

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED
AND CONTROLLED ENTITIES

FINANCIAL REPORT

31 OCTOBER

'14



ABN 54 000 202 826

YOUR SHARKS OUR COMMUNITY

 **CRONULLA SHARKS** - *INSPIRING GREATNESS*



Our future is one of **endless possibilities.**





CRONULLA SHARKS - *INSPIRING GREATNESS*

OUR FUTURE

To be one of Australia's great sporting, leisure and entertainment organisations, loved and respected for the positive contribution and difference we make to our community and its people.





CRONULLA SHARKS CHAIRMAN'S MESSAGE

After playing finals football the two previous seasons there was plenty of optimism heading into the 2014 NRL season. A hardened and experienced playing list led by the likes of Paul Gallen, Luke Lewis and Wade Graham gave fans plenty of reason to believe the club would be among the top eight in the competition again.

We began the season with the ASADA investigation hanging over the club once more. The NRL had brought down their own sanctions on the club, with a one million dollar fine and suspension of coach Shane Flanagan for the season.

The NRL is one of the most tightly contested competitions in world sport. The salary cap is designed to create a level playing field among clubs. While already facing a degree of adversity, the injury toll for season 2014 wiped away any chance of getting to finals football.

From pre-season onwards the club had a horrendous injury toll with our top players Gallen, Lewis, Robson, Carney, Tupou, Fifita and many more all spending extended time on the sidelines.

While 2014 was not a memorable year on field there were a few highlights deserving mention that displayed the courage and fortitude of the playing group. Back to back second half comeback wins against the Broncos in Brisbane and the reigning premiers the Roosters were both among the club's best ever victories.

The injury toll also allowed interim coaches Peter Sharp and James Shepherd to give valuable experience to future stars including Nu Brown, Valentine Holmes and Jacob Gagan.

The impact of our injury toll placed pressure on our minor grades with both our State league team and our under 20's left undermanned as they provided players for the senior team.

The injury toll suffered by the football club last year directly affected our financial performance. Having to bring up players to NRL requires payment of match fees and training wages to those players, as well as additional medical expenses. The additional direct costs were approximately \$350,000. Indirectly affected, gate receipts fell by \$400,000. Direct costs relating to ASADA were \$200,000 while the indirect cost in sponsorship was far higher.

Season 2014 also saw Paul Gallen skipper and Luke Lewis join him in the Blues long awaited State of Origin series win over Queensland.

Amidst the on field challenges I am pleased to say that the club continued to take positive steps forward off the field to ensure the future of the club is headed in the right direction.

The appointment of Marcelo Veloz to the new role as CEO of the Leagues Club bought an increased focus on the operation of our licensed Club.

The property development with our partners Bluestone moved ahead with strong pre-sales of the units to be built on the western side of the ground. Bluestone also co-ordinated the re-location of the Cronulla Caringbah club and our junior playing fields to a new venue at Cronulla High School.

In November a breaking of the ground ceremony brought together many former Directors of the Sharks who have been instrumental in helping to secure the clubs future with the development.

The strength of the club in the future lies in the capabilities of our executive staff and our Board of Directors to ensure we can be among the most professional organisations in the competition.

We have made steady progress in this area over the past twelve months. As part of the NRL's conditions to reduce the clubs fine from one million dollars to \$600,000, Ernst & Young completed a thorough Governance review of the Sharks entities. This report provided a range of recommendations that are currently being worked through from structural reform to operational imperatives.

Key to mitigating this fine (and saving the club \$400,000) is to modify our existing constitution. Work had commenced on this with the previous Board back in 2013 and the current Board has worked closely with the NRL and our lawyers in moving the changes to the current constitution.

Our current entity of the Leagues Club and Football Club have created some challenges in meeting some of the changes that the NRL were seeking but we feel the changes that will be taken to the members will help facilitate improved corporate governance and management moving forward.

On the issue of corporate governance this has been a strong focus of the current Board to better understand the requirements, skill sets and behaviours of company directors. The current Board has undertaken a 3 day training course by the Australian Institute of Company Directors to further educate themselves in these important responsibilities.

The ASADA investigation was finalised late in the season. While the outcome met with mixed reactions, the good news is the club can move forward in 2015 with this issue now behind us. The cumulative cost has been significant in terms of brand and reputational damage to the club.

It is time for a new beginning. We welcome back our coach Shane Flanagan for the new season. During his time away from the team Shane undertook a range of educational programs to enhance his skills in managing a professional sporting team. He returns highly motivated and focused in delivering strong on field results. He has bolstered his off field support staff with ex St George Dragon's Steve Price (assistant coach) and Andrew Gray (strength and conditioning).

The club has attracted several new recruits including Michael Ennis, Ben Barba, Mitch Brown, Jayson Bukuya, Kyle Stanley, Gerard Beale and Jack Bird. We enter the new season with better depth than in recent seasons and a healthy roster.

In late November the Board announced the appointment of Lyall Gorman as the Group CEO across all parts of our business. Lyall comes to the Sharks with a strong background in sports and business with his most recent success being the launch of the West Sydney Wanderers in the A League.

Already Lyall has bought a new level of executive capability to our club to help set us up for a bright and promising future. There is much work ahead of us but we have an opportunity in the coming years to establish and build a stronger and more vibrant club that proudly represents our area and all our fans.

I would like to once again thank a number of people who have been important contributors to keep the Club on track through challenging times:

- Our loyal and dedicated staff at the Football Club and Leagues Club.
- My fellow Board members for giving their valuable time to the club.
- The significant contribution over the past two seasons of departed Football Club CEO Steve Noyce who steered the club through its most challenging times.
- The NRL for their support and assistance to the Sharks through the ASADA investigation.
- Our playing roster, particularly at times unsung heroes Jeff Robson, Michael Gordon, Sosaia Feki and Wade Graham who fronted up week in week out for us in tough times and showed great leadership.
- Our new and loyal sponsors and corporate supporters.
- Our loyal and supportive fan base and members who are the heart and soul of the club.

Damian Keogh



CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

GROUP CEO MESSAGE

It is my pleasure to be writing to you in our Club's annual report. I have said on many occasions, that you, our Members, are the heartbeat of our club and the fundamental pillar on which our future will be built. What an incredibly exciting time it is as we collectively strive to put the additional building blocks in place for our club to become the truly great club we all aspire it to be. We stand proudly on the shoulders of those many pioneers who have worked so tirelessly over so many years to build our club to where it is today.

While the last two years have been incredibly tough on the Club, we have come through the other side with renewed optimism for our bright future. Great Clubs pull together as one through good times and not so good times and never lose their resolve or falter in their quest to be the best. The latter is what I have seen in abundance since proudly becoming a part of our club.

Our courageous playing group are reinvigorated, committed and ready to play. We have invested in our football department and the increased professionalism will pay great dividends for our club. We saw all of this through our performance at the recent Auckland Nines tournament which garnered the respect of everyone who watched.

