

ANNUAL REPORT 2016



ABN 54 000 202 826

FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2016

OUR VISION

Our Vision is to be Australia's leading, sporting, lifestyle and entertainment destination, loved, embraced and respected for the positive impact we have on our community and its people.



From grassroots to elite NRL teams for both male and female players, we are the galvanising force that unites our community.



The spiritual home of our Sharks community: our licensed club plays an integral role in the lives of our Members and fans of all ages.



**SOUTHERN
CROSS
Group
STADIUM**

Our Stadium ownership gives us the unique ability to create bespoke brand activations, fan experiences and events.



WOOLOOWARE BAY

A vibrant town centre with a residential and retail community reflecting our relaxed coastal lifestyle with the 17,500 sq metre retail centre forecast to attract 100,000 visitors per week.



Our Sharks Have Heart Foundation is the social-impact arm of our Club and is the driving force of our benchmark community programs.

OUR ACHIEVEMENTS

Off the field we have been acknowledged for our excellence and growth. Our achievements in 2016 include:



Ranked #1 for overall Member satisfaction in the NRL.
(Source: NRL Membership Report – Enhance Research)



Ranked #1 for game day atmosphere at home games.
(Source: EY Sweeney report)



Ranked #1 for digital media communications across the whole of the NRL.
(Source: NRL Membership Report – Enhance Research)



First NRL Club to develop a pathway for Women's Rugby League.



The benchmark NRL Club for social impact and engagement through our broad range of community programs.
(Source: GM – One Community NRL)



Sharks Leagues Club award winning recognition by ClubsNSW for extraordinary community leadership and resourcefulness.



Our Foundation recognised as the benchmark for all other sporting foundations to follow for design and clarity of vision.
(Source: Australian Sports Foundation)



SOUTHERN CROSS Group STADIUM

Venue of choice for the 2017 Women's Rugby League World Cup, as well as playing host to international football (soccer) and international rugby league facility.



OUR REACH

KEY METRICS



20.6m cumulative national TV audience



580,000 game attendance



over **220,000** people engaged through our community, social impact and sports active initiatives



131,000 cumulative annual visits to the Licensed Club by 30,000 Licensed Club Members



14,325 Football Club Members

We have strong ties to our proud and passionate Members, but our reach and engagement of fans and the community is far broader.

MEDIA



Delivered **\$51.6m** in media value to our partners



Our jersey front asset is the 5th most valuable jersey front property across all football codes, with the jersey sternum position being the top performing asset in the NRL.
(Source: Nielsen Sports)



Our front of shorts delivered the second highest exposure and value in the NRL.
(Source: Nielsen Sports)

DIGITAL



75% year-on-year growth across all digital platforms



6.9m page impressions in the 2016 season



1.2m unique browsers in-season

SOCIAL



161k Followers



62k Followers



51k Followers



2.1k average weekly views

Chairman's Report

2016 Historic first Premiership win: Time to turn the Porch Light Off

For die hard Sharks fans that had waited almost fifty years for the Club's maiden premiership the last thirty seconds of the Grand Final win over Melbourne was horribly tense. In many ways these last seconds reflected the journey that the Club has been through since its formation in 1967. Nothing has been easy, particularly premiership success, but also off the field the Club has faced significant financial adversity and other challenges. Through this all, a Club of great resilience and character has emerged with loyal Members and fans in the Shire and throughout the country.

There is no other image that captures the emotion and history of the achievement more than captain Paul Gallen embracing Club great Andrew Ettingshausen at the end of the game. Both of them 'one Club' legends with 600 games between them in the black, white and blue sharing the triumph.

As we celebrate our fiftieth birthday in 2017, the Premiership win will springboard the Club into the next fifty years with great optimism for continued success on and off the field. In the business of sport one cannot happen without the other.

Over the past few years we have invested in growing our capabilities in every aspect of our business. Our Group CEO Lyall Gorman and his executive team have been pivotal in ensuring the foundations of our Club are strong. NRL benchmarking shows that the Cronulla Sharks have been a leader in growing commercial revenue and fan and community engagement over recent seasons.

With increased funding for Clubs flowing from the new broadcast deal to begin in 2018 as well as revenue beginning to flow from the property development, the Club is well positioned financially as we move into the future. However this is no guarantee for ongoing success. Many Clubs in the NRL that are financially strong have struggled for on field success. We must continue to challenge ourselves to improve in every area of our business to become the "Club of Choice". At the same time we must ensure our core values are at the heart of everything we do.

Financial Performance

Full details can be found in the audited report. The continued positive financial performance of the Group can be illustrated by the combined financial operating revenue of the Football Club and Leagues Club growing from \$22m in 2012 to \$37m in 2016, a 68% increase.

Of this growth, less than \$4m has derived from increased NRL grants under the current broadcast agreement. We have seen strong growth in all major commercial areas of the Football Club over recent years with increases in sponsorship, hospitality and merchandise stand out. We continue to develop greater acumen in our commercial department to grow revenue into the future.

Together with momentum from the premiership win, the off field management saw the combined entities of the Leagues Club and Football Club report a surplus of \$850,337 in 2016.

Our Leagues Club performed strongly on the back of our team's success and recorded a surplus of \$411,828 in 2016. With plans for a new licensed facility in the retail development there has been little capital expenditure invested in this asset in many years so the result is a credit to management.

The Club had positive cash flow throughout the season. In many ways this is the most important financial indicator. The ability of the organisation to meet our expenses is imperative, ensuring we do not have to increase our debt.

