

**The Returned and Services League
of Australia (New South Wales
Branch)**

ABN 78 368 138 161

Special purpose financial report for
the year ended 31 December 2016

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Statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Notes	2016 \$	2015 \$
Dividends received		185,564	204,265
Donations received	23	937,384	851,236
Management fees		313,824	294,789
Gain on sale of investments		13,765	1,441
Grants		104,932	92,000
Hotel revenue	4.1	7,613,088	7,301,516
Interest income		266,408	300,558
Membership fees and subscriptions		973,215	1,050,000
Other income	4.2	1,227,244	31,732
Rental income		542,372	289,826
Sale of goods		232,616	231,072
Total revenue		12,410,412	10,648,435
Administration expenses		(515,827)	(379,615)
Communications and publications		(632,240)	(581,745)
Cost of goods sold		(138,417)	(138,613)
Hotel related expenses		(2,471,046)	(2,346,836)
Depreciation expenses	8	(191,257)	(269,098)
Donations made	23	(116,623)	(247,323)
Employee benefits expense		(4,279,993)	(3,780,845)
Other employee related expenses		(304,479)	(207,515)
Events		(411,875)	(283,523)
Finance costs		(160,000)	(90,004)
Loss on disposal of assets		(56,099)	(37,147)
Assets written off		(649,232)	-
Professional fees		(185,418)	(128,613)
Property expenses		(397,353)	(357,044)
RSL National fees		(178,243)	(189,250)
State Councillors and President expenses		(177,230)	(210,587)
Bad debts		(52,281)	-
Impairment of assets	16	(190,079)	-
Day clubs and district councils		(96,812)	(81,336)
Other expenses		(126,248)	(74,033)
Inquiry and related costs		(251,970)	-
Total expenses		(11,582,722)	(9,403,127)
Net surplus for the year		827,690	1,245,308
Other comprehensive income			
Increase in the fair value of land and buildings	16	4,900,000	4,526,524
Net change in fair value of available-for-sale financial assets	16	105,153	(106,690)
Other comprehensive income for the year		5,005,153	4,419,834
Total comprehensive surplus for the year		5,832,843	5,665,142

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 31 December 2016

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	5	7,731,511	4,809,435
Trade and other receivables	6	321,031	364,902
Other financial assets	7	179,714	112,843
Inventories		206,809	237,914
Total current assets		8,439,065	5,525,094
Non-current assets			
Trade and other receivables	6	-	52,281
Property, plant and equipment	8	33,938,513	42,816,700
Investment properties	9	13,530,000	530,000
Available-for-sale investments	10	4,643,951	4,744,075
Other financial assets	7	813,864	1,001,030
Total non-current assets		52,926,328	49,144,086
Total assets		61,365,393	54,669,180
Liabilities and equity			
Current liabilities			
Trade and other payables	12	1,745,477	1,196,021
Employee benefit liabilities	13	547,206	672,694
Total current liabilities		2,292,683	1,868,715
Non-current liabilities			
Employee benefit liabilities	13	68,399	-
Borrowings	14	4,000,000	4,000,000
Specific purpose obligations	15	100,000	563,713
Total non-current liabilities		4,168,399	4,563,713
Total liabilities		6,461,082	6,432,428
Net assets		54,904,311	48,236,752
Equity			
Accumulated funds		35,977,122	34,179,708
Reserves	16	18,927,189	14,057,044
Total equity		54,904,311	48,236,752

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2016

	Accumulated funds	Available- for-sale investment reserve	Asset revaluation reserve	Total equity
	\$	\$	\$	\$
At 1 January 2015	32,934,400	1,763,192	7,874,018	42,571,610
Net surplus for the year	1,245,308	-	-	1,245,308
Other comprehensive income (Note 16)	-	(106,690)	4,526,524	4,419,834
Total comprehensive surplus for the year	1,245,308	(106,690)	4,526,524	5,665,142
At 31 December 2015	34,179,708	1,656,502	12,400,542	48,236,752
At 1 January 2016	34,179,708	1,656,502	12,400,542	48,236,752
Net surplus for the year	827,690	-	-	827,690
Other comprehensive income (Note 16)	-	105,153	4,900,000	5,005,153
Total comprehensive surplus for the year	827,690	105,153	4,900,000	5,832,843
Transfer (Note 16)	325,087	(325,087)	-	-
Opening balance of Youth Council and Central Council of Women's Auxiliaries (CCWA) ¹	644,637	-	-	644,637
Impairment of investments	-	190,079	-	190,079
At 31 December 2016	35,977,122	1,626,647	17,300,542	54,904,311

The above statement of changes in equity should be read in conjunction with the accompanying notes.

¹ The net assets and net result of the Youth Council (YC) and the Central Council of Women's Auxiliaries (CCWA) have been included in the net assets of the League as at 1 January 2016.