Construction has commenced on the Woollooware Bay project which will deliver us the funding to renew our business and give us the opportunity to get to where we want to be. It will also focus a community hub around Remondis Stadium and make our leagues club a place for residents and visitors alike to come and enjoy themselves.

Have no doubt that together we can and will create a future that is one of endless possibilities. One that you will be incredibly proud to be a part of. A future in which you are listened to and your contribution is actively sort so that we can do something great together. We have promised you a new level of Member and community engagement and value and we will deliver.

I thank you for your support in the past and for sticking with us through the tough times. I am excited about the good times we are about to enjoy as part of this great club.

Our Board are committed to the long term success and future of the Sharks and from the time they were elected have all been very supportive of every aspect of the Club and I thank them for their efforts.

Each year provides its own challenges, however we should all be confident and excited about season 2015.

Up Up Cronulla!



Lyall



disciplined, resilient, authentic, proud and loyal.





COMMUNITY REPORT

Football Club

Working with and in the community is an essential part of the Cronulla Sharks fabric. The Sharks are focused on achieving lasting positive relationships with our community and believe what we do is a catalyst for true social impact and change across the Sutherland Shire and the greater Sydney region.

2014 has seen the club involved in more events, programs, initiatives and engagement activities than ever before. In total the players spent over 1800 hours in the community, at 684 events, actively supporting local community programs which aim to benefit the people of the Shire and guide them to make healthy and safe lifestyle choices. The organisation has continued to support and sponsor both new and existing events, such as Council fairs, fundraising events, sporting and cultural events. Some of the exciting programs and initiatives that the Sharks were involved in during 2014 included the Gals Pals clinic, The Cook Classic, PCYC's Footy Fever, Project Youth's Kickstart Program and Junior League registration days, presentation days and clinics.

When the club wasn't able to have a physical presence at an event, support was given through the donation of signed jerseys, balls, merchandise and money can't buy experiences. In total, the Sharks were able to assist over 250 events and organisations with donations for their own fundraising and community initiatives.

The Shark forged partnerships with a number of new organisations such as the Salvation Army, The Cancer Council and Legacy, and continued the strong relationships with organisations such as the Sutherland Shire Council, Cronulla Sutherland Junior Rugby League, Sutherland PCYC, Endeavour Sports High School, Sylvanvale and Project Youth.

With the success of the inaugural and very popular Junior Jaws School Holiday Program in 2013, the program continued in 2014. This initiative again saw over 400 participants, across 4 clinics participate in stadium tours, player meet and greets and rugby league skills and drills sessions. The objective of the clinics were to engage young people via a healthy and active school holiday program and to encourage them to get excited about rugby league and the Sharks.

2014 also saw the launch of the Sharks for the Shire Fundraising program, innovative way for community organisations of the Sutherland Shire to make some extra revenue. The program allows community organisations to purchase Sharks home game general admission tickets for a reduced price of \$10, on-sell them for \$20, and keep the profit! The program is an easy, risk free way to raise funds and was well received by the community.

Furthermore the club strengthened their relationship with the Cronulla Sutherland Junior Rugby League, the organisation that develops our great game at the grassroots level. The Sharks made a commitment to assist further with training and education, continue their financial support, and increase the visibility the players have within the Junior Clubs.

The Sharks have had the most successful year in the club's history out in the community. The Community team would like to thank the players, staff, and most importantly our fans, members and the people of the Sutherland Shire who all contributed to what was an exceptional year.

Leagues Club

Sharkies offered their support to numerous community organisations throughout 2014. \$48,060 worth of grant funding was allocated to 7 important Shire organisations and programs via ClubGRANTS Category 1 funding:

| | |
|-----------------------------------|----------|
| Project Youth | \$20,000 |
| Rainbow Club | \$14,060 |
| South Eastern Sydney Medical | \$5,000 |
| Cronulla Sutherland District JRLF | \$5,000 |
| Sutherland Council Smarty Grants | \$1,000 |
| Matt Donnelly Foundation | \$500 |
| St Johns Ambulance | \$2,500 |

Category 2 funding saw over \$210,000 and \$188,733 worth of in kind support donated to the following organisations:

| | |
|-------------------------------------|---------------------|
| Cronulla Sharks Sports Council | \$8,125 |
| Cronulla Sutherland Supporters Club | \$2,000 |
| CSDRLFC | \$200,000 |
| CSDRLFC and Community Associations | \$188,733 (in kind) |

Sharkies also goes above and beyond and provides support to the community outside of the above ClubGRANTS funding through involvement in numerous community events and initiatives. The club is looking forward to working with these organisations again and is planning to execute big changes in its community program space in 2015.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED
AND CONTROLLED ENTITIES



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INDEPENDENT AUDITOR'S REPORT



CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The Directors present their report, together with the financial statements on the consolidated entity consisting of Cronulla-Sutherland Leagues Club Limited (the "Company", "Club" or the "Leagues Club") and the entities it controlled for the year ended 31 October 2014.

The following persons were Directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

DIRECTORS

Damian Keogh- Chairman

Darren McConnell

Dino Mezzatesta

Andrew Boldeman

Craig Airey

Kevin Dwyer

Dane Sorensen

Paul O'Neile

Paul McCarthy

STRATEGIC OBJECTIVES

The strategic objectives of the company are to:

- Seek to grow revenues, enabling a stronger football club and more investment into the Leagues Club for the benefit of our members and the community.
- Provide strong support to the local football club community throughout the Shire.
- Optimise the value from the Clubs property assets.
- To operate a successful NRL franchise.

We are committed to keeping the NRL Sharks franchise in the Sutherland Shire.

PRINCIPAL ACTIVITIES

The principal activities of the company are to provide a licensed club for the benefit of members and their guests, to operate an NRL franchise and to encourage, promote and control the development, playing and interests of Rugby League in the Sutherland Shire.

PERFORMANCE MEASURES

The company measures its performance in both the amount of revenue derived and the costs to service for all segments of its trading operations, the financial and non-financial support the Club provides to the Football Club and other sporting clubs and community organisations. Non-financial support includes the provision of venues at no or reduced costs.

The Key performance measures are:

- Net gaming revenue
- Net bar revenue
- Total wages paid
- Total grants paid to the Football Club and Community Organisations
- Attendances at the club

INFORMATION ON DIRECTORS



Name: DAMIAN KEOGH AM

Title: Chairman

Qualifications: BCom.

Experience and Expertise: Club Director, Company Director, CEO

Special responsibilities: Chairman–Board of Directors, Member of Remuneration subcommittee, Member of development subcommittee.



Name: DARREN MCCONNELL

Title: Director

Qualifications: MBus.

Experience and Expertise: Club Director, Company Director, Human Resources Consultant.