In coming years revenue will begin to flow from the property development. This money will need to be managed and invested wisely to ensure the long term financial stability of the Club. The ability to retire debt, fund the new Leagues Club and ensure a 'future fund' are foremost in our plans.



The Football Club

All teams involved with the Club represented the jersey with distinction in 2016. Full credit to Shane Flanagan and his coaching and football department staff for instilling consistent processes, discipline, values and playing philosophies through each team. Needless to say capturing our first NRL Premiership was the on field highlight of the year. All sixteen teams start the season with the objective of winning the Premiership. History shows that only those teams that make the top four can ultimately win the title. That was the objective at the start of the 2016 season.

With new halves pairing James Maloney and Chad Townsend quickly gelling, Shane Flanagan's men unleashed an incredible Club record fifteen straight wins before drawing with the Gold Coast Titans in a torrid Monday night clash. With a top four spot almost guaranteed the team wavered for a few weeks before regrouping with three great wins in the finals.

The win over the Raiders in Canberra was courageous and inspiring and laid the platform for the Premiership. Minus Gallen pre-game and losing Wade Graham moments into the game, the steady heads of Lewis, Fifita, Prior and Ennis secured a "come from behind" victory for the ages.

Following a fortnight's rest the team disposed of the current title holders the Cowboys in spectacular fashion and set up a date with destiny against the Storm in the Grand Final. With ANZ Stadium bathed in a sea of blue, the team delivered for our fans in an intense battle.

Of the Grand Final team there are a few players who have retired or left the Club. Most notably Mick Ennis who, in two brief years, played so well for the Sharks and was able to punctuate an outstanding career with a premiership win. Ben Barba was magnificent all year at full back and was able to resurrect career best form during the 2016 season. We wish them all the best for the future.

Thanks

I would like to make further acknowledgement of the following people for their great contribution to the Club:

- The excellent leadership and acumen of Group CEO Lyall Gorman
- Our Head Coach Shane Flanagan and Captain Paul Gallen
- All our Premiership players and staff
- The Board Members who give their time and expertise voluntarily
- All the paid, part-time and volunteer staff at the Football Club and Leagues Club
- Our valued partners and corporate supporters
- Cronulla Sharks Members – the lifeblood of our Club

Damian Keogh AM

OpalSolar



coateshire



CrownBet



Woolworths

Group CEO Report



2016 was a year in which we continued to challenge ourselves to raise the bar across all pillars of our business as our focus on becoming the “Club of Choice” across professional sport, leisure and entertainment, continued to gain momentum.

A Club that, through its continued application of its core vision, values and culture combined with its thirst and hunger for success in every aspect of its business, will always be at the forefront of its community as a significant contributor and source of pride and inspiration.

A Club which continues to attract only the very best people on and off the field and a Club where only the very best people want to be.

A Club where success is not only measured by the incredible achievements of our football team in 2016 delivering our first ever Premiership but that is also recognised and valued for the ongoing and true difference it makes to its community.

While 2016 will rightly be etched in history forever and a day from a football club perspective it will also go down as a catalyst for a stronger and better future for our Club on the back of so many other outstanding milestones achieved throughout the year. Some of these include:

- The completion and occupation of Stage 1 of our Woolooware Bay Residential Development marking the beginning of a vibrant new town centre for our region.
- The commencement of Stage 2 of the Woolooware Bay Residential Development with a projected completion date of March 2018.
- Recognition as the benchmark NRL Club for social impact and engagement through our broad range of community programs including our:
 - Sharks Make Bullying History initiative
 - Leading edge indigenous and Reconciliation Action Plan (RAP) Committee and programs
 - Strong focus on eradicating violence against women through our engagement with Beauty Bank and White Ribbon
 - Sharks Resilience Initiative, which aims to strengthen mental health and happiness in our communities
- 220,000 people being impacted through our social impact, community, and sports active initiatives.
- Partnering and innovation with key stakeholders to deliver a significant increase in female participation and 15% increase in all Junior League participation.
- Our Leagues Club’s extraordinary leadership and resourcefulness during the Kurnell storms which earned award winning recognition in the Emergency Services category by ClubsNSW.
- Hosting and delivering the Capital Bluestone and Sharks Group Career Expo which earned award recognition in the Education Category by ClubsNSW.
- Our exceptional Sharks Have Heart Foundation being recognised by the Australian Sports Foundation as one of the leading sporting foundations.
- Hosting the world premiere of “Holding On” a true story of a group of friends from Cronulla, who through their reckless, no holds-barred approach to living life and riding waves changed the sport of bodyboarding forever.
- Hosting the Shire Small Business Awards.
- Hosting the biggest party the Shire has ever seen. During the week preceding and the week after the Sharks 2016 Premiership win the Leagues Club hosted over 15,000 people – including over 4,500 people for the post game fan day.
- Southern Cross Group Stadium playing host to international football (soccer) and international rugby league during 2016 as well as being selected as the venue for the 2017 Women’s Rugby League World Cup.
- Our membership base across the group growing by 66% from 2012 to 2016 to:
 - 14,325 Football Club Members
 - 24,410 Leagues Club Members