Statement of cash flows

For the year ended 31 December 2016

	2016	2015
Notes	\$	\$
Operating activities		
Receipts from membership subscriptions	973,215	937,722
Payments to suppliers and employees	(10,028,234)	(10,924,227)
Receipts from accommodation charges	8,374,397	8,169,662
Receipts from donations	937,384	1,043,237
Receipts from other income	2,397,117	2,530,746
Dividends received	185,564	204,265
Cash generated from operating activities	2,839,443	1,961,405
Interest received	266,408	328,093
Interest paid	(160,000)	(75,000)
Net cash flows from operating activities	5 2,945,851	2,214,498
Investing activities		
Proceeds from sale of property, plant and equipment	102,458	-
Purchase of property, plant and equipment	(215,001)	(7,812,299)
Purchase of available-for-sale investments	(130,714)	(175,241)
Disposal of available-for-sale investments	99,188	-
Receipts of loans receivable	120,294	-
Net cash flows from/(used in) investing activities	(23,775)	(7,987,540)
Financing activities		
Proceeds from borrowings	-	4,000,000
Net cash flows from financing activities	-	4,000,000
Net increase/(decrease) in cash and cash equivalents	2,922,076	(1,773,042)
Cash and cash equivalents at 1 January	4,809,435	6,582,477
Cash and cash equivalents at 31 December	5 7,731,511	4,809,435

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 31 December 2016

1. Entity information

The financial statements of The Returned and Services League of Australia (New South Wales Branch) (the "League") for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the members of the State Executive on 7 March 2018.

The Returned and Services League of Australia (New South Wales Branch) is an incorporated body with limited liability, incorporated and domiciled in Australia. Incorporation status was established by an Act of the Parliament of New South Wales. By virtue of its method of incorporation, the League is not a legal entity under *Corporations Act 2001*. The members of the State Executive are the President, Honorary Treasurer and two Vice Presidents.

The registered office and principal place of business of the League is ANZAC House, 245 Castlereagh Street, Sydney, NSW 2000.

The principal activities of the League during the financial year were to provide for the well-being, care, compensation and commemoration of serving and ex-serving Defence Force personnel and their dependants and promote Government and Community awareness of the need for a stable and progressive Australia

2. Summary of significant accounting policies

2.1 Basis of preparation

This special purpose financial report has been prepared in accordance with the requirements of the Australian Charities and Not-for-Profits Commission Act 2012, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report does not include the assets, liabilities and financial performance of the NSW sub-branches and RSL LifeCare Ltd.

In the State Executive's opinion, the League is not a reporting entity because there are no users dependent on general purpose financial statements. These are special purpose financial statements. The State Executive has determined that the accounting policies adopted are appropriate to meet their needs.

The financial report has been prepared on a historical cost basis, except investment properties, land and buildings and available-for-sale (AFS) financial assets that have been measured at fair value.

The financial report is presented in Australian dollars (\$).

2.2 New accounting standards and interpretations

Changes in accounting policies, new and amended standards and interpretations

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2016 do not materially impact the financial statements of the League.

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the League for the annual reporting year ended 31 December 2016. The responsible entities have not early adopted any of these new or amended standards or interpretations. The responsible entities are in the process of assessing the impact of the applications of AASB 9 Financial Instruments (effective 1 January 2018), AASB 15 Revenue from Contracts with Customers (effective 1 January 2018), and AASB 16 Leases (effective 1 January 2019) and its amendments to the extent relevant to the financial statements of the League.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

a) Current versus non-current classification

The League presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The League classifies all other liabilities as non-current.

b) Fair value measurement

The League measures financial instruments such as available-for-sale investments at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the League.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The League uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

b) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at bank and short term deposits with a maturity of three months or less, 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 short-term deposits, as defined above.

d) Inventories

Inventories comprise goods for resale and goods for distribution at no nominal consideration as part of the League's activities.

Goods for resale

Inventories of goods for resale are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses.

Goods held for distribution

Inventories of goods purchased and held for distribution are carried at cost, adjusted when applicable for any loss of service potential.

e) Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition as loans and receivables and available-for-sale ("AFS") financial assets. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- AFS financial assets
- Loans and receivables

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

e) Financial instruments - initial recognition and subsequent measurement (continued)

Subsequent measurement (continued)

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss and other comprehensive income in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the EIR method.

The League evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the League is unable to trade these financial assets due to inactive markets, the League may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss and other comprehensive income.

Loans and receivables

This category is the most relevant to the League. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a league of similar financial assets) is primarily derecognised (i.e., removed from the League's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The League has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the League has transferred substantially all the risks and rewards of the asset, or (b) the League has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

e) Financial instruments - initial recognition and subsequent measurement (continued)

Derecognition (continued)

When the League has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the League continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the League also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the League has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the League could be required to repay.

f) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the League depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

Land and buildings

Land and buildings (except for investment properties) are shown at fair value based on periodic, but at least triennial valuations by registered independent valuers with recognition where appropriate for subsequent cost of building improvements. Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Plant and equipment	5%-20%
Motor vehicle	20%
Leasehold improvements	17%

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

g) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

h) Impairment of non-financial assets

The League assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the League estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The League bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the League's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of are recognised in the statement of profit or loss and other comprehensive income as expense.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the League estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

i) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the League prior to the end of the financial year that are unpaid and arise when the League becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

j) Employee benefit liabilities

Wages and salaries

Liabilities for wages and salaries which are 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.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

j) Employee benefit liabilities (continued)

Long service leave and annual leave

The League does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The League recognises a liability for long service leave and annual leave 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.

k) Borrowings

The League's financial liabilities include borrowings. These are measured subsequently at amortised cost using effective interest rate 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.

l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the League and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Rendering of services

Revenue from rendering services is recognised in profit or loss at the reporting date.