Special responsibilities: Director, Member of Remuneration subcommittee, Member of development subcommittee, Director of Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



Name: DINO MEZZATESTA

Title: Director

Qualifications: ADV DIP

Experience and Expertise: Club Director.

Special responsibilities: Director, Member of development subcommittee, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



Name: ANDREW BOLDEMAN

Title: Director

Qualifications: BEc, FIAA

Experience and Expertise: Club Director, CEO.

Special responsibilities: Director, Chairman of Audit, Risk and Compliance Committee.



Name: CRAIG AIREY

Title: Director

Qualifications:

Experience and Expertise: Company Director, Club Director.

Special responsibilities: Director.



Name: KEVIN DWYER

Title: Director

Qualifications: BCom, LLB

Experience and Expertise: Club Director, Company Director, Lawyer.

Special responsibilities: Director, Chair of Disciplinary Committee;



Name: DANE SORENSEN

Title: Director

Qualifications:

Experience and Expertise: Club Director.

Special responsibilities: Director, Nominee to Player Education & Welfare Committee.



Name: PAUL O'NEILE

Title: Director

Qualifications: BCom

Experience and Expertise: Club Director, CEO.

Special responsibilities: Director, Member of Audit, Risk and Compliance Committee.



Name: PAUL MCCARTHY

Title: Director

Qualifications: BEc, MSAA

Experience and Expertise: Company Director, Club Director, Financial Analyst.

Special responsibilities: Director, Member of Audit, Risk and Compliance Committee.

**MEETINGS OF DIRECTORS**

| | LEAGUES CLUB Attended | LEAGUES CLUB Held |
|------------------|--------------------------|----------------------|
| Damian Keogh | 12 | 12 |
| Darren McConnell | 12 | 12 |
| Dino Mezzatesta | 10 | 12 |
| Andrew Boldeman | 12 | 12 |
| Craig Airey | 11 | 12 |
| Kevin Dwyer | 12 | 12 |
| Dane Sorenson | 10 | 12 |
| Paul O'Neile | 8 | 12 |
| Paul McCarthy | 11 | 12 |

Represents the number of meetings held during the time the director held office or was a member of the committee.



CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

CONDITIONS ON WINDING UP

In the event of the company being wound up, each member undertakes to contribute an amount not exceeding one dollar (\$1.00) if the Club is wound up, while he or she is a member of the Club; or within one year of the date that he or she ceases to be a member for the payment of the debts and liabilities of the Club contracted before the member ceased to be a member; and costs, charges and expenses of winding up. At the date of this report there are 18,443 members of the Leagues Club.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

INDEMNIFICATION OF INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Club paid premiums in respect of a contract insuring all the directors and executives of Cronulla-Sutherland Leagues Club Limited and its controlled entities against legal liability arising for any wrongful act committed, attempted or allegedly committed or attempted in the course of their duties as a director or executive of the Club. The policy prohibits disclosure of the premium paid.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporations Act at Cronulla this 19th day of December 2014.



D.Keogh
Chairman



A. Boldeman
Director





Ernst & Young
680 George Street
Sydney NSW 2000 Australia
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Fax: +61 2 9248 5959
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Auditor's independence declaration to the Directors of Cronulla-Sutherland Leagues Club Limited

In relation to our audit of the consolidated financial report of Cronulla-Sutherland Leagues Club Limited for the financial year ended 31 October 2014, we have no reason to believe that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Daniel Cunningham
Partner
19 December 2014

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2014

| | Note | 2014 \$ | 2013 \$ |
|---|------|-------------------|--------------------|
| Revenue from sale of goods | 2 | 3,558,672 | 3,699,170 |
| Revenue from rendering of services | 2 | 8,893,623 | 8,237,323 |
| Other revenue | 2 | 15,146,901 | 13,610,903 |
| Revenue from continuing operations | | 27,599,196 | 25,547,396 |
| Other income | 3 | 3,659,269 | 750,581 |
| Cost of sales | | (1,519,421) | (1,565,645) |
| Bar and catering expenses | | (1,040,421) | (720,276) |
| Marketing expenses | | (5,071,962) | (4,256,406) |
| Occupancy expenses | | (2,016,825) | (1,836,724) |
| Administrative expenses | | (2,880,276) | (3,666,775) |
| Gaming expenses | | (2,164,705) | (1,584,360) |
| Gaming taxes | | (2,183,846) | (1,415,654) |
| Development expenses | | (267,761) | (207,541) |
| Other expenses | | (1,930,125) | (1,898,654) |
| Football expenses | | (11,245,612) | (10,492,106) |
| (Deficit)/surplus before finance costs | | 937,511 | (1,346,164) |
| Finance costs | 4 | (354,864) | (305,818) |
| (Deficit)/surplus before tax | | 582,647 | (1,651,982) |
| Income tax benefit/(expense) | 5 | (24,544) | 24,813 |
| (Deficit)/surplus after tax | | 558,103 | (1,627,169) |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: Increment on revaluation of land | 9 | 2,481,234 | 20,352,577 |
| Total Other comprehensive income for the year | | 2,481,234 | 20,352,577 |
| Total comprehensive income for the year | | 3,039,337 | 18,725,408 |

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2014

| | Note | 2014 \$ | 2013 \$ |
|--------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 1,326,897 | 1,022,806 |
| Trade and other receivables | 7 | 1,037,409 | 954,915 |
| Inventories | 8 | 237,970 | 234,672 |
| Total current assets | | 2,602,276 | 2,212,393 |
| Non-current assets | | | |
| Inventory | 8 | 744,872 | - |
| Property, plant and equipment | 9 | 27,338,521 | 49,713,771 |
| Financial asset | 10 | 17,143,277 | - |
| Total non-current assets | | 45,226,670 | 49,713,771 |
| Total assets | | 47,828,946 | 51,926,164 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 3,644,103 | 3,426,629 |
| Interest bearing liabilities | 12 | 1,840,612 | 3,190,151 |
| Short term provisions | 13 | 310,503 | 428,358 |
| Current tax liability | 5 | 22,127 | - |
| Income in advance | 14 | 769,788 | 281,706 |
| Total current liabilities | | 6,587,133 | 7,326,844 |
| Non-current liabilities | | | |
| Interest bearing liabilities | 12 | 3,634,679 | 18,300 |
| Deferred tax liabilities | 5 | 813,047 | 813,047 |
| Long term provisions | 13 | 27,404 | 40,627 |
| Other liabilities | 15 | - | 10,000,000 |
| Total non-current liabilities | | 4,475,130 | 10,871,974 |
| Total liabilities | | 11,062,263 | 18,198,818 |
| Net assets | | 36,766,683 | 33,727,346 |
| EQUITY | | | |
| Retained Earnings | | 36,766,683 | 13,374,769 |
| Asset revaluation Reserve | | - | 20,352,577 |
| Total equity | | 36,766,683 | 33,727,346 |

