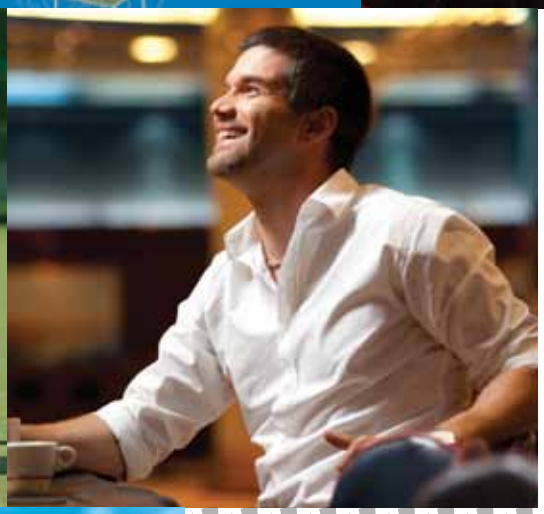
# ANNUAL REPORT

PENRITH RUGBY LEAGUE CLUB LIMITED

# 2011



THE WORLD OF ENTERTAINMENT

PANTHERS GROUP

# Introduce your friends to become a Panthers Member

- They can enter into our 1 million Panther Points promotion when they provide us with their personal preferences
- Exclusive member discounts and offers in our brand new Membership Kit that they will receive+
- Discounted member prices on food and beverages
- Earn Panther Points every time they make a purchase and swipe their membership card
- Discounted member prices on family holidays at Fingal Bay, Sussex Inlet and Urunga and accommodation at Chifley Hotel Penrith Panthers and Nepean Shores Riverside Resort

+ Membership Kit offers vary from club to club.

extras 4U* Rewards

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Members Discount

Members Promotions

Additional discount when using points*

Exclusive Promotions

Complimentary Beverages*

Birthday Gift

Exclusive Gifts

Additional Offers as Determined*

For more detailed information about Extras 4U Rewards* please visit www.panthers.com.au and click on the Extras 4U icon or pick up a brochure at your local Panthers club.

**Get your friends to join today, so they too can enjoy the benefits of what Panthers Membership provides.**

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## REPORTS & REVIEWS



## COMPANY PROFILE



## ANNUAL FINANCIAL REPORT PENRITH RUGBY LEAGUE CLUB LIMITED

# CORPORATE INFORMATION

**ACN**

000 578 398

**Directors**

D Feltis JP *(Chairman)*

T Heidtmann *(Senior Deputy Chairman)*

J Hiatt OAM *(Deputy Chairman)*

G Alexander

K Lowe

D Merrick FCPA | JP

K Rhind OAM

R Anderson

J Geyer

G Kennedy

W Wheeler

S Robinson (*Appointed 25 May 2011)*

B Ferguson (*Appointed 29 June 2011)*

B Fletcher (*Appointed 27 July 2011)*

K Evans *(Resigned 21 June 2011)*

G Chapman *(Resigned 21 January 2011)*

B Walsh OAM *(Resigned 22 December 2010)*

**Registered Office**

Mulgoa Road

Penrith NSW 2750

**Company Secretary**

S McNeill

**Bankers**

St George Bank

Westpac Banking Corporation

**Auditors**

Ernst & Young

# CHAIRMAN'S REPORT

In last year's report, I highlighted details of a recovery plan for Panthers Group and asked members to support the Board in completing it.

I am delighted to advise that the Board and Management have been able to successfully achieve many of the outcomes we set ourselves and whilst the task isn't yet complete, we are now confident the Group is moving towards a much more financially secure future.

The improved profitability of the Penrith club, driven by a new Management team focused on a service orientated culture, encourages me to acknowledge the significant expertise and commitment of Chief Operations Officer Sue McNeill, Jason Stone and their team for their continued dedication and determination in managing the Penrith club successfully during the past 12 months.

I wish to sincerely thank all our staff for their continued commitment and hard work throughout the challenging period of re-structure and Management change and particularly over the very busy Christmas and New Year period, for without the dedication of our staff and support from our members we simply cannot succeed.

Under Sue's leadership there have been a number of significant financial and trading milestones achieved which promise a more confident future for the club and ultimately the entire Group.

These achievements include the Wall of Honour and the importance of acknowledging our Rugby League heritage, carpet replacement from the 2010 rain storm damage, listening to our members from focus groups to assist in the rejuvenation to level 1 and level 2 and gaming floor changes scheduled for early 2012, rear entrance opened, TAB relocation, new promotional area, KAOS relocation, Gloria Jeans, and Harry's Café de Wheels, to name a few, Our determination is to be the 'World of Entertainment' with key focus on our communities with programs and initiatives like our , Trees of Hope and the Group's continued support of Panthers on the Prowl and Women in League.

The Board has also permanently ensured the name of the licensed club will always be PANTHERS and to confirm that decision, we have erected a new LED electronic sign above the front entry clearly promoting the name of the club to everyone who enters or travels past our landmark property.

