indicate that the current use of the property is not the highest and best use.

The market conditions around the property are assessed at each reporting date and if the directors believe there has been a material movement in the value of the assets then either an independent valuation (obtained at least once every three years) or a directors' valuation is obtained.

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Notes to the Financial Statements For the Year Ended 30 April 2017

15 Fair Value Measurement continued

Level 3 measurements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	2017	2016
	\$	\$
Opening balance	9,089,776	9,657,042
Other movements		
Additions	50,240	6,802
Depreciation	(576,581)	(574,068)
Balance at end of year	<u>8,563,435</u>	<u>9,089,776</u>

16 Reserves

Asset revaluation reserve

Opening balance	5,355,741	5,355,741
Net fair value increment/decrement	-	-
	<u>5,355,741</u>	<u>5,355,741</u>

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non current assets as disclosed in Note 1 (g).

17 Capital and Leasing Commitments

(a) Commitments to NSW Maritime

Payable - minimum lease payments:

- not later than one year	140,863	140,863
- between one year and five years	563,452	563,452
- later than five years	1,713,834	1,854,697
	<u>2,418,149</u>	<u>2,559,012</u>

The Club and NSW Maritime signed a 25 year head lease on 14 August 2009, which is considered an operating lease commitment. Therefore 17 years and 2 months of the lease remain outstanding at balance date.

(b) Other operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than one year	24,876	22,822
- between one year and five years	49,751	68,465
	<u>74,627</u>	<u>91,287</u>

Operating leases have been taken out for a printing system. Lease payments are increased on an annual basis to reflect market rentals.

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Notes to the Financial Statements For the Year Ended 30 April 2017

18 Financial Risk Management

The main risks the Club is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk.

The Club's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable and debentures.

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

	2017	2016
	\$	\$
Financial Assets		
Cash and cash equivalents	681,801	146,958
Trade and other receivables	202,399	232,771
Total financial assets	884,200	379,729
Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	243,737	367,163
Borrowings	5,289,090	4,847,574
Other financial liabilities	64,912	64,912
Total financial liabilities	5,597,739	5,279,649

Financial risk management policies

The Board of Directors has overall responsibility for the establishment of the Club's financial risk management framework. This includes the development of policies covering specific areas such as interest rate risk, credit risk and the liquidity risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Clubs activities.

The day-to-day risk management is carried out by the Club's finance function under policies and objectives which have been approved by the Board of Directors.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Club and arises principally from the Club's receivables.

The Club has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 8.

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements

For the Year Ended 30 April 2017

18 Financial Risk Management continued

(b) Liquidity risk

Liquidity risk arises from the possibility that the Club might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Club manages this risk through the following mechanisms:

Preparing forward-looking cash flow analysis in relation to its operational, investing and financial activities which are monitored on a monthly basis;

- Obtaining funding from a variety of sources;
- Maintaining a reputable credit profile;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets

Typically, the Club ensures it has sufficient cash on demand to meet expected operational expense for a period of 60 days.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Financial guarantee liabilities are treated as payable on demand since the Club has no control over the timing of any potential settlement of the liabilities.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

	Weighted Average Effective Interest Rate		Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment										
Trade and other payables	-	-	214,534	367,163	-	-	-	-	214,534	367,163
Debentures	6.83	7.59	2,375,000	1,267,500	2,827,500	3,455,000	-	-	5,202,500	4,722,500
Other loans	-	-	38,484	38,484	48,106	86,590	-	-	86,590	125,074
Frank likely trust	-	-	64,912	64,912	-	-	-	-	64,912	64,912
Total contracted outflows			2,692,930	1,738,059	2,875,606	3,541,590	-	-	5,568,536	5,279,649

The timing of expected outflows is not expected to be materially different from contracted cashflows.

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Notes to the Financial Statements

For the Year Ended 30 April 2017

18 Financial Risk Management continued

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows of the fair value of fixed rate financial instruments.

All debentures have fixed interest rates and are thus not exposed to market risk.

It is policy of the Club to keep debentures on fixed interest rates.

19 Contingencies

Contingent Liabilities

The Club had the following security deposits held with Westpac, classified as term receivables within trade and other receivables:

- \$81,689 in respect of their Maritime Service account (2016: \$81,689); and a

- \$19,313 security to Mosman Council (2016: \$19,056).

20 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the year is shown below:

	2017	2016
	\$	\$
Short-term employee benefits	154,792	155,083
Long-term benefits	14,532	14,565
	<u>169,324</u>	<u>169,648</u>

For details of other transactions with key management personnel, refer to Note 21: Related Party Transactions.

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Notes to the Financial Statements For the Year Ended 30 April 2017

21 Related Parties

The Club's main related parties are as follows:

(a) The Club's main related parties are as follows:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 20: Key Management Personnel Compensation.