- 580,000 members and supporters attending our NRL normal season and finals series matches.
- The continued elevation of our commitment to member and fan engagement reflected in being:
 - Ranked #1 for overall Member satisfaction across the NRL
 - Ranked #1 for game day atmosphere at home games in the NRL
 - Ranked #1 for digital communications across the NRL
- The outstanding contribution of our Members Council and volunteer Sharkcrew.
- \$987,000 growth in revenue across our invaluable corporate partnerships family to a record \$7.013 million.
- Our Merchandise and Licensing revenue, for the first time ever, exceeding 3 million dollars on the back of our incredible 16 game undefeated surge and even more outstanding finals series results.
- Our media and digital assets reaching remarkable new heights including:
 - Achieving a 20.6 million cumulative national TV audience across our normal season and Finals Series playing schedule
 - Delivering \$15.6 million in media value to our major corporate partners
 - In excess of 257,000 people being engaged via our social media channels
 - Fifth most valuable Front of Jersey across all four football codes
- The first NRL Club to develop a pathway for Women’s Rugby League and hosting the inaugural game.
- In recognition of the quality and calibre of our NRL team, a remarkable presence of our players in 2016 representative teams:
 - City Origin - Wade Graham and Chad Townsend
 - Country Origin - James Maloney and Jack Bird
 - NSW Origin - Paul Gallen (Captain), James Maloney, Wade Graham, Andrew Fifita and Jack Bird
 - Australia Test - James Maloney and Valentine Holmes
 - New Zealand Test - Gerard Beale
 - Pacifica Test Tonga - David Fifita
 - Pacifica Test Samoa - Fa’amanu Brown, Ricky Leutele and Sam Tagataese



As we look ahead, our future remains incredibly exciting as we focus our energies on key areas of our business including:

- Continuing to work with our joint venture partner, Capital Bluestone, to deliver the Woolooware Bay residential and retail development.
- The development of our new “state of the art” licensed facility.
- Ensuring the provision of leading edge and best practice high performance facilities for our football teams through the development of a multi-faceted Centre of Excellence.
- The continued enhancement of the pipeline for our next generation of talented athletes through our Academy and elite player pathway structures and programs and engagement with our local Junior League.
- Exploring opportunities to uplift the facilities at our home ground, Southern Cross Group Stadium while simultaneously bringing new and diverse content to it.
- Expansion of our many and growing social impact programs and initiatives.
- The delivery of the four pillars of our Sharks Have Heart Foundation.
- The continued growth of, and engagement with, our Members and broader Sharks family.
- Broadening our business coterie and connectivity with our corporate partners through our growing Sharks in the City program.

Great things are never achieved without great people and we are truly blessed at every level of our business whether it is our Board, our management and coaching team, our playing groups across our Club, our remarkable corporate family, the incredible support we receive from all levels of Government and you our Members.

Without the contribution of this wonderful group of people pulling in the same direction we could not and would not be where we are today.

Our commitment remains unwavering to provide you with a strong, financially viable Club on and off the field of which you are always proud.

While there has been much accomplished and we rightly celebrate the wonderful achievements of our NRL squad in 2016 we cannot be satisfied or rest on our laurels. There remains still so much more to do.

As I have said from day one, “Together we can and will create something very special”.

I look forward greatly to continuing to share that journey with you.


Lyall Gorman

Community Report

2016 was the year we took our community, engagement and pathways programs to an unprecedented level. Sharks Make Bullying History, our relationship with Recognise and the Beauty Bank partnership have gone from strength to strength. Our new Sharks Resilience Framework, Reconciliation Action Plan and Women's 9's program have truly positioned us as the Club of Choice in 2016 and into the future.

In 2016 our players attended over 600 community events, totalling 1,787 hours of appearances. The community also benefited from donations of over \$50,000 worth of signed jerseys, footballs and game day tickets.

Off the back of a very successful community program in 2015, 2016 saw the development of current hallmark programs and the launch of some new and exciting initiatives.

The Sharks Make Bullying History Initiative aims to erase bullying in the Sutherland Shire through delivering motivational and engaging presentations to students, school leaders, teachers, parents, business and community groups. We delivered 16 programs in 2016 with the aim of delivering to every school in the Sutherland Shire within 3 years as well as rolling the program out across NSW regional schools.

The Beauty Bank supplies life's little luxuries to those in need by collecting beauty and hygiene products, which are then packaged and redistributed. With our Club's help, The Beauty Bank has had an opportunity to grow and become one of Australia's outstanding charities. Working with the Beauty Bank's Founder and 2016 NSW Women of the Year, Jen Armstrong, we supported the fit out of a new factory for delivery and sorting of products. Additionally we assisted with raising The Beauty Bank's brand awareness by including their logo on the front of our NRL Women in League Round jersey.



In 2016 we joined forces with community organisation Gig Buddies and established Sharks Buddies, a program which helps decrease social isolation for people with a mental or physical disability. The initiative sees program participants partnered with a 'Sharks buddy', who then attend Sharks home games together. During the 2016 season, 60 program participants attended a game day with their Sharks Buddy.

We have been developing a Reconciliation Action Plan (RAP) over the last year which has recently been adopted by Reconciliation Australia. Due to our Club leading work with Recognise and our comprehensive indigenous programs, our RAP has been elevated immediately to Stage 2 (Innovate Stage). Our RAP will enable us to strategically align our indigenous projects, programs and initiatives resulting in a consistent and clear direction to ensure we make a real difference.

During 2016 we have been working on a primary school book resource to assist in building resilience within children. Called 'Game On', all characters included in the story are Sharks related and the resource will go into every school in the Sutherland Shire and the Riverina accompanied with a teacher's pack. This program will officially launch in 2017.

We are proud to report that in 2016 we created the very first Women's NRL team. We have 6 home games programmed for 2017 and along this journey have seen a significant increase in female participation in several forms of the Game in our local area. Our local Junior Rugby League Association has also increased participation numbers by 15%.