This was one of a number of measures the Board and Senior Management has undertaken to unite and cement a strong and unbreakable bond between the licensed club and Rugby League, which is the core of our organisation's existence

I am pleased to report that Warren Wilson, who has wide business and management experience and was Chief Executive Officer of TAB Limited and Sky Channel, recently joined the Group. Warren has a Bachelor of Business Degree and also a solid Rugby League background, bringing increased corporate expertise to the Group. Already, he has formed a strong and effective leadership team with Sue McNeill working as Chief Operations Officer and Phil Gould as General Manager of Rugby League.

Another milestone and significant appointment was that of Brad Waugh as General Manager of the Panthers on the Prowl Community Foundation. Brad's successful corporate background, experience and distinguished Rugby League career as a Panthers' player, adds to the strength of our organisation.

I also acknowledge the commitment and substantial workload of the Panthers Board. There are numerous sub-committees which meet regularly, each consisting of 3 Board members and in addition to attending those meetings there are another 3 full Board meetings each month and additional meetings called when necessary with several Board members on as many as 6 different sub-committees.

Apart from reasonable expenses which are approved each year by the members at the Annual General Meeting, the Panthers Board is not remunerated, having resolved some years ago not to take remuneration until the club becomes profitable

As an example of the workload during the past 12 months the Executive (Chairman & 2 Deputy Chairmen) attended in excess of 85 meetings in addition to regularly being in the club, representing the club externally at functions and working on club matters from their homes.

**Rugby League**

Following five seasons where the Panthers reached the semi-finals once, the Board made major changes. The most significant being the appointment of Phil Gould, a most respected, high profile and experienced Rugby League coach and General Manager.

Phil has been joined by Phil Moss and Ivan Cleary, a Grand Final coach and proven performer, David Fairleigh as his Assistant Coach, Ron Palmer and Alan Mair strength and conditioning trainers, all supported by Doctor David Abrahams, Tony Larven and the rest of the Panthers support team.

David Fairleigh, Ron Palmer and Alan Mair have all operated at State of Origin and Australian level and with Ivan Cleary and Phil Gould, are without doubt one of the strongest team support staff in the NRL and with the addition of Garth

# CHAIRMAN'S REPORT

CONTINUED

Brennan, Alex Melville and Matt Ryan who will be in charge of our NYC (U/20) squad, the Board is confident our Rugby League operation will be highly competitive in season 2012 and beyond.

The appointment of this very talented team support staff will provide our players with considerable confidence and expertise and hopefully give all our sponsors, members and supporters considerable satisfaction.

I must take this opportunity to acknowledge the past involvement and commitment of Michael Leary, Shannon Donato, Petero Civoniceva and other departing players and recognise their past service within our Rugby League operation.

During the year, Merv Cartwright one of the pioneers of our club sadly passed away. Merv played a significant part in the club's entry into the first division competition back in 1967 and as a mark of respect and recognition the Board resolved that the senior award of the season, will be known as the Merv Cartwright first grade player of the year award in his honour.

It is also with a great deal of sadness that I advise the passing of Life Member Pat Lawford, who was a dedicated team official with the Panthers for many years.

All life members of the club have been acknowledged with the Clubman of the Year award now known as the Life Members Clubman of the Year Award, in recognition of the significant commitment of those dedicated and distinguished club stalwarts.

Another major achievement during 2011 was the Wall of Honour display in the main foyer of the club. This acknowledges the many past and present talented players who have achieved over the years for our club and it is an ever lasting reminder of the important role Rugby League has and always will have in our club's history.

Efforts are also underway to acknowledge not only players, but other persons who have been significant in the history of Rugby League at Penrith, one being Ron Mulock who was club patron for over 30 years from 1971.

Congratulations are also extended to Luke Lewis on his appointment as team and club Captain and the significant influence the appointment has on junior development and our club and district generally because of the outstanding playing and leadership example he exhibits.

**Summary**

Warren Wilson in the Chief Executive Officer's report comprehensively advises and explains the reasons behind important decision making that has taken place during the past twelve months or so, in regard to the Group's financial position and also the Board's strategy following ING's sudden decision to sell the management rights of parts of their business, which created a most critical issue for the Board to deal with and left the Board with little option other than to take advantage of our significant asset base to satisfy the substantial financial demands placed upon our Group.

On behalf of the Board and the Executive, I acknowledge the astute and professional manner this most critical issue has been managed by Warren in the short time he has been with our organisation.

The Board is confident that during the term of this current Board, by taking advantage of the Group's significant asset base, we will significantly reduce the Group's debt and move our organisation out from under the dark cloud of uncertainty that has existed for many years and into a confident future, which will ensure long term viability and strong financial security.

Such a situation will allow improvements of amenities for our members, particularly the Penrith club which guarantees a strong financial platform for our Rugby League operation, as our club moves into a new and challenging era with the National Rugby League under the new leadership of the Australian Rugby League Commission.

Whatever the Board does, we are mindful of those who came before us and the significant influence they had on our club's progress, also that we are 'caretakers' of our club on behalf of current and future members. We are fully aware of the high level of responsibility we carry on behalf of our members to ensure the continuous improvement of the Panthers Group, something we are very confident will be achieved.

**DON FELTIS**
*Chairman*
Panthers Group

# CEO'S REPORT

I am pleased to report on many achievements at our "home" club Penrith throughout the year.