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2014

| | Note | 2014 \$ | 2013 \$ |
|--|----------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from customers and sponsors | | 21,859,668 | 18,892,143 |
| Grants | | 8,276,963 | 7,814,519 |
| Cash paid to suppliers and employees | | (30,012,418) | (26,359,640) |
| Other interest received | | 5,500 | 8,930 |
| Rent received | | 139,920 | 153,120 |
| Interest paid | | (291,158) | (292,698) |
| Income taxes paid | | (2417) | - |
| Net cash inflow/(outflow) from operating activities | | (23,942) | 216,374 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (522,420) | (468,221) |
| Net cash (outflow)/inflow from investing activities | | (522,420) | (468,221) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 3,995,322 | - |
| Advance proceeds from development | | - | 10,000,000 |
| Repayment of borrowings | | (3,052,781) | (9,895,545) |
| Capital element of finance leases | | (89,830) | (203,980) |
| Repayment of debentures | | (2,258) | (7,923) |
| Net cash (outflow)/inflow from financing activities | | 850,453 | (107,448) |
| Net (decrease)/increase in cash and cash equivalents | | 304,091 | (359,295) |
| Cash and cash equivalents at beginning of period | | 1,022,806 | 1,382,101 |
| Cash and cash equivalents at end of period | 6 | 1,326,897 | 1,022,806 |

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

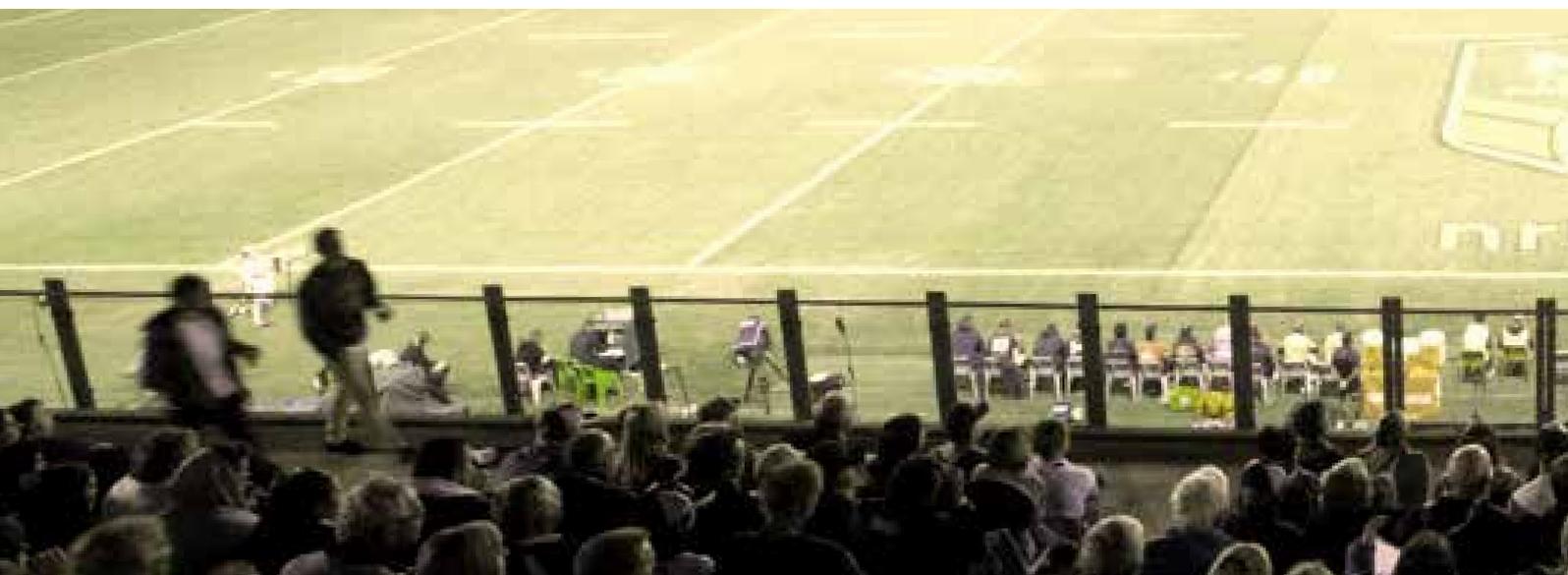


CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2014

| | Retained Earnings | Asset Revaluation Reserve | Total Equity |
|-----------------------------------|--------------------|---------------------------|-------------------|
| | \$ | \$ | \$ |
| At 1 November 2012 | 15,001,938 | - | 15,001,938 |
| Deficit for the year | (1,627,169) | - | (1,627,169) |
| Other comprehensive income | - | - | - |
| Increment on revaluation of land | - | 20,352,577 | 20,352,577 |
| Total comprehensive income | (1,627,169) | 20,352,577 | 18,725,408 |
| At 31 October 2013 | 13,374,769 | 20,352,577 | 33,727,346 |
| At 1 November 2013 | 13,374,769 | 20,352,577 | 33,727,346 |
| Surplus/Deficit for the year | 558,103 | - | 558,103 |
| Other comprehensive income: | | | |
| Increment on revaluation of land | - | 2,481,234 | 2,481,234 |
| Total comprehensive income | 558,103 | 2,481,234 | 3,039,337 |
| Transfer on sale of land (note 9) | 22,833,811 | (22,833,811) | - |
| At 31 October 2014 | 36,766,683 | - | 36,766,683 |

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



CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

These consolidated financial statements of Cronulla-Sutherland Leagues Club Limited and its controlled entities for the year ended 31 October 2014 were authorised for issue in accordance with a resolution of the directors on 19 December 2014 and cover the consolidated entity ('the Group') consisting of Cronulla-Sutherland Leagues Club Limited and its controlled entities, Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd, as required by the Corporations Act 2001.

The financial report is presented in the Australian currency.

Cronulla-Sutherland Leagues Club Limited and its controlled entity Cronulla-Sutherland District Rugby League Football Club Limited are companies limited by guarantee. Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd and Sharks Retail Pty Ltd are proprietary companies limited by shares. All shares are owned by the Group.

The address of the registered office and principal place of business is 461 Captain Cook Drive, Woollooware, NSW 2230.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements.

(a) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis with the exception of certain land at director's valuation and financial assets that are measured at fair value.

STATEMENT OF COMPLIANCE

The Company is a not-for-profit entity which is not publicly accountable. Therefore the financial statements are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The financial report has been prepared on the historical cost basis.

(b) BASIS OF CONSOLIDATION**Controlled Entities**

The consolidated financial statements comprise the financial statements of Cronulla-Sutherland Leagues Club Limited and its controlled entities Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, and Sharks Retail Pty Ltd at 31 October each year ("the Group"). A controlled entity is an entity controlled by the Leagues Club. Control exists where the Leagues Club has the capacity to dominate the decision making in relation to financial and operational policies of the entity so that the entity operates with the Leagues Club to achieve the objectives of the Leagues Club.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated.