Paul Gallen was nominated as a finalist for the Ken Stephens Medal, an NRL award recognising the efforts of a player who has not only achieved on the field, but has also committed much time and effort off the field to community projects. In 2016 Paul donated 110 hours back to the local community in over 40 appearances. Paul was one of a number of players to go above and beyond for both the community and Club. We aim to take our player engagement in community programs and initiatives to a new level in 2017 with increased education and training.

Our Leagues Club offered its support to numerous community organisations throughout 2016, with a total of \$91,556 cash and 'in kind' donations allocated to 13 vital Sutherland Shire organisations and programs via ClubGRANTS Category 1 funding:

Make Bullying History Initiative	\$30,000
Westpac Helicopter Housie	\$26,250
The Beauty Bank	\$10,000
Survivor Life Skills Program	\$7,000
Rainbow Club Australia	\$7,000
Sutherland Shire Family Services	\$3,500
St Johns Ambulance	\$3,000
Men of League Foundation (in kind)	\$1,600
Tomorrows Stars Community Program (in kind)	\$1,227
Civic Disability Services (in kind)	\$1,200
Probus Club (in kind)	\$454
Diabetes NSW (in kind)	\$170
Project Youth (in kind)	\$154

Category 2 funding saw over \$247,142 cash and \$169,087 'in kind' support also donated to the following organisations:

Cronulla Sutherland DRLFC	\$225,000
Cronulla Sutherland Sports Council	\$12,000
Kurnell Storm Relief	\$5,142
Cronulla-Sutherland DJRFL	\$5,000
Support of local community organisations and schools (in kind)	\$116,879
Support of local sporting organisations (in kind)	\$52,208

Winning the NRL Premiership was one of many outstanding triumphs for our Club in 2016. In 2017 out in the community, we're looking forward to creating many more.



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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 2016.

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:

Damian Keogh – Chairman
Darren McConnell
Dino Mezzatesta
Craig Airey
Kevin Dwyer (retired 14 November 2016)
Dane Sorensen (re-elected 31 March 2016)
Paul O'Neile
Paul McCarthy (retired 31 March 2016)
Andrew McVeigh (elected 31 March 2016)
Scott Briggs (elected 27 July 2016)
Glen Gorrick (retired 31 March 2016)

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 Sutherland Shire.
- Optimise the value from the clubs property assets.
- To ensure the long term future of the National Rugby League 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 cost 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 food and beverage revenue
- Total wages paid
- Total grants paid to the Football Club and Community Organisations
- Attendances at the Club
- Membership numbers

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE YEAR ENDED 31 OCTOBER 2016

Information on Directors



**Damian Keogh AM
Chairman**

Qualifications: BCom.
Experience and expertise: Club Director, Company Director, CEO
Special responsibilities: Chairman-Board of Directors, Member of Remuneration subcommittee, Member of Nominations subcommittee.



**Darren McConnell
Director**

Qualifications: MBus.
Experience and expertise: Club Director, Company Director, Human Resources Consultant
Special responsibilities: Director, Member of Remuneration subcommittee, Member of Development subcommittee, Member of Nominations subcommittee, Director of Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



**Dino Mezzatesta
Director**

Qualifications: ADV DIP
Experience and expertise: Club Director
Special responsibilities: Director, Member of Development subcommittee, Director of Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



**Andrew McVeigh (elected 31 March 2016)
Director**

Qualifications: BBus, Grad Dip Finance, CPA
Experience and Expertise: Club Director, Company Director, Chief Financial Officer
Special responsibilities: Director, Chairman of Audit, Risk and Compliance Committee, Chair of Development subcommittee.



**Craig Airey
Director**

Qualifications: NSW LC Elec Con
Experience and expertise: Company Director, Club Director, Business Owner
Special responsibilities: Director, Member of Disciplinary subcommittee.



**Kevin Dwyer (retired 14 November 2016)
Director**

Qualifications: BCom, LLB
Experience and expertise: Club Director, Company Director, Lawyer
Special responsibilities: Director, Chair of Disciplinary subcommittee.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**Dane Sorensen (re-elected 31 March 2016)
Director**

Qualifications: NSW LC Building Con
Experience and expertise: Club Director, Past Club Elite Player
Special responsibilities: Member of Disciplinary subcommittee, Director Nominee to Player Education & Welfare Committee.



**Paul O'Neile
Director**

Qualifications: BCom
Experience and expertise: Club Director, CEO
Special responsibilities: Director, Member of Audit, Risk and Compliance Committee.



**Paul McCarthy (retired 31 March 2016)
Director**

Qualifications: BEc, MSAA
Experience and expertise: Company Director, Club Director, Financial Analyst
Special responsibilities: Director, Chairman of Audit, Risk and Compliance Committee.



**Scott Briggs (elected 27 July 2016)
Director**

Qualifications: B. Juris, LLB
Experience and Expertise: Club Director, Company Director, Chief Executive Officer
Special responsibilities: Government Liaison, Grants Committee.



**Glen Gorrick (retired 31 March 2016)
Director**

Qualifications: AVDIP, Cert III PTI, Cert IV WHS
Experience and expertise: LC Elec Con, Business Owner
Special responsibilities: Director Nominee to Player Education and Welfare Committee.

Meetings of Directors

	Held	Attended
Damian Keogh	13	13
Darren McConnell	13	13
Dino Mezzatesta	13	12
Craig Airey	13	12
Andrew McVeigh	7	6
Kevin Dwyer	13	11
Dane Sorensen	13	10
Paul O'Neile	13	11
Paul McCarthy	6	6
Scott Briggs	4	4
Glen Gorrick	6	0

Represents the number of meetings held during the time the Director held office.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND CONTROLLED ENTITIES

FINANCIAL REPORT FOR THE YEAR ENDED 31 OCTOBER 2016

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 24,410 (2015: 19,337) 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 2001 at Cronulla this 21st day of December 2016.