Our number one priority is to ensure the safety and enjoyment of Club facilities by all of our members, visitors and staff. There has been a dramatic reduction in the number of anti-social incidents at our Penrith club following the introduction of new measures, and the Club will continue to work on this area of our business.

The importance of our Rugby League heritage was acknowledged by the unveiling of our new Wall of Honour, featuring all of our Panthers' greats at the entrance of the club.

Management asked for your feedback via members' focus groups on how to help revitalize the club. As a result of this feedback, we are in the process of making changes to Level 1, Level 2 and the Gaming Floor, establishing a promotional area, relocating the TAB, reopening the rear entrance of the club, and relocating our KAOS kids' zone.

Further we will be opening the first "Vertical wind tunnel" in Australia during 2012. There will also be new catering options available in the first part of 2012 such as Harry's Café de Wheels, Gloria Jeans and a Thai eatery for the enjoyment of all of our members and guests.

Panthers is keen to re-establish its reputation as being a "World of Entertainment", and as part of this vision, we are proceeding with our $850 million Concept Masterplan. This will develop the current site at Penrith into an integrated entertainment, leisure and lifestyle precinct, including shopping outlets, senior's living and aged care facilities, serviced apartments, a hotel, a spectacular entertainment precinct, commercial business park and a multi-purpose sports arena. We are working closely with Penrith Council on the Masterplan and would like to thank all at Council for their support.

This exciting development extends beyond the Panthers' traditional business model and will allow us to diversify our income streams and as a result, expand the business for future sustainability.

Undoubtedly, the biggest coup of the 2011 Rugby League season was the "return home" to Penrith by Panthers legend Phil Gould.

Appointed in the role of General Manager of Rugby League, Phil is in charge of all of our football operations and has already introduced new structures and initiatives across the football club, both on and off the field.

Phil's most significant accomplishment to date, was the signing of the highly-respected Ivan Cleary as coach for three seasons. Having lead the Warriors to a place in last year's Grand Final, we are confident he and Phil can work together to deliver similar success for the Panthers.

Notwithstanding the positive initiatives achieved by the Group across the year, the Group reported a loss of $9.5m for the financial year 2011. It is always disappointing to report losses however it has, among other issues, triggered a major review of all operations of the Group by management and the Board.

A major issue prompting a restructure has been ING's involvement with the Group. As members are aware, Panthers and ING had come together in a deal in 2007 that was supposed to be a long term deal that was to provide funding to Panthers as well as establishing ING as a joint venture partner for the development of all Panthers properties, in particular the Penrith site redevelopment.

In early 2011 ING announced that it was closing down all of its Australian operations with the exception of Retail Banking. As part of this operational restructure ING advised Panthers in late 2011 that they did not want to continue to work with us and that they were selling their interest in us to an investment Company (Torchlight).

I am pleased to advise that over a period of 16 weeks we were able to secure a deal with the Torchlight Group that:

Secured an 18 month extension of time for the repayment of the $63m loan (repayment date 30 June 2013); and set the value of ING's 49.9% of PPUT at $24m and which allows us the ability to buy back that interest meaning we can again own the entire interest in this entity; and

Extinguished the Development agreement between panthers and ING.

With the Torchlight deal in place the Board convened a series of strategy meetings. At those strategy meetings the following facts were dealt with:

On a normalized basis (after discounting one off events) the results for the group over the last series of years are:

2011 - $ 9.5m loss
2010 - $11.0m loss
2009 - $13.3m loss
2008 - $15.1m loss
2007 - $6.6m loss
2006 - $0.3m loss
2005 - $2.8m loss
2004 - $2.8m loss

# CEO'S REPORT

CONTINUED

Cash generation, whilst positive each year has not been sufficient to enable reinvestment in the business and therefore it is estimated that between $20m and $50m is required to be spent on the existing portfolio of businesses to bring them back to being first class assets.

Total debt for the group as at 31st October each year was as follows;

2011 - $70.8m
2010 - $73.2m
2009 - $75.0m
2008 - $73.4m
2007 - $73.0m
2006 - $46.7m
2005 - $86.8m
2004 - $88.2m

Note that from 2007 onwards the debt does not include the value of 49.9% of the club land and buildings of both the Penrith and Mekong sites. For the purposes of this exercise, the debt from 2007 onwards should be increased by a further $24m per annum.

Total interest for the Group as at 31st October each was as follows:

2011 - $6.6m
2010 - $7.0m
2009 - $6.6m
2008 - $6.6m
2007 - $5.1m
2006 - $6.3m
2005 - $7.6m
2004 - $7.9m

Note that from 2007 onwards this interest charge does not include approximately $2.3m per annum for distribution to minority shareholdings which is the earnings on the 49.9% of land and buildings owned by ING (now Torchlight). For the purposes of this exercise the interest should be increased by a further $2.3m per annum from 2007 onwards.

The forecast profitability of the Group for the next few years would not be sufficient for the group to retire our debt, therefore leaving the group exposed to continuing high interest costs per annum whilst at the same time under-investing in the underlying assets of the Group.