(c) REVENUE RECOGNITION

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

SALE OF GOODS

Revenue from gaming, entertainment, beverages, sponsorship and football games together with other services to members and their guests is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

Rendering of Services Membership and Sponsorship Revenue

Revenue from gaming, advertising and football games together with other services to members and other patrons, along with sponsorship income are recognised when services are provided.

INTEREST REVENUE

Revenue is recognised as interest accrues taking into account the effective yield on the financial asset.

RENTAL INCOME

Rental Income is accounted for on a straight line basis over the term of the lease.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INCOME TAX

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The consolidated entity adopts the above detailed policy however, Cronulla-Sutherland District Rugby League Football Club Limited (the "Football Club") is exempt from income tax pursuant to Section 45-50 of the Income Tax Assessment Act (1997).

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Sharks Property Holdings Pty Ltd, a subsidiary and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

(e) IMPAIRMENT OF ASSETS

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. As the future economic benefits of all of the Leagues Club's assets (other than poker machines and land owned by Sharks Residential Pty Ltd) are not primarily dependent upon their ability to generate net cash inflows and if deprived of the asset, the Club would replace the asset's remaining future economic benefits, "value in use" is determined as the depreciated replacement cost of the asset, rather than by using discounted cash flows.

For the purpose of assessing value in use for cash generating assets, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) TRADE AND OTHER RECEIVABLES

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 60 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts greater than 60 days. On confirmation that the trade receivables will not be collectible the gross carrying value of the asset is written off against the associated provision.

(h) INVENTORIES**Finished Goods**

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

(i) PROPERTY, PLANT AND EQUIPMENT

Freehold land and buildings are measured at cost less accumulated depreciation.

Residential land at Directors' valuation is measured at fair value, which is assessed on an annual basis. Refer to note 1 (q) regarding the initial application of this accounting policy.

Applying the accounting policy for the class of land at Directors' valuation, the Directors have assessed the fair value of the land on the basis of an internally prepared discounted cash flow model.

All other plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

| | |
|------------------------------|------------|
| - Buildings | 1.6% |
| - Leasehold improvements | 1.7 - 2.3% |
| - Plant and equipment | 5 - 33% |
| - Leased plant and equipment | 20 - 33% |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Gains and losses on disposal are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the profit or loss in the year that the item is derecognised.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(k) TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30-90 day payment terms.

(l) INTEREST-BEARING LIABILITIES

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

All borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(m) BORROWING COSTS

Borrowing costs include interest on bank loans and overdrafts and finance charges in respect of finance leases.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

(n) EMPLOYEE BENEFITS

Wages and Salaries, Annual Leave and Sick leave

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

RETIREMENT BENEFIT OBLIGATIONS

The group has several defined contribution superannuation funds. Contributions are recognised as expenses as they become payable. The company has no legal or constructive obligation to fund any deficit.

LONG SERVICE LEAVE

Liabilities for long service leave are recognised as part of the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees to the reporting date. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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.

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

(p) GOING CONCERN

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At year end the Leagues Club's current liabilities exceeded its current assets by \$1,235,539 and the consolidated entity's current liabilities exceeded its current assets by \$3,984,857. During the year ended 31 October 2014 the consolidated entity incurred an operating profit of \$558,103.

The review by ASADA which commenced in February 2013 and that has now been completed, had a negative effect on the Club's ability to secure sponsorship funding. The Club is budgeting to trade with positive cash flow in 2015.

The Group has secured an undertaking from the lender who provided the Football Club with a \$1 million during the year that they will not seek repayment of the loan (which is due on 1 May 2015) until 1 February 2016, if the seeking repayment of the loan would result in the Football Club not being able to pay its debts as and when they fall due.

The Group has secured guarantees of funding for 14 months, which provide access of up to \$1.8 million from one of the Group's Directors should it be required to ensure the Group is able to meet its debts as and when they fall due.

Therefore the directors consider there are reasonable grounds to believe the Club and the Group will be able to access necessary funding should it be required to enable it to meet its debts as and when they fall due and continue as a going concern.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as going concern.

(q) 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.

i) Financial assets**INITIAL RECOGNITION AND MEASUREMENT**

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:

- Financial assets at fair value through profit or loss
- Loans and receivables

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value are financial assets designated upon initial recognition at fair value through profit or loss.

The Group has designated one financial asset at fair value through profit or loss, this being the expected proceeds from the sale of the residential units. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

For more information on financial assets at fair value through profit or loss, refer to Note 9.

(r) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors' estimates and judgements incorporated into the financial report are based on historical results and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data from internal and external sources.

The Directors have assessed that the consolidated entity is a 'not for profit' entity, whose activities are:

- 1) To provide a Licensed Club for the benefit of members and their guests; and
- 2) To encourage, promote and control the development, playing and interests of rugby league in the Cronulla-Sutherland district.

In carrying out the assessment at the reporting date as to whether individual assets are impaired, the Directors are required to consider and identify assets which are held exclusively to generate cash and those which are held to support the consolidated entity's activities.

At the reporting date:-

- The Club's poker machines and related equipment are assessed as held exclusively to generate cash;
- All other assets are assessed as held to support the Club's activities.
- All of the Football Club's assets have been assessed as held to support the Club's activities.

Assessment of Impairment and Remaining Useful Lives of Property, Plant & Equipment owned by the Leagues Club

The Directors have considered whether any indicators of impairment exist which would require the performance of an impairment review in respect of the property, plant and equipment owned by the Leagues Club. In addition management has considered whether the useful lives of any such assets should be revised as a result of the anticipated development. Management have determined that as at the year-end date no such indicators exist.

Directors' assessment of fair value of Land at Directors' Valuation

The Directors have assessed the fair value of residential freehold land at Directors' valuation on the basis of an internally prepared discounted cash flow model. The model takes into account the relevant characteristics and restrictions on the sale or use of the asset, which market participants, would take into account when pricing the asset at the measurement date. These characteristics include the current development plans and Part 3A approval obtained in respect of this parcel of land, as well as factors associated with the development and financing agreements and the fact that the developer partner's financier holds a mortgage over the land.