D Keogh
Chairman



A McVeigh
Director



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

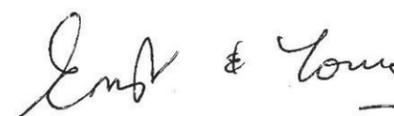
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Auditor's independence declaration to the Directors of Cronulla-Sutherland Leagues Club Limited

As lead auditor for the audit of Cronulla-Sutherland Leagues Club Limited for the financial year ended 31 October 2016, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Cronulla-Sutherland Leagues Club Limited and the entities it controlled during the financial year.



Ernst & Young



Daniel Cunningham
Partner
21 December 2016

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 OCTOBER 2016**

	Note	2016 \$	2015 \$
Revenue from sale of goods	2	8,842,303	5,483,636
Revenue from rendering of services	2	10,416,743	9,517,167
Other revenue	2	17,667,483	16,270,176
Revenue from continuing operations		36,926,529	31,270,979
Other income	3	3,381,912	2,022,783
Cost of sales		(4,054,170)	(2,165,594)
Bar and catering expenses		(2,276,980)	(1,975,039)
Marketing expenses		(5,897,827)	(5,755,990)
Occupancy expenses		(2,450,927)	(2,366,772)
Administrative expenses		(3,077,995)	(2,707,997)
Gaming expenses		(2,819,656)	(2,078,590)
Gaming taxes		(2,478,611)	(2,255,828)
Development expenses		(576,444)	(387,069)
Other expenses		(2,223,651)	(2,022,133)
Football expenses		(12,940,961)	(12,561,679)
Surplus/(deficit) before finance costs		1,511,219	(982,930)
Finance costs	4	(643,918)	(554,020)
Surplus/(deficit) before tax		867,301	(1,536,950)
Income tax benefit/(expense)	5	(16,974)	(15,654)
Surplus/(deficit) after tax		850,327	(1,552,604)
Total other comprehensive income for the year		-	-
Total comprehensive income /(loss) for the year		850,327	(1,552,604)

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 2016**

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,849,004	1,039,746
Trade and other receivables	7	3,041,736	1,840,408
Inventories	8	657,909	193,486
Total current assets		5,548,649	3,073,640
Non-current assets			
Inventory	8	744,872	744,872
Property, plant and equipment	9	26,178,600	27,014,443
Derivative asset	10	20,136,462	18,240,521
Total non-current assets		47,059,934	45,999,836
Total assets		52,608,582	49,073,476
LIABILITIES			
Current liabilities			
Trade and other payables	11	5,807,035	4,344,494
Interest bearing liabilities	12	3,224,123	2,463,403
Short term provisions	14	434,865	424,870
Current tax liability	5	31,750	23,217
Income in advance	15	933,868	2,119,725
Total current liabilities		10,431,641	9,375,709
Non-current liabilities			
Interest bearing liabilities	12	3,745,535	3,626,861
Loan - NRL	13	1,500,000	-
Deferred tax liabilities	5	813,047	813,047
Long term provisions	14	53,953	43,780
Total non-current liabilities		6,112,535	4,483,688
Total liabilities		16,544,176	13,859,397
Net assets		36,064,406	35,214,079
EQUITY			
Retained earnings		36,064,406	35,214,079
Asset revaluation reserve		-	-
Total equity		36,064,406	35,214,079

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 2016**

	Note	2016 \$	2015 \$
Cashflows from operating activities			
Cash receipts from customers and sponsors		31,956,830	25,340,019
Grants		9,167,617	9,836,953
Cash paid to suppliers and employees		(41,022,122)	(33,714,461)
Other interest received		9,301	4,759
Rent received		85,800	85,800
Interest paid		(461,845)	(451,225)
Income taxes paid		3,024	(7,799)
Net cash (outflow)/inflow from operating activities		(261,394)	1,094,046
Cash flows from investing activities			
Purchase of property, plant and equipment		(426,083)	(886,370)
Proceeds from sale of property, plant and equipment		-	45,000
Net cash (outflow)/inflow from investing activities		(426,083)	(841,370)
Cash flows from financing activities			
Proceeds from borrowings		2,400,000	500,000
Repayment of borrowings		-	-
Capital element of finance lease costs		(903,266)	(1,039,826)
Net cash inflow/(outflow) from financing activities		1,496,734	(539,826)
Net increase/(decrease) in cash and cash equivalents		809,257	(287,151)
Cash and cash equivalents at beginning of period		1,039,746	1,326,897
Cash and cash equivalents at end of period	6	1,849,004	1,039,746

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 2016**

	Retained Earnings \$	Asset Revaluation Reserve \$	Total Equity \$
At 1 November 2014	36,766,683	-	36,766,683
Deficit for the year	(1,552,604)	-	(1,552,604)
Other comprehensive income:	-	-	-
Total comprehensive income	(1,552,604)	-	(1,552,604)
At 31 October 2015	35,214,079	-	35,214,079
At 1 November 2015	35,214,079	-	35,214,079
Surplus for the year	850,327	-	850,327
Other comprehensive income:	-	-	-
Total comprehensive income	850,327	-	850,327
At 31 October 2016	36,064,406	-	36,064,406

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 2016**

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 2016 were authorised for issue in accordance with a resolution of the directors on 21st December 2016 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. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

(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 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.

The financial statements have been prepared on an accruals basis and are based on historical cost and do not take into account the changing values of money, except financial assets which are measured at fair value.