Rental income

Rental income from tenants within the hotel is recognised in profit or loss on a straight-line basis over the term of the lease.

Interest income

Recognised as interest accrues, taking into account the yield on the financial asset. Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Income from sale of investments

Revenue is recognised when the income is received.

Dividends

Dividends are recognised when the League's right to receive payment is established.

Notes to the financial statements (continued)

For the year ended 31 December 2016

2. Summary of significant accounting policies (continued)

l) Revenue recognition (continued)

Donations

Revenue is recognised when monies are received by the League.

Subscriptions and fees

Revenue is primarily recognised when received or receivable with allowances made for revenue received in advance of the provision of services at year-end.

Administration services

Revenue is recognised when the service has been performed by the League.

Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the League will comply with all attached conditions.

m) Taxes

The League under its constitution is a not for profit organisation and as such is exempt from income tax.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

n) Specific purpose obligations

Specific purpose obligations represent funds received from individuals, estates or other parties for various purposes including: Scholarships or Youth sporting and other social activities. Such funds are held by the League to spend at its discretion for the purpose for which they originated. The League recognises the obligation to expend these funds as a provision, in some cases also maintaining a separate bank account. When the particular purpose for which the funds were contributed is completed, the obligation is extinguished, or the League decides that the funds can no longer be expended for the originally established purpose, any surplus funds are recognised as revenue. In addition, the League holds funds on behalf of other parties for specific memorials or commemoration purposes. These funds are held as an asset and a corresponding liability.

Notes to the financial statements (continued)

For the year ended 31 December 2016

3. Significant accounting judgements, estimates and assumptions

The preparation of the League's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The League makes estimates and assumptions concerning the future. The resulting accounting estimates by definition seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of asset and liabilities.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Revaluation of land and buildings

The League measures its land and buildings at revalued amounts, with changes in fair value being recognised in OCI. The land and buildings were valued by reference to transactions involving land and buildings of a similar nature, location and condition. The League engaged an independent valuation specialist to assess the fair values as at 31 December 2016 for the land and buildings. Further details on the revaluations are provided in note 8 and note 9.

Notes to the financial statements (continued)

For the year ended 31 December 2016

4. Revenue and expenses

4.1 Hotel revenue

	2016	2015
	\$	\$
Accommodation	7,376,505	7,087,153
Ancillary income	28,019	27,768
Catering	87,399	81,084
Conference room hire	121,165	105,511
	7,613,088	7,301,516

4.2 Other income

	2016	2015
	\$	\$
Legal costs recovered	700,100	-
Closed sub-Branches	129,814	25,328
Specific provisions no longer required	374,937	-
Sundry income	22,393	6,404
	1,227,244	31,732

5. Cash and cash equivalents

	2016	2015
	\$	\$
Cash at bank and on hand	337,890	471,100
Short-term deposits	7,393,621	4,338,335
	7,731,511	4,809,435

For the purpose of the statement of cash flows, cash and cash equivalents comprise the above.

Notes to the financial statements (continued)

For the year ended 31 December 2016

5. Cash and cash equivalents (continued)

	2016	2015
	\$	\$
Cash flow reconciliation		
Reconciliation of net surplus to net cash flows from operations:		
Net surplus for the year	827,690	1,245,308
Adjustments for:		
Depreciation and amortisation	191,257	269,099
Loss on sale of property, plant and equipment	56,099	37,147
Gain on sale of available-for-sale financial assets	(13,765)	(1,442)
Revaluation decrement	-	5,879
Write-off of property, plant and equipment	649,232	-
Adjustments for the opening balance of cash of CCWA and YC	696,473	-
Impairment of available-for-sale financial assets	190,079	-
Write back of the special purpose provisions	(374,937)	-
Other non-cash items	104,099	-
Changes in assets and liabilities:		
Decrease in trade and other receivables	133,146	46,393
Decrease/(increase) in inventories	31,105	(14,721)
Decrease in other financial assets	-	8,673
Increase in trade and other payables	512,462	614,941
(Decrease)/increase in employee benefits	(57,089)	3,221
Net cash flows from operating activities	2,945,851	2,214,498

6. Trade and other receivables

	2016	2015
	\$	\$
Current		
Trade debtors	123,121	143,611
Sundry debtors	31,305	21,936
Prepayments and accrued income	166,605	199,355
	321,031	364,902
Non-current		
Sundry debtors	-	52,281

Notes to the financial statements (continued)

For the year ended 31 December 2016

7. Other financial assets

	2016	2015
	\$	\$
Current		
Loans - secured	179,714	112,843
Non-current		
Loans - secured	813,864	1,001,030

This represents the loan instalments receivable from two loans provided:

- (1) Loan amounting to \$1,282,500 to Tilligerry RSL Sports Club Ltd in December 2013 with maturity in 2021.
- (2) Loan amounting to \$110,979 to Norfolk Island RSL Sub branch in December 2007 with maturity in 2027.