Assessment of fair value of the financial asset

The model used to derive the fair value of the financial asset is consistent with that used to derive the fair value of Land at Director's valuation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 2 - REVENUE

| | 2014 | 2013 |
|---|------------|------------|
| | \$ | \$ |
| From continuing operations | | |
| Sale of goods from operating activities | | |
| Sale of goods | 2,382,421 | 2,364,856 |
| Merchandising/Royalties | 1,176,251 | 1,334,315 |
| | 3,558,672 | 3,699,170 |
| Rendering of services from operating activities | | |
| Gaming revenue | 8,008,741 | 6,928,132 |
| Match revenue | 871,428 | 1,309,191 |
| Stadium Events | 13,454 | - |
| | 8,893,623 | 8,237,323 |
| Other revenue from operating activities | | |
| Functions revenue | 352,983 | 302,079 |
| Members subscriptions | 1,461,736 | 1,310,415 |
| Sponsorship | 5,126,343 | 4,546,196 |
| Interest from other persons | 5,855 | 10,449 |
| Rent received | 127,200 | 139,200 |
| Commission - Keno | 102,164 | 78,456 |
| NSWRL Grant | 171,109 | 20,000 |
| NRL Grant | 7,799,511 | 7,204,108 |
| | 15,146,901 | 13,610,903 |

NOTE 3 - OTHER INCOME

| | 2014 | 2013 |
|--|-----------|---------|
| | \$ | \$ |
| Finance income – gain on revaluation of financial asset (see note 9) | 2,280,774 | - |
| Other income | 1,378,495 | 750,581 |
| | 3,659,269 | 750,581 |

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 4 - EXPENSES

| | 2014 | 2013 |
|---|-----------|-----------|
| | \$ | \$ |
| Surplus/(Deficit) before income tax includes the following specific expenses | | |
| Bad and doubtful debts | | |
| Trade receivables | 89,087 | 38,391 |
| | 89,087 | 38,391 |
| Finance Costs | | |
| Interest paid/payable | 284,883 | 287,165 |
| Finance charges under finance leases and hire purchase contracts | 69,981 | 18,653 |
| Total Finance Cost | 354,864 | 305,818 |
| ASADA / salary cap related expenses | 195,755 | 1,568,530 |
| Depreciation and amortisation expense | 1,625,217 | 1,237,672 |

NOTE 5 - INCOME TAXES

The Income Tax Assessment Act, 1997 (amended) provides that under the concept of mutuality, clubs are only liable for income tax on income derived from non-members and from outside the entity.

| | 2014 | 2013 |
|---|---------------|-----------------|
| | \$ | \$ |
| INCOME TAX EXPENSE | | |
| Current tax (benefit)/expense | 24,544 | - |
| Over provision for previous years | - | (24,813) |
| Total income tax (benefit)/expense in profit or loss | 24,544 | (24,813) |
| Reconciliation of the effective tax rate | | |
| Surplus / (deficit) before income tax expense | 582,647 | (1,651,982) |
| Tax at the Australian tax rate of 30% (2013: 30%) | 174,794 | (495,595) |
| Tax effect of (benefit)/deficit in the Football Club (Income Tax exempt) | (377,747) | 459,639 |
| Income and expenditure of the Leagues Club subject to mutuality principal adjusted for non-deductible and specifically deductible items | 227,497 | 35,956 |
| Over provision in prior years | - | (24,813) |
| Income tax (benefit)/expense in profit or loss | 24,544 | (24,813) |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 5 - INCOME TAXES (CONTINUED)

| | 2014 | 2013 |
|--|----------------|----------------|
| | \$ | \$ |
| DEFERRED TAX LIABILITIES | | |
| Deferred tax liabilities comprise temporary differences attributable to: | | |
| Amounts recognised directly in equity | | |
| Revaluation of property, plant and equipment | 813,047 | 813,047 |
| Total deferred tax liabilities | 813,047 | 813,047 |

An unrecognised deferred tax asset arising from the difference between the tax and accounting bases of the residential land of \$4,085,619 is not brought to account as its realisation is not probable.

| | | |
|--------------------------------|--------|---|
| CURRENT TAX LIABILITIES | | |
| Current tax liability | 22,127 | - |
| | 22,127 | - |

NOTE 6 CASH AND CASH EQUIVALENTS

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| Cash on hand | 222,746 | 227,415 |
| Cash at bank | 1,104,151 | 795,391 |
| Total cash and cash equivalents | 1,326,897 | 1,022,806 |

NOTE 7 TRADE AND OTHER RECEIVABLES

| | 2014 | 2013 |
|--|------------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Trade receivables | 787,954 | 827,240 |
| Allowance for doubtful debts | (89,087) | (76,133) |
| Total net trade receivables | 698,867 | 751,107 |
| Other debtors | 189,187 | 38,681 |
| Prepayments | 149,355 | 165,127 |
| Total trade and other receivables | 1,037,409 | 954,915 |

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 7 TRADE AND OTHER RECEIVABLES (CONTINUED)

| | 2014 | 2013 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Analysis of Allowance Account | | |
| Opening balance | (76,133) | (182,463) |
| Provisions for doubtful receivables | (68,044) | (42,610) |
| Receivables written off during the year | 26,251 | - |
| Reversal of amounts provided | 28,839 | 148,940 |
| Closing balance | (89,087) | (76,133) |

NOTE 8 INVENTORIES

| | 2014 | 2013 |
|--|---------|---------|
| | \$ | \$ |
| CURRENT | | |
| Finished goods - at cost | 237,970 | 234,672 |
| <p>Write-downs of inventories to net realisable value recognized as an expense during the year amounted to \$29,973 (2013:\$16,794). The expense has been included in cost of sales in profit or loss.</p> | | |
| NON CURRENT | | |
| Land | 744,872 | - |

The Group has entered into a number of agreements to develop the retail complex. The Group transferred the cost value of the land from property, plant and equipment to inventory. It is classified as non-current as the Group does not expect the retail development to be completed within the next 12 months.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

| | 2014 | 2013 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Freehold Land | | |
| Residential land at directors valuation | - | 22,381,269 |
| At deemed cost | 1,076,436 | 1,821,308 |
| Total land | 1,076,436 | 24,202,577 |
| Buildings | | |
| At deemed cost | 6,520,000 | 6,520,000 |
| Accumulated depreciation | (2,322,792) | (2,218,436) |
| Total buildings | 4,197,208 | 4,301,564 |
| Building improvements | | |
| At cost | 26,821,378 | 26,705,052 |
| Accumulated amortisation | (7,891,515) | (7,340,303) |
| Total building improvements | 18,929,863 | 19,364,749 |
| Total freehold land and buildings | 24,203,507 | 47,868,890 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 2014 \$ | 2013 \$ |
|--|-------------------|-------------------|
| Plant and equipment | | |
| At cost | 11,238,608 | 10,946,435 |
| Accumulated depreciation | (9,553,076) | (9,215,945) |
| Total plant and equipment | 1,685,532 | 1,730,490 |
| Leased plant and equipment | | |
| At cost | 6,102,979 | 4,135,371 |
| Accumulated amortisation | (4,653,497) | (4,020,980) |
| Total leased plant and equipment | 1,449,482 | 114,391 |
| Total plant and equipment | 3,135,014 | 1,844,881 |
| Total non-current property, plant and equipment | 27,338,521 | 49,713,771 |