(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 functions, catering, beverages and merchandise 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.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

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 is 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.

(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 of disposal and value in use.

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.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 1 - 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 significantly aged debtors. 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.

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% - 36.0%
Plant and equipment	5.0% - 33.3%
Leased plant and equipment	6.7% - 33.3%

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.

(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.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

(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 vesting 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-vesting 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 Group 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 corporate bond rates at reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

(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 \$883,222 (2015: \$1,347,481) and the consolidated entity's current liabilities exceeded its current assets by \$4,505,008 (2015: \$6,302,069). During the year ended 31 October 2016 the consolidated entity incurred an operating profit of \$850,327 (2015: \$1,552,604 operating loss).

Subsequent to year end, the Group secured an undertaking from the lender who provided the Group with a \$1 million loan that they will not seek repayment of the loan until 1 March 2018, if the seeking repayment of the loan would result in the Group not being able to pay its debts as and when they fall due.

During the year, the Group renegotiated an increase of \$900,000 to the existing Group finance facility. This now provides access of up to \$2.7 million should it be required to ensure the Group is able to meet its debts as and when they fall due. As of the date of this report, the Group has drawn down \$1.4 million of the available finance facility. Subsequent to year end, the Club secured an undertaking from the lender who provided the Club with the facility that they will not seek repayment of any amounts drawn down until 1 February 2018, if the seeking repayment would result in the Club not being able to pay its debts as and when they fall due.

Therefore the directors consider there are reasonable grounds to believe 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.

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:

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

1) 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 10.

2) Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 1 - Summary of Significant Accounting Policies (continued)

(r) Critical Accounting Estimates and Judgments

The Directors' estimates and judgments 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.

(s) New and Revised Standards Effective for these Financial Statements

The Group has adopted all of the new and revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial position of the Group.

(t) Accounting Standards and Interpretations Issued but not yet Effective

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 October 2016 reporting periods. The Group will be required to review and revise presentation, recognition or measurement where required for these Accounting Standards in future years. The Group's assessment of the impact of these new standards and interpretations, set out below, is still being determined.

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016	2015
	\$	\$
Note 2 - Revenue		
From Continuing Operations		
<i>Sale of goods from operating activities</i>		
Sale of goods	5,437,903	4,141,377
Merchandising/royalties	3,404,400	1,342,259
	8,842,303	5,483,636
<i>Rendering of services from operating activities</i>		
Gaming revenue	8,640,122	8,283,314
Match revenue	1,757,147	1,202,168
Stadium events	19,474	31,685
	10,416,743	9,517,167
<i>Other revenue from operating activities</i>		
Functions revenue	461,400	435,000
Members subscriptions	1,735,592	1,368,742
Sponsorship	7,012,951	6,025,585
Interest from other persons	9,301	4,759
Rent received	78,000	78,000
Commission - Keno	36,041	89,406
NRL Grant	8,334,198	8,268,684
	17,667,483	16,270,176
Note 3 - Other Income		
Finance income - gain on revaluation of financial asset (Note 10)	1,895,941	1,097,244
Other income	1,485,971	925,539
	3,381,912	2,022,783
Note 4 - Expenses		
Surplus/(deficit) before income tax includes the following specific expenses:		
<i>Bad and doubtful debts</i>		
Trade receivables	109,588	76,567
	109,588	76,567
<i>Finance Costs</i>		
Interest paid/payable	500,847	417,933
Finance charges under finance leases and hire purchase contracts	143,071	136,087
	643,918	554,020
ASADA/salary cap related expense	48,115	58,769
Depreciation and amortisation expense	2,114,264	1,815,018

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016	2015
	\$	\$
Note 5 - Income Tax		
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.		
Current Tax Expense		
Current tax (benefit)/expense	34,775	15,654
Over provision for previous years	(17,801)	-
Total current income tax expense/(benefit)	16,974	15,654
Deferred Tax Expense		
Total income tax expense/(benefit) in profit or loss		
	16,974	15,654
Reconciliation of the Effective Tax Rate		
Surplus/(deficit) before income tax expense	867,301	(1,536,950)
Tax at the Australian tax rate of 30% (2015: 30%)	260,190	(461,085)
Tax effect of benefit/(deficit) in the Football Club (income tax exempt)	(264,299)	(712,879)
Income and expenditure of the Leagues Club subject to mutuality principal adjusted for non-deductible and specifically deductible items	38,884	1,189,618
	34,775	15,654
Over provision in prior years	(17,801)	-
Income tax expense/(benefit) in profit or loss	16,974	15,654
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 \$4,298,672 has not been brought to account as its realisation is not probable.		
Current Tax Liabilities		
Current Tax Liability	31,750	23,217
Note 6 - Cash and Cash Equivalents		
Cash on hand	303,000	272,000
Cash at bank	1,546,004	767,746
	1,849,004	1,039,746

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016 \$	2015 \$
Note 7 - Trade and Other Receivables		
Current		
Trade receivables	2,040,633	1,299,741
Allowance for doubtful debts	(98,205)	(98,205)
	<u>1,942,428</u>	<u>1,201,536</u>
Other debtors	862,687	356,995
Prepayments	236,621	281,877
	<u>3,041,736</u>	<u>1,840,408</u>
Analysis of Allowance Account		
Opening balance	(98,205)	(89,087)
Provisions for doubtful receivables	(109,588)	(76,567)
Receivables written off during the year	109,588	67,449
Reversal of amounts provided	-	-
	<u>(98,205)</u>	<u>(98,205)</u>
Note 8 - Inventories		
Current		
Finished goods - at cost	<u>657,909</u>	<u>193,486</u>
Write-downs of inventories to net realisable value recognised as an expense during the year amounted to \$13,968 (2015: \$29,973). The expense has been included in cost of sales in profit or loss.		
Non current		
Land	<u>744,872</u>	<u>744,872</u>