8. Property, plant and equipment

	Land and buildings	Plant and equipment	Motor vehicle	Leasehold improvements	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2016	41,900,000	1,285,204	118,808	611,190	43,915,202
Adjustment for YC and CCWA ¹	-	10,963	-	-	10,963
Additions	100,000	75,445	39,556	-	215,001
Disposals	(100,000)	-	(75,490)	-	(175,490)
Assets written off ²	-	(1,249,044)	-	-	(1,249,044)
Revaluation gain	4,900,000	-	-	-	4,900,000
Transfers to investment property	(13,000,000)	-	-	-	(13,000,000)
At 31 December 2016	33,800,000	122,568	82,874	611,190	34,616,632
Depreciation					
At 1 January 2016	-	486,893	26,991	584,617	1,098,501
Adjustment for CCWA ¹	-	5,106	-	-	5,106
Depreciation charge for the year	-	139,978	24,706	26,573	191,257
Disposals	-	-	(16,933)	-	(16,933)
Assets written off ²	-	(599,812)	-	-	(599,812)
At 31 December 2016	-	32,165	34,764	611,190	678,119
Net book value					
At 31 December 2016	33,800,000	90,403	48,110	-	33,938,513
At 31 December 2015	41,900,000	798,310	91,817	26,573	42,816,700

Leasehold improvements relate to the League's tenancy at ANZAC House, and are fully depreciated as at 31 December 2016. The property, plant and equipment of the RSL sub-Branches are not part of the League's property, plant and equipment disclosed in this note.

¹ The net assets and net result of the YC and CCWA have been included in the net assets of the League as at 1 January 2016.

² Assets written off represents the scrapping of assets where acquisition costs pre 2015 could not be confirmed. The net amount expensed is primarily related to the League's financial accounting system which is to be replaced in 2018.

Notes to the financial statements (continued)

For the year ended 31 December 2016

8. Property, plant and equipment (continued)

Hyde Park Inn

The 2016 revaluation of Hyde Park Inn was based on an independent assessment by a member of the Australian Property Institute as at 31 December 2016 and was valued as a mixed-use development site together with 262 Castlereagh Street, Sydney on a "highest and best use" basis.

9. Investment properties

	2016	2015
	\$	\$
262 Castlereagh Street, Sydney	13,000,000	-
Lot 452, Lemon Tree Passage Road, Tanilba Bay	530,000	530,000
	13,530,000	530,000

262 Castlereagh Street, Sydney

In 2015, the League purchased the property at 262 Castlereagh Street, Sydney for \$8,690,000 and incurred expenses in respect of a development application of \$782,179. The property was reclassified to investment property for the year ended 31 December 2016 to reflect its intended use. The property is intended to be held for rental return and capital appreciation.

The 2016 revaluation of the property was based on an independent assessment by a member of the Australian Property Institute as at 31 December 2016 and was valued as a mixed-use development site together with Hyde Park Inn on a "highest and best use" basis.

Lot 452, Lemon Tree Passage Road, Tanilba Bay

The 2016 revaluation of the land was based on an independent assessment by a member of the Australian Property Institute as at 8 November 2016 and was valued as freehold recreational land using the "Direct Comparison" method of valuation.

10. Available-for-sale investments

	2016	2015
	\$	\$
Listed property trusts	219,005	181,753
Mortgage and wholesale funds	510,572	489,282
Fixed interest listed	999,035	1,230,630
Shares in listed companies	2,915,339	2,842,410
	4,643,951	4,744,075

The fair value is determined by reference to published price quotations in an active market.

Notes to the financial statements (continued)

For the year ended 31 December 2016

11. Fair value measurement

The following table provides the valuation details of the League's assets measured at fair value:

	Date of valuation	\$
Assets measured at fair value:		
<u>Available-for-sale investments (Note 10)</u>		
Listed property trusts	31 December 2016	219,005
	31 December 2015	181,753
Mortgage and wholesale funds	31 December 2016	510,572
	31 December 2015	489,282
Fixed interest listed	31 December 2016	999,035
	31 December 2015	1,230,630
Shares in listed companies	31 December 2016	2,915,339
	31 December 2015	2,842,410
<u>Property, plant and equipment (Note 8)</u>		
Hyde Park Inn	31 December 2016	33,800,000
	17 November 2015	41,900,000
<u>Investment properties (Note 9)</u>		
262 Castlereagh Street, Sydney	31 December 2016	13,000,000
	17 November 2015	8,690,000
Lot 452, Lemon Tree Passage Road, Tanilba Bay	8 November 2016	530,000
	31 December 2013	530,000

The fair value of all available-for-sale investments determined by reference to published price quotation in an active market.