Reconciliations

| 2014 | Residential Land at Directors valuation \$ | Freehold Land \$ | Buildings \$ | Plant and Equipment \$ | Leased Plant and Equipment \$ | Total \$ |
|--|---|---------------------|-------------------|------------------------------|-------------------------------------|-------------------|
| Group | | | | | | |
| Carrying amount at beginning of financial year | 22,381,269 | 1,821,308 | 23,666,313 | 1,730,490 | 114,391 | 49,713,771 |
| Additions | 2,481,234 ⁽¹⁾ | - | 116,326 | 385,243 | 1,967,608 | 4,950,411 |
| Disposals | (24,862,503) ⁽¹⁾ | - | - | (93,069) | - | (24,955,572) |
| Reclassification | - | (744,872) | - | - | - | (744,872) |
| Depreciation | - | - | (655,568) | (337,132) | (632,517) | (1,625,217) |
| Carrying amount at end of financial year | - | 1,076,436 | 23,127,071 | 1,685,532 | 1,449,482 | 27,338,521 |

(1) During the financial year the Group continued with the development of the residential units on the Group's land. As at 31 May 2014, the Group and developer received approval for the relocation of the Club's existing training fields and facilities. At this point in time, whilst the Group still retains legal title of the land, for accounting purposes the Group has no ongoing involvement in decision making process with respect to the use of the land and the chance of the Group regaining control in the future is remote as such the Group has effectively sold its interest in the land. The revaluation increment of \$2,481,234 represents the increase in fair value from 31 October 2013 to 31 May 2014.

On the sale of the interest in the land, the Group was required to reclassify the accumulated balance (\$22,833,811) from the asset revaluation reserve to retained earnings and de-recognise the land asset (\$24,862,503) and recognise a financial asset which is measured at fair value with any future changes in value being recognised in the statement of comprehensive income as a finance income/expense. This asset represents the net present value of the cash proceeds the Group is expected to receive less the \$10,000,000 already received, once the development of the residential units is complete.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 October 2014, the Group revalued its financial asset and recognised a gain of \$2,280,774 in the statement of comprehensive income. This gain represents the increase in the expected proceeds the Group is to receive upon completion of the development of the residential units.

Reconciliations (Continued)

| 2013 | Residential Land at valuation | Freehold Land | Buildings | Plant and Equipment | Leased Plant and Equipment | Total |
|--|----------------------------------|---------------|------------|------------------------|-------------------------------|-------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Group | | | | | | |
| Carrying amount at beginning of financial year | - | 3,850,000 | 24,179,531 | 1,933,658 | 165,692 | 30,128,881 |
| Additions | - | - | 141,902 | 249,702 | 78,382 | 469,986 |
| Transfers | 2,028,692 | (2,028,692) | - | - | - | - |
| Revaluations | 20,352,577 | - | - | - | - | 20,352,577 |
| Depreciation | - | - | (655,120) | (452,871) | (129,682) | (1,237,673) |
| Carrying amount at end of financial year | 22,381,269 | 1,821,308 | 23,666,313 | 1,730,489 | 114,392 | 49,713,772 |

NOTE 10 FINANCIAL ASSET

| | 2014 | 2013 |
|--|------------|------|
| | \$ | \$ |
| Proceeds from sale of residential land | 17,143,277 | - |

The underlying land asset is pledged as security to the Developer's financier, ANZ bank. Refer to note 9 for further details.

NOTE 11 TRADE AND OTHER PAYABLES

| | 2014 | 2013 |
|----------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade payables | 1,763,581 | 1,151,385 |
| Other payables | 1,741,460 | 2,200,405 |
| GST liability | 139,062 | 74,839 |
| | 3,644,103 | 3,426,629 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 12 INTEREST BEARING LIABILITIES

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Unsecured | | |
| Members deposits | 84,382 | 86,639 |
| Secured | | |
| Bank loans - St George Bank Ltd | - | 3,052,781 |
| Directors loan (note 17) | 1,000,000 | - |
| Lease liabilities | 756,230 | 50,731 |
| Total secured current financial liabilities | 1,756,230 | 3,103,512 |
| <hr/> | | |
| Total current financial liabilities | 1,840,612 | 3,190,151 |
| <hr/> | | |
| | 2014 | 2013 |
| | \$ | \$ |
| NON-CURRENT | | |
| Secured | | |
| Loan - Private lender (1) | 3,000,000 | - |
| Lease liabilities | 634,679 | 18,300 |
| Total secured non-current financial liabilities | 3,634,679 | 18,300 |

(1) During the financial year, the Company entered into a loan agreement to borrow \$3,000,000 with interest charged at 10% per annum. The loan is repayable on 14 February 2018 and is subject to customary terms and conditions.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 12 INTEREST BEARING LIABILITIES (Continued)

The carrying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

| | Note | 2014 \$ | 2013 \$ |
|---|------|-------------------|-------------------|
| CURRENT | | | |
| Floating charge | | | |
| Cash and cash equivalents | 6 | - | 527,420 |
| Receivables | 7 | - | 602,528 |
| Inventories | 8 | - | 99,773 |
| Total current assets pledged as security | | - | 1,229,721 |
| NON-CURRENT | | | |
| First mortgage | | | |
| Freehold land | 9 | 1,076,400 | 1,821,308 |
| Buildings | 9 | 13,102,659 | 23,666,313 |
| | | 14,179,059 | 25,487,621 |
| Finance leases | | | |
| Plant and equipment | 9 | 1,350,088 | 60,245 |
| Fixed & Floating charge | | | |
| Plant and equipment | 9 | - | 911,513 |
| Total non-current assets pledged as security | | 15,529,147 | 26,459,379 |
| Total assets pledged as security against borrowings of the consolidated entity | | 15,529,147 | 27,689,100 |

In addition to the above the land underlying the financial asset is pledged as security for the borrowings of the development partner.

| Total assets pledged as security | | |
|---|-------------------|-------------------|
| Current | - | 1,229,721 |
| Non-current | 15,529,147 | 48,840,648 |
| | 15,529,147 | 50,070,369 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 13 PROVISIONS

| | 2014 | 2013 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Provision for annual leave | 173,340 | 293,237 |
| Provision for long service leave | 137,163 | 135,121 |
| Total current provisions | 310,503 | 428,358 |
| NON CURRENT | | |
| Provision for long service leave | 27,404 | 40,627 |

Non-current long service leave comprises amounts which are not vested at balance date and current long service leave represents the amount which is vested and the amount and timing of payments to be made when leave is taken is uncertain

NOTE 14 INCOME IN ADVANCE

| | 2014 | 2013 |
|--------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Subscriptions in advance | 28,342 | 48,971 |
| Income in advance | 720,529 | 212,443 |
| Commission in advance | 20,917 | 20,292 |
| | 769,788 | 281,706 |

NOTE 15 OTHER LIABILITIES

| | 2014 | 2013 |
|--------------------|------|------------|
| | \$ | \$ |
| NON CURRENT | | |
| Deferred Revenue | - | 10,000,000 |

On 23 November 2012 Sharks Residential Pty Ltd, a wholly owned subsidiary, repaid to the Leagues Club an amount of \$10,000,000, funded by a long term loan from the Developer Partner which is only repayable from Sharks Residential Pty Ltd's share of the sale proceeds from the first 314 units of the future proposed development of the residential property.