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 in 2014. It is classified as Non-Current as the Group does not expect the retail development to be completed within the next 12 months.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016 \$	2015 \$
Note 9 - Property, Plant and Equipment		
Freehold land		
At deemed cost	1,076,436	1,076,436
Total land	<u>1,076,436</u>	<u>1,076,436</u>
Buildings		
At deemed cost	6,520,000	6,520,000
Accumulated depreciation	(2,531,393)	(2,427,073)
	<u>3,988,607</u>	<u>4,092,927</u>
Building improvements		
At cost	26,962,143	26,911,095
Accumulated amortisation	(9,027,117)	(8,416,118)
	<u>17,935,026</u>	<u>18,494,977</u>
Total buildings	<u>21,923,633</u>	<u>22,587,904</u>
Total freehold land and buildings	<u>23,000,069</u>	<u>23,664,340</u>
Plant and equipment		
At cost	16,831,118	15,870,456
Accumulated depreciation	(15,330,955)	(14,131,060)
	<u>1,500,163</u>	<u>1,739,396</u>
Leased plant and equipment		
At cost	3,061,662	3,123,329
Accumulated amortisation	(1,508,357)	(1,568,833)
	<u>1,553,305</u>	<u>1,554,496</u>
Total plant and equipment	<u>3,053,468</u>	<u>3,293,892</u>
Work in progress		
At cost	125,063	56,211
	<u>125,063</u>	<u>56,211</u>
Total non-current property, plant and equipment	<u>26,178,600</u>	<u>27,014,443</u>

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

Note 9 - Property, Plant and Equipment (Continued)

2016	Freehold Land	Buildings	Plant and Equipment	Leased Plant and Equipment	Work in Progress	TOTAL
	\$	\$	\$	\$	\$	\$
Group						
Carrying amount at beginning of financial year	1,076,436	22,587,904	1,739,396	1,554,496	56,211	27,014,443
Additions	-	51,048	260,446	955,212	71,852	1,338,558
Revaluations	-	-	(2,296)	(5,145)	-	(7,441)
Disposals	-	-	(2,114)	(47,582)	(3,000)	(52,696)
Depreciation	-	(715,319)	(495,269)	(903,676)	-	(2,114,264)
Carrying amount at end of financial year	1,076,436	21,923,633	1,500,163	1,553,305	125,063	26,178,600

2015	Freehold	Buildings	Plant and Equipment	Leased Plant and Equipment	Work in Progress	TOTAL
	\$	\$	\$	\$	\$	\$
Group						
Carrying amount at beginning of financial year	1,076,436	23,120,337	1,685,532	1,449,482	6,734	27,338,521
Additions	-	196,450	559,864	762,948	49,477	1,568,739
Disposals	-	(77,799)	-	-	-	(77,799)
Depreciation	-	(651,084)	(506,000)	(657,934)	-	(1,815,018)
Carrying amount at end of financial year	1,076,436	22,587,904	1,739,396	1,554,496	56,211	27,014,443

Note 10 - Financial Asset

Expected Proceeds from Sale of Residential Land

The underlying asset is pledged as security to the Developer's financier, ANZ Bank. As at 31 October 2016, the Group revalued its financial asset and recognised a gain of \$1,895,941 (2015: \$1,097,244) in the statement of comprehensive income. This gain represents the unwinding of the discounted expected proceeds the Group is to receive upon completion of the development of the residential units.

2016	2015
\$	\$
20,136,462	18,240,521

Note 11 - Trade and Other Payables

	2016	2015
	\$	\$
Trade Payables	2,890,091	1,468,406
Other Payables	2,737,661	2,300,536
GST Liability	179,283	575,552
	5,807,035	4,344,494

Note 12 - Interest Bearing Liabilities

	2016	2015
	\$	\$
Current		
Unsecured		
Members Deposits	81,632	82,956
Secured		
Directors loans (Note 17)	2,400,000	1,500,000
Lease Liabilities	742,491	880,447
	3,142,491	2,380,447
Total Current Financial Liabilities	3,224,123	2,463,403
Non-Current		
Secured		
Loan - Private Lender ⁽¹⁾	3,000,000	3,000,000
Lease Liabilities	745,535	626,861
	3,745,535	3,626,861

(1) During the financial year ended 31 October 2014 the Group 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 arms length commercial terms and conditions.

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

	2016	2015
	\$	\$
NON-CURRENT		
First mortgage		
Freehold land	1,076,436	1,076,436
Buildings	12,581,044	12,849,553
	13,657,480	13,925,989
Finance leases		
Plant and equipment	1,349,419	1,255,727
Total assets pledged as security against borrowings of the consolidated entity	15,006,899	15,181,716

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

Loans against which assets are pledged as security

	2016	2015
	\$	\$
Current	-	-
Non-current	3,000,000	3,000,000
	3,000,000	3,000,000

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016	2015
	\$	\$
Note 13 - Loans		
Loan - NRL	<u>1,500,000</u>	<u>-</u>
Note 14 - Provisions		
Current		
Provision for annual leave	345,128	316,680
Provision for long service leave	89,737	108,190
Total Current Provisions	<u>434,865</u>	<u>424,870</u>
Non-Current		
Provision for long service leave	<u>53,953</u>	<u>43,780</u>

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

Note 15 - Income in Advance

	2016	2015
Current		
Subscriptions in advance	35,863	19,179
Grants in advance	-	1,360,000
Season seats in advance	804,068	598,096
Corporate hospitality in advance	72,459	121,248
Commission in advance	21,477	21,202
	<u>933,868</u>	<u>2,119,724</u>

Note 16 - Cash Flow Information

Non-cash financing and investing activities
Acquisition of plant and equipment by means of
finance lease

	<u>955,212</u>	<u>762,948</u>
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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 Retail Pty Ltd and Sharks Club Retail Pty Ltd are the controlled entities of the Leagues Club.