Hyde Park Inn and 262 Castlereagh Street, Sydney are valued on "highest and best use" basis as a mixed-use development site.

12. Trade and other payables

	2016	2015
	\$	\$
Current		
Deposits in advance	526,016	574,839
Trade and other payables	925,259	457,619
Subscriptions received in advance	294,202	163,563
	1,745,477	1,196,021

Notes to the financial statements (continued)

For the year ended 31 December 2016

13. Employee benefit liabilities

	2016	2015
	\$	\$
Current		
Annual leave	275,464	218,601
Long service leave	271,742	454,093
	547,206	672,694
Non-current		
Long service leave	68,399	-

14. Borrowings

	2016	2015
	\$	\$
Non-current		
Loan from sub-branch	4,000,000	4,000,000

Borrowings represents a loan from the Five Dock sub-Branch obtained in July 2015. The loan is secured by a mortgage against 262 Castlereagh Street, Sydney. The principal amount is repayable after the expiration of the 5 year term of loan.

15. Specific purpose obligations

	2016	2015
	\$	\$
Youth councils	46,676	46,676
Scholarships	32,690	32,690
Memorial and commemoration provisions	20,634	20,634
Other	-	463,713
	100,000	563,713

Notes to the financial statements (continued)

For the year ended 31 December 2016

16. Reserves

	Available- for-sale investment reserve	Asset revaluation reserve	Total
	\$	\$	\$
As at 1 January 2015	1,763,192	7,874,018	9,637,210
Increase/(decrease) in value of available-for-sale investments	(106,690)	-	(106,690)
Increase/(decrease) in value of Hyde Park Inn	-	4,526,524	4,526,524
As at 31 December 2015	1,656,502	12,400,542	14,057,044
Increase/(decrease) in value of available-for-sale investments	105,153	-	105,153
Increase/(decrease) in value of Hyde Park Inn	-	4,900,000	4,900,000
Transfer ¹	(325,087)	-	(325,087)
Impairment of available-for-sale investments	190,079	-	190,079
As at 31 December 2016	1,626,647	17,300,542	18,927,189

¹An amount of \$325,087 was transferred to accumulated funds to correct the closing balance of the Available-for-sale investment reserve as at 31 December 2016.

Nature and purpose of reserves

Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired, see accounting policy note 2(e) for details.

Asset revaluation reserve

The land and building of Hyde Park Inn is measured at fair value, with changes in fair value being recognised in OCI. The League engaged an independent valuation specialist to assess the fair value the property as at 31 December 2016, see accounting policy note 2(f) for details.

Subsequent revaluations of the land and building of Hyde Park Inn are measured through the asset valuation reserve.

17. RSL NSW support and assistance fund

In 2010, the State Council established the RSL NSW Support and Assistance Fund specifically to fund the increased cost of capitation fees to the RSL National and to provide assistance to sub-Branches. Amounts received are recognised as donations income in the statement of profit or loss and other comprehensive income.

The additional cost of the capitation fees were \$89,121 (2015: \$94,625) and financial assistance provided to the sub-Branches totalled \$66,913 (2015: \$64,323). A total of \$156,034 (2015: \$158,948). Further assistance was provided to sub-Branches for auditing services.

Notes to the financial statements (continued)

For the year ended 31 December 2016

17. RSL NSW support and assistance fund (continued)

The following sub-Branches donated to the Fund:

	<u>2016</u>	<u>2015</u>
	\$	\$
Ashfield RSL sub-Branch	5,000	5,000
Auburn RSL sub-Branch	5,000	-
Bangalow RSL sub-Branch	200	-
Batlow RSL sub-Branch	100	500
Bexley RSL sub-Branch	1,500	1,500
Bomaderry RSL sub-Branch	1,000	-
Bombala RSL sub-Branch	1,112	-
Bondi Junction-Waverley RSL sub-Branch	15,000	10,000
Branxton RSL sub-Branch	1,000	500
Bronte RSL sub-Branch	500	-
Burwood RSL sub-Branch	1,000	-
Chester Hill-Carramar RSL sub-Branch	1,500	1,500
City of Parramatta RSL sub-Branch	1,000	1,000
City of Wollongong RSL sub-Branch	10,000	15,000
Combined Services RSL sub-Branch	1,000	1,000
Coogee Randwick Clovelly RSL sub-Branch	1,000	1,000
Dorrigo RSL sub-Branch	300	300
Enfield Croydon RSL sub-Branch	5,000	-
Five Dock RSL sub-Branch	20,000	-
Forestville RSL sub-Branch	1,000	1,000
Kensington RSL sub-Branch	15,000	2,000
Kogarah RSL sub-Branch	-	1,500
Laurieton RSL sub-Branch	1,000	1,500
Manilla RSL sub-Branch	-	1,000
Maroubra RSL sub-Branch	205,000	-
Mascot RSL sub-Branch	6,500	-
Merewether-Hamilton RSL sub-Branch	-	2,000
Merimbula RSL sub-Branch	1,000	1,000
Narrabri RSL sub-Branch	1,000	-
Newtown RSL sub-Branch	-	3,500
Paddington-Woollahra RSL sub-Branch	5,000	7,000
Redfern RSL sub-Branch	10,000	10,000
Rockdale RSL sub-Branch	-	2,250
South Lake Macquarie RSL sub-Branch	-	250
Tamworth RSL sub-Branch	1,000	5,000
The Entrance-Long Jetty RSL sub-Branch	8,000	8,000
Wagga Wagga RSL sub-Branch	5,000	5,000
War Veterans Village RSL sub-Branch	200	-
	<u>330,912</u>	<u>88,300</u>