The Board has concluded that whilst the business is asset rich, the Group cannot generate the sufficient free cash which is required to operate the Group at its optimum. After considering all other options and taking into account the external (national and international) business conditions there is no other choice than to divest ourselves of certain Clubs. The proceeds of the divestment program would then be used to reduce debt lowering our interest costs and to reinvest in the remaining assets.

Decisions to divest assets are not made easily. Decisions like these are, however, necessary for the greater good of the Group as a whole. It was extremely important that the Board was returned intact at the recent election as the entire strategy might have slowed or stalled with a change in Directors which could have been catastrophic given the delicate negotiations with Torchlight and the need for clear decisive actions from the strategy sessions.

The resolutions to declare all property other than the Penrith Club as non-core which are being put forward to the members at the upcoming AGM are vital to us being capable of carrying out the Board's strategic plan.

Providing the Board with a legislative basis to proceed with its strategy, NSW welcomed the introduction of the Clubs, Liquor and Gaming Machines Legislation Amendment Bill 2011, by the new O'Farrell Government which was part of the "Strong Clubs, Stronger Communities Memorandum of Understanding (MOU)", signed between the Liberals-Nationals and ClubsNSW before the State election.

For Panthers, this much-needed reform will assist in ensuring the long term viability of our clubs through the facilitation of "amalgamations" and "de-amalgamations" by streamlining requirements and removing barriers relating to licencing, property and poker machine entitlements.

The Board and management are confident that the steps outlined above will help to return the Group to a strong business allowing it to concentrate on its core values and benefiting members by providing outstanding facilities and a strong presence in the NRL competition through the Penrith Panthers.

In closing on behalf of the Group, I would like to extend my thanks to the staff at all of our clubs, as well as our valuable members for their continued support of Panthers.

**WARREN WILSON**
*Chief Executive Officer*
Panthers Group

# BOARD OF DIRECTORS

DONALD FELTIS JP
CHAIRMAN

TERENCE HEIDTMANN
SENIOR DEPUTY CHAIRMAN

JOHN HIATT OAM
DEPUTY CHAIRMAN

GREG ALEXANDER

BRIAN FLETCHER

KERRY LOWE

DENIS MERRICK FCPA | JP

KEITH RHIND OAM

STEPHEN ROBINSON

ROBERT ANDERSON

WILLIAM FERGUSON

JAMES GEYER

GARY KENNEDY

WILLIAM WHEELER

# CORPORATE GOVERNANCE STATEMENT

Panthers is committed to best practice in all areas of corporate governance. We believe that corporate governance facilitates effective management and control of the business, which in turn enables Panthers to deliver the best results to all its stakeholders.

**The Board of Directors**
The Board of Directors is accountable to the members for the overview of the financial management, viability and performance of the Panthers Group. The Board's principal objective is to increase member value while ensuring that overall activities are properly managed. All directors have unrestricted access to company records and information and receive detailed financial and operational reports from executive management during the year, to enable them to carry out their duties. The Board meets formally at least 12 times each year, and also from time to time, to deal with specific matters that require attention between scheduled meetings.

**Code of Conduct**
Panthers is committed to the highest standards of ethical business conduct. As part of this commitment Panthers has an internal Code of Conduct to guide board members, executives, management and employees in carrying out their duties and responsibilities.

**Board Committees**
The Board utilises a number of Committees to support it in matters which require more intensive review. During 2011 the Board had the following ten sub committees in place:

**Board Executive Committee**
This Committee consists of the chairman, Don Feltis, and the two Deputy Chairmen, Terry Heidtmann and John Hiatt, who meet weekly with the Group CEO to maintain a regular communication arrangement between the Board and CEO and discuss issues such as Panthers key result areas, strategic and business planning and other important corporate issues.

**Audit Committee**
Operating under a charter approved by the Group Board this Committee meets four times a year. The Audit Committee assists the Group Board of Directors to discharge it's responsibilities of oversight and corporate governance. Members of this committee during 2011 were Terry Heidtmann, Bill Wheeler, Greg Chapman, Denis Merrick and Steve Robinson.

**Compliance Committee**
This Committee was established in 2005 to introduce and maintain an ongoing compliance monitoring program in support of the Panthers Corporate Governance Framework. Members during 2011 were John Hiatt, Keith Rhind, Kath Evans and Bill Ferguson.

**Finance Committee**
Its role is to oversee the financial affairs of the Group and review and make recommendations to the Board about the financial affairs and policies of the Group. Members of the Finance Committee during 2011 were John Hiatt, Greg Chapman, Denis Merrick and Brian Fletcher.

**Remuneration Committee**
The Remuneration Committee assists the Board by ensuring that Panthers remuneration policies and practices fairly and responsibly reward executive management having regard to their performance, the law and the highest standards of governance. The Committee operates under guidelines formulated to ensure compliance with the Clubs NSW Code of Practice as well as industry standards. The current members are Kerry Lowe, Terry Heidtmann and Denis Merrick.

**Gaming Committee**
This Committee was formed in 2011 and its principal function is to review and provide guidance on gaming matters to the Group Board. Members of this committee are Bob Anderson, John Hiatt, Jim Geyer and Brian Fletcher.