Transactions with Related Parties

Transactions with Directors and Director Related Entities

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 arms length, normal commercial terms.

The following transactions were on normal terms and conditions:

Fees paid for legal services	212,014	8,692
Fees paid for maintenance services	20,840	-
Fees paid for consulting	21,900	-
Sales of sponsorship of Football Club	122,984	110,000
Sales of football corporate hospital	122,879	68,889

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016	2015
	\$	\$
Note 17 - Related Party Transactions (continued)		
Key management personnel compensation for non-disclosing entity		
Key management compensation	<u>1,373,421</u>	<u>1,600,160</u>

Other

In February 2014, the Club entered into a shareholders agreement with LeasePlus Holdings Pty Ltd (LeasePlus) to incorporate Cronulla Sharks PLUS Pty Ltd (Sharks PLUS). Under the terms of the agreement the Club and LeasePlus each owned 50% of the issued capital of Sharks PLUS. The Club paid \$15 for its investment which was accounted for as an associate using the equity accounting method at \$0. On 27th July 2016 the Club voluntarily deregistered and closed Sharks Plus.

Directors Loans

During the year the Club refinanced a \$1 million loan from an entity related to one of the Club's Directors. The interest rate was reduced retrospectively from 10% to 7.25%. Subsequent to year end the terms of the loan were amended such that the lender agreed to not call the loan prior to 1 February 2018 if the calling of the loan would result in the Club not being able to pay its debts as and when they fall due.

During the year the Club renegotiated an increase of \$900,000 to an existing Club finance facility on the same terms. This now provides access of up to \$2.7 million loan facility.

During the financial year the Club drew down an additional \$900,000 from the \$2.7 million loan facility provided by one of the Club's directors. This takes the total draw down to \$1.4 million. Subsequent to year end the lender agreed not to call the loan until 1 February 2018 if the calling of the loan would result in the Club not being able to pay its debts as and when they fall due. Interest is charged on the loan at 7.25% per annum.

Note 18 - Contingencies

At 31 October 2016, the Leagues Club and Controlled Entities had contingent liabilities as set out below:

Securities Held Over Assets

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

Contingent Liability

As at the 31st October 2016 the Group had been served with a Statement of Claim by former players, the Directors have considered this and sought legal advice. Taking into consideration this advice the Directors believe that there are strong grounds to defend the claim. As such the Directors expect that there will be no financial impact to the Group.

Note 19 - Commitments

	2016	2015
	\$	\$
Lease Commitments		
<i>Finance lease - non-cancellable</i>		
Within one year	742,491	880,447
Later than one year but not later than 5 years	745,535	626,861
Total future minimum lease payments	<u>1,488,026</u>	<u>1,507,308</u>
Total future finance charges	245,473	247,383
Lease liabilities	<u>1,733,499</u>	<u>1,754,691</u>

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2016**

	2016	2015
	\$	\$
Note 19 - Commitments (continued)		
Lease liabilities are represented in the financial statements as follows:		
Current (note 12)	742,491	880,447
Non-current (note 12)	745,535	626,861
	<u>1,488,026</u>	<u>1,507,308</u>

The Football Club has a 10 by 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

Statement of Financial Position

Current assets	2,078,429	1,262,363
Total assets	37,134,388	36,084,760
Current liabilities	2,961,651	2,609,844
Total liabilities	7,452,369	6,861,136
Retained earnings	29,682,019	29,223,624

Statement of Comprehensive Income

Surplus for the year	411,828	153,484
Other comprehensive income	-	-
Total Comprehensive Income	<u>411,828</u>	<u>153,484</u>

Note 21 - Subsequent Events

On 20 December 2016, the Company entered into a Deed of Arrangement with the National Rugby League Limited that detailed the future grant funding to be provided by the NRL to the Company as a result of the Company's continued participation in the NRL competition. The Deed also confirmed that the \$1.5 million advance payment received during the year will not be repayable until after 1 February 2018.

Other than the extension of the Directors Loans and the above, 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 Group is limited by guarantee. If the Group is wound up, the constitution states that each member is to contribute a maximum of \$1 towards meeting any outstanding obligations of the Group. At 31 October 2016 the number of financial members totalled 24,410 (2015: 19,337).

Note 23 - Registered Office

The registered office of the Group is 461 Captain Cook Drive, Woollooware, New South Wales 2230.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

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;

(b) give a true and fair view of the entity's financial position as at 31 October 2016 and its performance for the year ended on that date.

2. At the date of this declaration there are reasonable grounds to believe that the Group 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 McVeigh
Director

Dated this 21st day of December 2016.

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 statement of financial position as at 31 October 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 referenced in the directors' report.

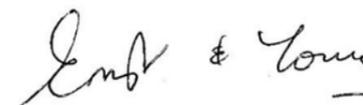
Opinion

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 2016 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 entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Daniel Cunningham
Partner
Sydney
21 December 2016

THE 2016 CRONULLA SHARKS TEAM



"Together we can and will create something very special"

Lyall Gorman



ANNUAL REPORT 2016



FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2016