18. Commitments and contingencies

Operating lease commitments

The League did not have any lease commitments as at 31 December 2016 (2015: nil).

Capital commitments

The League did not have any capital commitments as at 31 December 2016 (2015: nil).

Contingent liabilities

The League did not have any other contingencies as at 31 December 2016 (2015: nil).

Notes to the financial statements (continued)

For the year ended 31 December 2016

19. Auditors' remuneration

The auditor of The Returned and Services League of Australia (New South Wales Branch) is Ernst & Young (Australia) (2015: Grant Thornton Audit Pty Limited).

	2016	2015
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) (2015: Grant Thornton Audit Pty Limited) for:</i>		
An audit of the financial report of the entity	98,000	57,060
Accounting assistance	5,000	-
	103,000	57,060

20. State Councillor and key management personnel compensation

The members of State Council during the reporting period were as follows

Former State Councillors, and Acting State Councillors no longer in office at the date of approval of these financial statements

Name	Position
Roderick White	President, stood aside 6 June 2016
John Haines	Vice President, stood aside 24 February 2017
Peter Stephenson	Vice President, stood aside 19 January 2017
Anthony Toussaint	Vice President, stood aside 24 February 2017
Robert Crosthwaite	State Councillor, stood aside 24 February 2017
William Harrigan	State Councillor, stood aside 24 February 2017
William Humphreys	State Councillor, stood aside 24 February 2017
Alan Hutchings	State Councillor, stood aside 24 February 2017
Darren McManus-Smith	State Councillor, stood aside 24 February 2017
Robert Metcalfe	State Councillor, stood aside 24 February 2017
Robert Bain	State Councillor, resigned 14 November 2016
Ian Henderson	State Councillor, resigned 14 November 2016
William Hardman	State Treasurer, elected 13 July 2015, stood aside 8 November 2016
Gregory Salmon	Acting State Councillor, appointed 23 November 2016, stood aside 24 February 2017
Brian Boughton	Acting State Councillor, appointed 23 November 2016, stood aside 24 February 2017
Colin Flatters	Acting State Councillor, appointed 23 November 2016, stood aside 24 February 2017
Raymond James	State Councillor until 24 May 2017, elected Vice President 25 May 2017, Leave of absence from 17 January 2017
Brad Copelin	State Councillor, elected 24 May 2017, resigned 17 January 2017

State Council as at the time of approval of the financial statements were as follows:

James Brown	President, elected 24 May 2017
Michael Bainbridge	Vice President, elected 24 May 2017
Phillip Chin	State Treasurer, elected 19 September 2017
Sandra Lambkin	State Councillor, elected 24 May 2017
Bryan Slattery	State Councillor, elected 24 May 2017
Scott Secombe	State Councillor, elected 24 May 2017
Gregory Makutu	State Councillor, elected 24 May 2017

Notes to the financial statements (continued)

For the year ended 31 December 2016

20. State Councillor and key management personnel compensation (continued)

The State Councillors are not remunerated by the League, only certain expenses incurred on behalf of the League are reimbursed. These expenses amounted to \$177,230 (2015: \$210,587).

Key management personnel are persons who have authority and responsibility for planning, directing and controlling the activities of the League during the financial year. The key management personnel in office during the financial year were:

Former members of key management personnel

Christopher Perrin	Chief Executive Officer, resigned 3 May 2017
Annette Mulliner	Chief Financial Officer, resigned 16 September 2016
Glenn Kolomeitz	Chief Executive Officer, appointed 27 August 2015, resigned 3 May 2017

Current key management personnel during the year and current as at the date of approval of these financial statements

Peter Gamblin	General Manager, Hyde Park Inn
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	2016	2015
	\$	\$
Total compensation paid to key management personnel	934,492	674,299

21. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

Loans to/from related parties

Disclosures relating to loans to/from related parties are set out in Notes 7 and Note 14.