**Constitution Committee**
This Committee is responsible for reviewing and recommending ongoing changes to the memorandum and articles of association of PRLC. Members are Denis Merrick, John Hiatt and Don Feltis.

**Corporate Real Estate Committee**
The Corporate Real Estate Committee's role is to oversee the corporate real estate and property affairs of the Penrith Rugby League Club Ltd (PRLC) Group and review and make recommendations to the PRLC Board. First meeting in October 2011 the members are Gary Kennedy, Terry Heidtmann and Keith Rhind

**Marketing Committee**
Established in 2011 the primary function of this Committee is to review and provide guidance on Panthers business development and the marketing strategies proposed by management. The members are Keith Rhind, Terry Heidtmann and Kerry Lowe

**Sub-Judiciary Committee**
This Committee is responsible for hearing disciplinary matters in relation to members. The current Board Judiciary Committee members are John Hiatt, Denis Merrick and Don Feltis.

**Internal Audit and Compliance Department**
The objective is to internally review corporate functions, independent of management, which has responsibility for evaluating, testing and reporting on the effectiveness and efficiency of operations and the adequacy of Management's control over compliance with internal policy, external laws and regulations and the management of operational risk. The Group Internal Audit and Compliance Manager maintains independence within Panthers by having an administrative reporting line to the Group Chief Executive Officer and a functional reporting line to the Board Audit Committee.

# SUPPORTING THE COMMUNITY


WOMEN IN LEAGUE PINK ROUND LAUNCH 2011

# SUPPORTING THE COMMUNITY

The clubs within the Panthers Group (Panthers) truly are the heart and soul of our communities.

Throughout the year, Panthers has delivered donations to an array of charities, sporting organisations and community groups through our Community Development Support Expenditure (CDSE) grant scheme and other contributions.

In 2010-11, we are proud to report that Panthers supported our local communities by donating a total of $2.93 million to 284 various not-for-profit organisations and charities across NSW.

The showpiece of Panthers' community support is the much-lauded Panthers on the Prowl community development foundation for children and their families from across the Penrith region.

Panthers on the Prowl develop and implement a range of educational and social awareness programs which assist in making a real difference to the well-being of children, who otherwise may be risk of disengagement from the education system and the wider communities in which they live.

Ten programs delivered to students and their families included the "Classroom @ Panthers", focusing on self-esteem, resilience and leadership, the very popular "Read with a Mate", involving our Panthers NRL players attending schools, the "Family Skills Program" for parents and "Healthy Active Lifestyles", teaching health, nutrition and exercise for Primary school students.

Panthers' commitment to addressing problem gambling and alcohol abuse within the community has underpinned our ongoing support of Wesley Mission at the clubs across the entire group, providing self-exclusion programs and free counselling offered as an external service throughout our clubs.

Various charities have also benefited from Panthers' community contributions, including the Foundation for Disabled Sportsmen and Sportswomen, an organisation helping with housing, education and life advancement for sportsmen and sportswomen, who have suffered an injury, partial or total disability resulting from sport. Their dependents can also be eligible for financial assistance.

The Foundation includes the John Farragher Trust, which continues to assist former Panthers player John Farragher, who suffered a broken neck as a result of a scrum collapse during a game in 1978.

John is an inspiration to all us at Panthers and is the well recognised face who greets our members and guests when they walk through the door of our home club at Penrith.

As well as providing for John's needs, the Trust also accepts nominations and requests for financial assistance from other disabled sportsmen and sportswomen.

Another charity we are pleased to support is Panthers Women in League, which itself raises much-needed funds for charities, foundations and locals and their families in need of a helping hand.

Best known these days for organising the much-loved NRL "Pink Round", their contributions have benefited the McGrath Foundation and breast cancer research, the Penrith Women's Refuge, St Vincent's de Paul and Panthers on the Prowl.

Cardiff Panthers has been actively supporting the admirable work of OzHarvest, an aid organisation that rescues excess food that would otherwise be discarded and distributes it to charities throughout Sydney, Canberra, Newcastle, Adelaide and Brisbane, while Bathurst Panthers has contributed to many community organisations, including the Western Region Academy of Sport, helping athletes from the state's central west.

Lavington Panthers continued its support to Kaliana Enterprises, an Albury-based organisation offering support services to adults with disabilities. The donation from the Panthers club funded the install of a custom designed kitchen in a group home for independent living, allowing community workers to teach basic cooking skills.

Further to this financial assistance, the clubs across the Group also made hundreds of in-kind donations to assist schools, child-care centres and junior sporting clubs with their own fund-raising objectives by giving away signed Panthers footballs and merchandise and providing free room hire and dinner vouchers.

Whilst the name of the CDSE scheme may have changed to ClubGRANTS – what will not change is Panthers' ongoing commitment to supporting our local communities.

# DIRECTORS' REPORT

Your directors submit their report for the year ended 31 October 2011.