To facilitate the loan from the Developer Partner, a mortgage was secured over Lot 20 DP 529644 in favour of the Developer Partner's financier, ANZ Bank. The \$10,000,000 was used by the Leagues Club to meet a financial obligation to St George Bank reducing the borrowings of the Leagues Club and enabling it to complete a refinancing of its debt facilities.

Refer to note 9 for further details.

NOTE 16 CASH FLOW INFORMATION

| | 2014 | 2013 |
|---|-----------|------|
| | \$ | \$ |
| Non-cash financing and investing activities | | |
| Acquisition of plant and equipment by means of finance leases | 1,259,118 | - |

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 17 RELATED PARTY TRANSACTIONS

Cronulla-Sutherland Leagues Club Limited - Parent Entity

Cronulla-Sutherland Leagues Club Limited is the parent entity of the Group. Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd and Sharks Retail Pty Ltd are the controlled entities of the Leagues Club.

Transactions with related parties

Transactions with Directors and Director Related Entity

| | 2014 | 2013 |
|---|--------|--------|
| | \$ | \$ |
| The following transactions were on normal terms and conditions: | | |
| Fees paid for legal services | 6,000 | 67,872 |
| Fees paid for accounting services | - | 14,447 |
| Sale of football corporate hospitality | 60,755 | 31,237 |

The Group occasionally enters into contracts with other entities that are controlled or significantly influenced by one of its directors. All contracts are based on normal commercial terms and conditions.

Key management personnel compensation for non-disclosing entity

| | 2014 | 2013 |
|-----------------------------|-----------|-----------|
| | \$ | \$ |
| Key Management Compensation | 1,553,786 | 1,020,799 |

DIRECTORS LOAN

During the financial year the Company received a \$1 million loan from an entity related to one of the Company's Directors. The loan is repayable on 1 May 2015 and interest is charged on the loan at 10% per annum. Subsequent to year end the lender has agreed not to call the loan until 1 February 2016 if the calling of the loan would result in the Club not being able to pay its debts as and when they fall due.

NOTE 18 CONTINGENCIES

Contingent Liabilities - Leagues Club

At 31 October 2014, the Leagues Club and controlled entities had contingent liabilities as set out below:

Securities held over assets

ANZ Bank has secured a mortgage over the land owned by Sharks Residential Pty Ltd, under which Bluestone Capital borrows funds to fund the residential development. If Bluestone Capital were to default on the mortgage, ANZ could sell the land to recoup its loan.

Contingent Liabilities

On March 6 2014 the NRL issued a breach notice determination including a \$1 million fine of which \$400,000 is suspended subject to satisfaction by the Club of certain governance criteria. The Contingent Liability of \$400,000 remains suspended at the date of this report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 19 COMMITMENTS

| LEASE COMMITMENTS | 2014 | 2013 |
|---|------------------|----------------|
| | \$ | \$ |
| Operating lease | | |
| Within one year | - | 483,357 |
| Later than one year but not later than 5 years | - | 469,900 |
| Total future minimum lease payments under operating leases | - | 953,257 |
| FINANCE LEASE - NON-CANCELLABLE | | |
| Within one year | 686,806 | 53,293 |
| Later than one year but not later than 5 years | 572,314 | 18,538 |
| TOTAL FUTURE MINIMUM LEASE PAYMENTS | 1,259,120 | 71,831 |
| Total future finance charges | 131,789 | (2,800) |
| Lease liabilities | 1,390,909 | 69,031 |

Lease liabilities are represented in the financial statements as follows:

| | | |
|-----------------------|------------------|---------------|
| Current (note 12) | 756,230 | 50,731 |
| Non-current (note 12) | 634,679 | 18,300 |
| | 1,390,909 | 69,031 |

The Football Club has a 10 x 5 year lease with the Leagues Club for the use of the playing field and associated facilities, which commenced 31 October 1994 for nil consideration.

NOTE 20 PARENT ENTITY

Information relating to Cronulla-Sutherland Leagues Club Limited:

| | 2014 | 2013 |
|--|------------------|-------------------|
| | \$ | \$ |
| Statement of Financial Position | | |
| Current assets | 1,054,147 | 1,229,721 |
| Total assets | 35,810,996 | 29,754,096 |
| Current liabilities | 2,289,686 | 4,617,671 |
| Total liabilities | 6,740,857 | 5,455,137 |
| Retained earnings | 28,325,268 | 24,298,959 |
| Statement of comprehensive income | | |
| Surplus for the year | 4,771,181 | 20,257,535 |
| Other comprehensive income | - | - |
| Total comprehensive income | 4,771,181 | 20,257,535 |

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED

AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

NOTE 21 SUBSEQUENT EVENTS

Subsequent to year end the Club sourced agreements to provide on call funding to the Club of \$1.5 million should it be required. The applicable interest rate would be 7.25%. As disclosed in note 17 the terms of the loan from a related party of a Director have also been amended.

Other than the above (note 18), there are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may affect the operations of the club, the results of those operations, or the state of affairs of the club in future financial years

NOTE 22 MEMBERS GUARANTEE

The Company is limited by guarantee. If the Company is wound up, the constitution states that each member is to contribute a maximum of \$1 each towards meeting any outstanding obligations of the company. At 31st October 2014 the number of financial members totalled 18,739 (2013:18,443).

NOTE 23 REGISTERED OFFICE

461 Captain Cook Drive, Woollooware New South Wales 2230

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2014

Declaration by Directors

The Directors declare that:

1. The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

- (a) comply with Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 October 2014 and of its performance for the year ended on that date.

2. In the directors opinion at the date of this declaration there are reasonable grounds to believe that the Leagues Club 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 and is signed for and on behalf of the directors by:



D. Keogh
Chairman



A. Boldeman
Director

Dated this 19th day of December 2014



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Independent auditor's report to the members of Cronulla-Sutherland Leagues Club Limited

Report on the financial report

We have audited the accompanying financial report of Cronulla-Sutherland Leagues Club Limited, which comprises the consolidated statement of financial position as at 31 October 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES



Opinion

In our opinion, the financial report of Cronulla Sutherland Leagues Club Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the financial position of the consolidated entity at 31 October 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(p) in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in red ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in red ink that reads 'Daniel Cunningham'.

Daniel Cunningham
Partner
Sydney
19 December 2014



GRONULLA SHARKS - INSPIRING GREATNESS

OUR COMMUNITY

WOOLLOOWARE BAY
TOWN CENTRE

*“Building
a sense of
ownership
and pride
in our
community.”*