22. Events after the reporting period

Since the end of the financial reporting period the League has been the subject of an inquiry initiated by the NSW Government ("the Bergin Inquiry") on 15 May 2017. The final report produced by the Bergin Inquiry was issued to Honourable Matthew Kean MP (the "Minister") (Minister for Innovation and Better Regulation) on 31 January 2018 with a number of recommendations:

- It was recommended that the Minister consider referring a number of past State Councillors and one current State Councillor to ASIC and ACNC for appropriate investigation in respect of their involvement in relation to the cover up of Mr Rowe's misconduct.
- It was recommended that the Minister refer all evidence gathered in the Bergin Inquiry relating to former State president Mr D Rowe's expenses, his resignation and its aftermath to the NSW Police

The Bergin Inquiry accepted admissions from RSL NSW for non-compliance with the Charitable Fundraising Act 1991 (NSW) and Charitable Fundraising Regulation 2015 (NSW).

As a result of the non-compliance, the League suspended all fundraising activities on 7 August 2017.

The Bergin Inquiry recommended that the Minister consider issuing a new charitable fundraising authority rather than amending the present fundraising authorities.

It was also recommended that certain conditions (as suggested by RSL NSW in submissions to the Bergin Inquiry) be included if RSL NSW was to be granted a new fundraising authority.

Notes to the financial statements (continued)

For the year ended 31 December 2016

22. Events after the reporting period (continued)

The Minister determined that he would impose additional conditions on RSL NSW's existing fundraising authority which took effect from 12 February 2018.

RSL NSW commenced providing services to current serving members and their families from 1 January 2018, which, up until that date has been provided by RSL DefenceCare. RSL DefenceCare staff are seconded to RSL NSW to ensure continuity in service for current serving members but the provision of services is wholly the responsibility of RSL NSW.

An ACNC investigation into RSL NSW was suspended pending the outcome of the inquiry initiated by the NSW Government. The ACNC has been in contact with RSL NSW following the issue of the Bergin Inquiry to progress the investigation.

23. Fundraising activities

During the year the League received fundraising income from:

	2016	2015
	\$	\$
Donations	937,384	851,236
Raffles	1,270	-
Sales of items	11,348	25,616
Total	950,002	876,852

	2016	2015
	\$	\$
Funds were distributed as follows:		
RSL Sub Branches	78,243	65,323
RSL Welfare & Benevolent Institution	-	175,000
RSL Veterans Centre East Sydney	25,000	-
Australian Air Force Cadets	2,500	-
Military Police	2,500	-
Special Forces	2,500	-
2 CDO Regiment	5,000	-
AAFC International Activities	-	5,000
NSW Army Golf Team	-	2,000
Sundry Donation	880	-
Total	116,623	247,323

Notes to the financial statements (continued)

For the year ended 31 December 2016

23. Fundraising activities (continued)

	2016	2015
	\$	\$
Total cost of fundraising	1,047	-
Gross income from fundraising	950,002	876,852
%	0.11%	0.00%
Net proceeds of fundraising	948,955	876,852
Gross income from fundraising	950,002	876,852
%	99.89%	100.00%
Total fundraising distributed	116,623	247,323
Net proceeds of fundraising	948,955	876,852
%	12.29%	28.21%
Total donations made to sub branches	78,243	65,323
Total fundraising distributed	116,623	247,323
%	67.09%	26.41%
Donations other than sub-branches	38,380	182,000
Total fundraising distributed	116,623	247,323
%	32.91%	73.59%



7 March 2018

State President's declaration

I, James Brown, President of The Returned and Services League of Australia (New South Wales Branch) (RSL NSW) declare that in my opinion, subject to the qualifications below:

1. The statement of profit or loss and other comprehensive income gives a true and fair view of all income and expenditure of RSL NSW with respect to fundraising appeals for the financial year ended 31 December 2016;
2. The statement of financial position gives a true and fair view of the state of affairs of RSL NSW with respect to fundraising appeals conducted by RSL NSW;
3. The provisions of the *Charitable Fundraising Act 1991* (the **Act**), the *Charitable Fundraising Regulation 2015* (the **Regulation**) and the conditions on RSL NSW's Charitable Fundraising Authority (**Authority Conditions**) have been complied with by RSL NSW for the period from 1 January 2016 to 31 December 2016 (subject to the matters set out in the qualifications below);
4. The internal controls exercised by RSL NSW are appropriate and effective in accounting for all income received and applied from any fundraising appeals (subject to the matters set out in the qualifications below);
5. The financial statements and notes of RSL NSW satisfy the requirements of the
6. *Australian Charities and Not-for-Profits Commission Act 2012* (**ACNC Act**) and the *Australian Charities and Not-for-Profits Commission Regulation 2013* (**ACNC Regulation**), including, subject to the qualifications below, by giving a true and fair view RSL NSW's financial position as at 31 December 2016 and of its performance for the financial year ended on that date;
7. There are reasonable grounds to believe RSL NSW will be able to pay its debts as and when they become due and payable.

Qualifications

1. Certain provisions of the Act, the Regulation and the Authority Conditions have not been complied with by RSL NSW for the period from 1 January 2016 to 31 December 2016. Details of identified non-compliance were provided to the 2017 Public Inquiry under the Charitable Fundraising Act conducted by the Honourable Patricia Anne Bergin SC (**the Bergin Inquiry**).