**Directors**

All directors are current members of Penrith Rugby League Club Limited and were in office for this entire period unless otherwise stated. The names and details of the directors of the consolidated entity in office during the financial year and until the date of this report are as follows:

| Names | Qualifications |
|---|---|
| **Donald Feltis JP**<br>*Chairman* | Director since 2002. Chairman since 2008. Member of sub-judiciary and constitution sub-committees. Delegate to NRL and NSWRL. Life member of Panthers, Panther Junior League, NSWRL, NSWRLJL Association and Police Association of NSW. Long time resident of Penrith and member of Panthers since clubs inception. Fifty seven years experience in business management and Rugby League administration. Strongly support open and transparent leadership and our club once again becoming the leader in the club industry. |
| **Terence Heidtmann**<br>*Senior Deputy Chairman* | Managing Director – Professionals Real Estate Penrith, Licensed Real Estate Agent. Director for 27 years. Member of the Executive, Marketing, Remuneration, Corporate Real Estate and Stadium Working Party committees. Life member of Panthers. |
| **John Hiatt OAM**<br>*Deputy Chairman* | Director for 8 years. Retired Magistrate, Solicitor. Member of the Judiciary, Finance, Donations, Constitution, Gaming and the Governance and Risk committees. Member of the Executive Committee. Chairman of Hawkesbury Race Club Limited and Principal Member of the New South Wales Racing Appeals Panel. |
| **Gregory Alexander** | Involved with football in Penrith area for 40 years. Penrith's "Rookie of the Year" in 1984. Won the prestigious Daly M Player of the Year in 1985. Played City Origin, State of Origin and for Australia. Captained Penrith's first Premiership win in 1991. Sports Commentator on 2UE and Fox Sports. |
| **Brian Fletcher** | CEO Hawkesbury Race Club Limited. NSW Provincial Race Clubs Association Deputy Chairman. Gold Coast Turf Club Advisor. Victor Chang Foundation Ambassador. Having always had a passion for Rugby League and Panthers, I'd like to repay Panthers for the enjoyment given to me over the years by offering my services as a Board Member. Focused on Profits and lowering Debt levels. |
| **Kerry Lowe** | Semi-retired. Director for 10 years. Chairman of the Remuneration and Marketing committees. Panthers delegate. President of Camden Valley Golf Resort. Association with Panthers for over 30 years. |
| **Denis Merrick FCPA \| JP** | Certified Practising Accountant. Principal in accounting firms in Penrith for over 40 years. Over 30 years experience in administration of sporting bodies. Life Member of Lower Mountains Junior Rugby League club. Qualified Rugby League Coach and Referee. Accredited official with Swimming Australia. Swimming Life member of a local club and district association. Panthers member since 1973. Appointed Director on 30 July 2008. Member of the Finance, Remuneration, Audit and Constitution Committees. |

# DIRECTORS' REPORT

CONTINUED

| | |
|---|---|
| **Keith Rhind OAM** | Member since 1959. Directorship 37 years including 25 years in executive positions including Chairman 1983. Life member. Former Penrith Rugby League player. Delegate to NSWRL 1981-82-83. NSW State of Origin Rugby League Manager 1983. Patron of Penrith District Junior Rugby League. Retired businessman, dedicated to Panthers members and Rugby League. |
| **Stephen Robinson** | Panthers Member for 32 years. Nepean Triathlon Committee (1980-82). Penrith Panthers Rugby League Team Management (1983-88). National Sales Manager for Mining, Agricultural and Industrial Transmission company, with 35 years experience and knowledge of business. Former NRL Accredited Rugby League Player Manager (1989-2011). Along with his family, owns and operates a Preschool in Penrith. Focused on improving members facilities and services. |
| **Robert Anderson** | Member of Panthers North Richmond for the past 18 years and a Board Member for 11 years. An advocate of the amalgamation process having seen first-hand the benefits for both clubs. I strongly believe in the growth of the Panthers Group through the success of Panthers Rugby League and the improved facilities for our members throughout our sites. |
| **Bill Ferguson** | Member of Newcastle/Cardiff Advisory Board for 6 years. Retired Research/ Industrial Officer of NSW Public Service Association (32 years). Trustee of Newcastle Trades Hall Council. Current Group Director. |
| **Jim Geyer** | Technical Director in the computer industry. University Lecturer for 8 years (Retired 29/06/11). Director for 9 years. Member of Bathurst Panther's Advisory Board for 12 years. |
| **Gary Kennedy** | Secretary of Newcastle Trades Hall Council. Director of Honeysuckle Development Corporation, Hunter Economic Development Corporation, and Hunter Water Corporation. Director for 9 years. President of the Newcastle and Cardiff Panthers' advisory board for 7 years. |
| **Bill Wheeler** | Degree in Mechanical Engineering, with 41 years experience and has 46 years experience in business management and administration. Currently, Chairman of Port Macquarie Advisory Board for 6 years, Advisory Board member for 8 years, current Chairman of the Panthers Group Audit Committee and Secretary of the Port Macquarie Panthers Bowling club for 6 years. Appointed Director on 31 January 2008. |
| **Gregory Chapman** | National Distribution Manager – HLW Pty Limited (Liquor company). Director for 9 years. Director of Penrith Business Alliance. Member of the Panthers Finance Committee and the Panthers/ING Operational Review Committee. Lifelong resident in Penrith and active sportsman. Resigned 21 January 2011. |
| **Barry Walsh OAM** | Press Room Manager John Fairfax until retirement. Director for 28 years. Football Director for 37 years. Director and life member of Camden Valley Golf Resort, Chairman of Panthers on the Prowl, and Donations Chairman. Life Member of Panther and Life Member of NSW Rugby League. Patron of Penrith District Junior Rugby League. Delegate NSWRL (30 years). NRL clubs NSW and LCA. Manager of the NSW Rugby League side in 1978. Social Secretary. Resigned 22 December 2010. |
| **Kathleen Evans** | Senior Vice President Panthers Newcastle and Cardiff Advisory Board. Secretary Australian Meat Industry Employees Union Newcastle and Northern Branch. Vice President Newcastle Trades Hall Council. Director National Meat Industry Training Advisory Council, Director AGRI Food Skills Australia. Panthers Director for 6 years. Resigned 21 June 2011. |