(b) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

A director, Mr G Young, has provided his motor vessel to the Club for race management duties during the financial year and in return the Club has reduced his marina fees. The Board has been provided with an analysis of the arm's length cost of chartering a similar vessel suitable for race management and has determined that the cost of doing so materially exceeds the marina fees foregone.

(c) Transactions with related parties

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

The following transactions occurred with related parties:

	2017	2016
	\$	\$
(i) Revenue from services		
Revenue from amortisation of long term licence fees and annual maintenance fees from Directors/Directors related entities	13,932	13,932
Revenue from monthly berth fees from Directors/Directors related entities	49,653	43,926
	<u>63,585</u>	<u>57,858</u>
(ii) Debentures		
Debentures held with Directors/Directors related entities	510,000	490,000
Debentures interest paid/payable to Directors/Directors related entities	32,600	35,850
	<u>542,600</u>	<u>525,850</u>
(iii) Prepaid berth balance		
Key management personnel:		
Balance of prepaid berth fees from Directors/Directors related entities	32,387	46,319
	<u>32,387</u>	<u>46,319</u>

Middle Harbour Yacht Club Limited

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Notes to the Financial Statements For the Year Ended 30 April 2017

22 Controlled Entities

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2017	Percentage Owned (%)* 2016
Parent Entity:			
Middle Harbour Yacht Club	Australia	100	100
Subsidiaries:			
MHYC Holdings Pty Limited	Australia	100	100
MHYC Marina Management Pty Limited	Australia	100	100

*The percentage of ownership is in proportion to ownership.

23 Parent entity

The following information has been extracted from the books and records of the parent, Middle Harbour Yacht Club Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Middle Harbour Yacht Club Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	2017 \$	2016 \$
Statement of Financial Position		
Assets		
Current assets	885,357	388,333
Non-current assets	8,871,362	9,436,188
Total Assets	9,756,719	9,824,521
Liabilities		
Current liabilities	3,148,916	2,183,426
Non-current liabilities	3,483,638	4,316,816
Total Liabilities	6,632,554	6,500,242
Equity		
Retained earnings	(2,231,576)	(2,031,462)
Asset revaluation reserve	5,355,741	5,355,741
Total Equity	3,124,165	3,324,279
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	(200,114)	(200,449)
Total comprehensive income	(200,114)	(200,449)

Middle Harbour Yacht Club Limited

ABN: 95 000 248 877

Notes to the Financial Statements For the Year Ended 30 April 2017

24 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2017	2016
	\$	\$
Loss for the year	(200,114)	(200,459)
Non-cash flows in profit:		
- depreciation	666,874	668,696
- net loss on disposal of property, plant and equipment	264	3,434
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	30,372	(63,586)
- (increase)/decrease in inventories	7,447	(35,933)
- increase/(decrease) in trade and other payables	(123,426)	43,757
- increase/(decrease) in other liabilities	(194,628)	(95,088)
- increase/(decrease) in provisions	8,850	(8,478)
Cashflows from operations	<u>195,639</u>	<u>312,343</u>

25 Company Details

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

Middle Harbour Yacht Club Limited
Lower Parriwi Road
The Spit
Mosman NSW 2088

Middle Harbour Yacht Club Limited

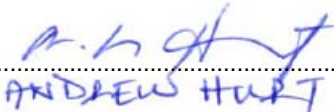
ABN: 95 000 248 877


Directors' Declaration

The directors of the entity declare that:

- 1. The financial statements and notes, as set out on pages 7 to 32, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 April 2017 and of the performance for the year ended on that date of the entity.
- 2. In the directors' opinion, there are reasonable grounds to believe that the entity 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

ANDREW HURT

Director

NEIL J PADDEN

Dated 13/6/17

Independent Audit Report to the members of Middle Harbour Yacht Club Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Middle Harbour Yacht Club Limited, which comprises the consolidated statement of financial position as at 30 April 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Middle Harbour Yacht Club Limited is in accordance with the Corporations Act 2001, including:

- i). giving a true and fair view of the Club's financial position as at 30 April 2017 and its financial performance for the year ended; and
- ii). complying with Australian Accounting Standards Reduced Disclosure Requirements and the Corporations Regulations 2001.

Emphasis of Matter - Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1(o) in the financial report which indicates that as at 30 April 2017, the Club has net current liabilities of \$2,263,559 (2016: \$1,795,093), of which \$2,375,000 (2016: \$1,267,500) related to loans repayable to debenture holders within the next 12 months. Therefore the ability of the Club to continue as a going concern is dependent upon the Club continuing to achieve their projected trading budget and to successfully roll over or replace the debenture loans as they fall due. These conditions therefore indicate the existence of an uncertainty which could affect the Club's ability to continue as a going concern.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Club 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 Middle Harbour Yacht Club Limited, 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.

Responsibilities of Directors for the Financial Report

The directors of the Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 Club's ability 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 Club 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 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 the financial report.



PKF
Chartered Accountants

Level 8, 1 O'Connell Street, Sydney

Dated: 13 June 2017



SCOTT TOBUTT
Partner