2. Specifically, the internal controls exercised by RSL NSW were not appropriate and effective in accounting for all income received and applied from any fundraising appeals in accordance with the Act, the Regulation and the Authority Conditions during the period 1 January 2016 to 31 December 2016.
3. As a consequence, RSL NSW suspended fundraising from 9 August 2017.
4. Certain provisions of the ACNC Act and the ACNC Regulation may not have been complied with by RSL NSW for the period from 1 January 2016 to 31 December 2016.
5. The written records kept during the period 1 January 2016 to 31 December 2016 are unlikely to have been appropriate and effective in recording and explaining the transactions and financial position and performance of RSL NSW, or correctly recording its operations, so as to enable any recognised assessment activity to be carried out within the meaning of the ACNC Act in relation to RSL NSW.
6. RSL NSW has since taken steps to commence the implementation of appropriate systems and procedures are being developed and implemented and external consultants have been engaged to ensure that effective and proper controls are introduced and maintained.
7. As a result of recommendations arising from the Bergin Inquiry, the Minister has amended the Authority Conditions to impose additional conditions one of which is a requirement that prior to RSL NSW re-commencing any fundraising under the Authority Conditions, RSL NSW must provide written certification from Ernst & Young or an accounting firm of similar standing to the effect that in its opinion RSL NSW has implemented financial systems and controls, and policies and procedures, necessary to ensure that RSL NSW receives, handles, records and expends the proceeds of fundraising appeals in the manner required by the Act, and the Authority Conditions (as amended).

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.



James Brown
President

Dated this 7th day of March 2018

Independent Auditor's Report to the Members of The Returned and Services League of Australia (New South Wales Branch)

Qualified Opinion

We have audited the financial report, being a special purpose financial report, of The Returned and Services League of Australia (New South Wales Branch) (the "League"), which comprises the statement of financial position as at 31 December 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the State Executive's declaration.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of the League is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012* including:

- a) giving a true and fair view of the League's financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 2, and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Qualified Opinion

The League has recorded inventory on hand as at 31 December 2016 which is carried at \$679,260 in the statement of financial position. We were appointed as auditors of the League on 18 October 2017 and thus did not observe the counting of the physical inventories. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 31 December 2016 and therefore were unable to determine if any adjustments to the inventory carrying value at 31 December 2016 were necessary. Since closing inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the statement of comprehensive income and the statement of cash flows for the year ended 31 December 2016.

It has not been practicable for us to carry out normal audit procedures on comparative 31 December 2015 balances relating to the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and associated disclosures for the period then ended, which are shown for the purposes of comparison. As such, we have not audited the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity and associated disclosures for the period ended 31 December 2015. Since the 31 December 2015 balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the statement of comprehensive income and the statement of cash flows for the year ended 31 December 2016.

Cash donations are a source of revenue for the League. The League has determined that it is impracticable to establish control over the collection of cash donations prior to entry in its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to cash donations had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion whether the cash donations obtained by the League are complete.

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 League in accordance with 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the State Executive's financial reporting responsibilities under the *Australian Charities and Not-for-Profits Commission Act 2012*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the State Executive for the Financial Report

The State Executive of the League is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 2 to the financial statements is appropriate to meet the requirement of the *Australian Charities and Not-for-Profits Commission Act 2012* and is appropriate to meet the needs of the members. The State Executive's responsibility also includes such internal control as the State Executive determines 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 State Executive is responsible for assessing the League's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the State Executive either intends to liquidate the League or to cease operations, or has 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.



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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 League's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the State Executive.
- Conclude on the appropriateness of the State Executive's 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 cast significant doubt on the League'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 League 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 State Executive 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.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015*

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the *NSW Charitable Fundraising Act 1991* (the "Act") and the *NSW Charitable Fundraising Regulations 2015* (the "2015 regulations").

Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the requirements described in the above-mentioned Act and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Qualified Opinion

In our opinion:

- a) Except for the impact of the matters listed in paragraphs b and c) the financial report of the League has been properly drawn up and associated records have been properly kept during the financial year ended 31 December 2016, in all material respects, in accordance with:
 - i. sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii. section 10(6) and 11 of the *NSW Charitable Fundraising Regulations 2015*;
- b) the League has not complied with the following sections of the Act and the 2015 regulations:
 - i. section 22(1-2) of the *NSW Charitable Fundraising Act 1991*;
 - ii. section 11 of the *NSW Charitable Fundraising Regulations 2015*.
- c) the money received as a result of fundraising appeals conducted by the League during the financial year ended 31 December 2016 has not been properly accounted for and applied in accordance with the above mentioned Act(s) and Regulations.



Ernst & Young



Daniel Cunningham
Partner
Sydney
7 March 2018

Auditor's Independence Declaration to the Members of The Returned and Services League of Australia (New South Wales Branch)

In relation to our audit of the financial report of The Returned and Services League of Australia (New South Wales Branch) for the financial year ended 31 December 2016, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.



Ernst & Young



Daniel Cunningham
Partner
7 March 2018