# DIRECTORS' REPORT

CONTINUED

**Principal activities**

The principal activities during the year of entities within Penrith Rugby League Club Limited and its controlled entities ("consolidated entity") were:

- promotion of the game of rugby league football;
- provision of facilities for sport and recreation;
- operation of a licensed club; and
- rental and development of property.

There have been no significant changes in the nature of these activities during the year.

**Employees**

The consolidated entity employed 1,222 employees as at 31 October 2011 (2010: 1,237).

**Review and Results of Operations**

The net deficit before tax for continuing operations for the consolidated entity for the year was $8,803,000 (2010: $10,645,000) after amortisation and depreciation charge from continuing operations of $17,121,000 (2010: $19,144,000), and an interest charge of $6,605,000 (2010: $6,994,000).

The net deficit before tax for continued operations includes:

- A decrease in revenue from operating activities of $1,721,000 or 1.1% to $151,621,000 (2010: $153,342,000) which was mainly attributable catering and beverage revenue.
- An increase in employee salaries, benefits and related taxes of $336,000 or 0.7% to $47,898,000 (2010: $47,562,000) related to the ongoing restructure of the group.

The net loss from continuing operations decreased by $2,383,000 or 24.2% to a net loss of $7,447,000 (2010: $9,827,000).

The tax benefit for the year was $1,356,000 (2010: benefit $818,000).

**Dividends**

The Company is limited by guarantee and is prevented by its constitution from paying dividends.

**Significant changes in the state of affairs**

Total equity decreased to $168,167,000 from $177,670,000 a decrease of $9,503,000.

**Significant Events After Balance Date**

In December 2011 Bodiam RE Limited took over as Responsible Entity (RE) for ING Real Estate Entertainment Fund (ING REEF). As a result the Panthers Group is restructuring its financing arrangements with ING REEF as follows:

- Repaying $10m of the $63m loan to Panthers Investment Corporation Pty Limited (PIC) from ING Management Limited which was due on 29 February 2012. Agreeing in principal commercial terms on further extending the PIC loan to 30 June 2013.
- Agreeing in principal commercial terms on an option to purchase at a set value the ING REEF owned units in the Panthers Property Unit Trust (PPUT).

Currently the required legal documentation is in the process of being finalised to formalise the above in principal agreements.

# DIRECTORS' REPORT

CONTINUED

**Likely Developments and Expected Results**

The directors foresee that the restructured financing arrangements with Bodiam RE Limited will be formalised by 31 March 2012. With certainty on the group's financing arrangements in place we will redefine our business strategy by seeking opportunities to reduce our level of debt.

Due to improved club trading performance currently being experienced together with reduced debt servicing costs, we are expecting improved financial results for the 2012 financial year.

**Environmental Regulation and Performance**

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation.

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

**Indemnification and Insurance of Directors and Officers**

During the financial year, the Company held an insurance policy for the benefit of the directors and officers. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

**Rounding**

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

# DIRECTORS' REPORT

CONTINUED

**Directors' Meetings**

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

| | Directors' | Audit Committee | Remuneration Committee | Compliance Committee | Donations Committee | Finance Committee | Constitution Committee |
|---|---|---|---|---|---|---|---|
| **Number of meetings held** | **14** | **5** | **4** | **2** | **10** | **10** | **2** |
| **Number of meetings attended** | | | | | | | |
| D Feltis JP | 14 | 1 | - | - | 1 | 5 | 2 |
| T Heidtmann | 12 | 3 | 3 | - | 6 | 1 | - |
| J Hiatt OAM | 12 | 1 | - | 2 | 8 | 10 | 2 |
| G Alexander | 2 | - | - | - | - | - | - |
| R Anderson | 10 | - | - | - | - | - | - |
| J Geyer | 14 | - | - | - | - | - | - |
| G Kennedy | 7 | - | - | - | - | - | 2 |
| K Lowe | 13 | - | 4 | 2 | - | - | - |
| D Merrick FCPA \| JP | 14 | 5 | 4 | - | - | 10 | 2 |
| K Rhind OAM | 12 | - | - | 1 | - | 7 | - |
| W Wheeler | 13 | 5 | - | - | - | - | - |
| B Fletcher *(Appointed 27 July 2011)* | 4 | - | - | - | - | - | - |
| S Robinson *(Appointed 25 May 2011)* | 6 | 1 | - | - | - | - | - |
| B Ferguson *(Appointed 29 June 2011)* | 6 | - | - | 1 | - | - | - |
| K Evans *(Resigned 21 June 2011)* | 2 | - | - | 1 | - | - | - |
| G Chapman *(Resigned 21 January 2011)* | 2 | 1 | - | 2 | - | - | - |
| B Walsh OAM *(Resigned 22 December 2010)* | 1 | - | - | - | 1 | - | - |

**Auditor's Independence Declaration**

The directors have received a declaration of independence from the auditor and this is attached. The directors are satisfied that the nature and scope of non audit services has not compromised the auditor's independence.

Signed in accordance with a resolution of the directors.

**DON FELTIS**
*Chairman*

Penrith

29 February 2012

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**Auditor's Independence Declaration to the Directors of Penrith Rugby League Club Limited**

In relation to our audit of the financial report of Penrith Rugby League Club Limited for the financial year ended 31 October 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**ERNST & YOUNG**

**JAMES PALMER**
*Partner*

Sydney

29 February 2012

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2011

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2011 | 2010 |
| | Notes | $'000 | $'000 |
| **Revenue/Income from Continuing Operations** | 2 | **151,935** | 153,999 |
| Changes in inventories of finished goods | 2d | **(338)** | (230) |
| Raw materials and consumables used | 2d | **(15,877)** | (16,145) |
| Depreciation and amortisation expenses | 2e | **(17,121)** | (19,144) |
| Finance costs expensed | 2g | **(6,605)** | (6,994) |
| Employee benefit expense | 2h | **(47,898)** | (47,562) |
| Advertising expense | | **(1,743)** | (1,976) |
| Artists and entertainment expenses | | **(2,464)** | (2,383) |
| Computer expenses | | **(774)** | (831) |
| Donations | | **(1,510)** | (1,423) |
| Insurance expense | | **(1,462)** | (1,471) |
| Repairs and maintenance | | **(5,445)** | (4,459) |
| Sponsorship | | **(757)** | (698) |
| Rent and rates | | **(1,161)** | (1,216) |
| Electricity expense | | **(3,593)** | (3,330) |
| Junior development | | **(549)** | (617) |
| Bad and doubtful debt expense | 2f | **(144)** | (142) |
| Member promotions and membership expense | | **(2,900)** | (2,992) |
| Other promotions | | **(1,931)** | **(2,224)** |
| Share of profit of associate | 9b | **9** | 12 |
| Profit and loss on disposal of subsidiary | 2c | **-** | 522 |
| Other expenses | 31 | **(18,131)** | (18,652) |
| **Surplus from Ordinary Activities Before State Taxes and Income Tax** | | **21,541** | 22,044 |
| Poker machine tax | | **(26,405)** | (28,167) |
| Payroll related taxes | | **(3,007)** | (3,249) |
| Land tax | | **(932)** | (1,273) |
| **Deficit from Ordinary Continuing Operations Before Income Tax** | | **(8,803)** | (10,645) |
| **Income Tax (Benefit)/Expense** | 4 | **(1,356)** | (818) |
| **(Deficit) from Continuing Operations After Income Tax** | | **(7,447)** | (9,827) |
| **Net Deficit/(Surplus) Attributable to Minority Interest** | | **(2,056)** | (2,136) |
| **Net (Deficit) Attributable to Members of Penrith Rugby League Club Limited** | | **(9,503)** | (11,963) |
| Other comprehensive income | | **-** | - |
| **Total Comprehensive Income** | | **(9,503)** | (11,963) |

*The above statement should be read in conjunction with the accompanying notes.*

# STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2011

| | Notes | CONSOLIDATED 2011 $'000 | 2010 $'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 19a | **7,815** | 7,287 |
| Trade and other receivables | 5 | **2,791** | 1,923 |
| Inventories | 6 | **1,583** | 1,921 |
| Other assets | 7 | **1,395** | 1,979 |
| **Total Current Assets** | | **13,584** | 13,110 |
| **Non-Current Assets** | | | |
| Trade and other receivables | 8 | **25** | 20 |
| Investments | 9b | **230** | 221 |
| Property, plant and equipment | 10 | **270,584** | 284,849 |
| Poker machine licences | 11 | **1,254** | 1,254 |
| Deferred tax asset | 4c | **1,843** | 1,622 |
| **Total Non-Current Assets** | | **273,936** | **287,966** |
| **Total Assets** | | **287,520** | 301,076 |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | **4,558** | 7,395 |
| Interest bearing liabilities | 13 | **66,470** | 4,449 |
| Current tax liabilities | | **-** | - |
| Provisions | 14 | **2,097** | 2,132 |
| Other | 15 | **21,988** | 19,743 |
| **Total Current Liabilities** | | **95,113** | 33,719 |
| **Non-Current Liabilities** | | | |
| Interest bearing liabilities | 16 | **4,354** | 68,731 |
| Deferred tax liabilities | 4c | **16,255** | 17,390 |
| Provisions | 17 | **752** | 646 |
| Other | 18 | **2,879** | 2,920 |
| **Total Non-Current Liabilities** | | **24,240** | 89,687 |
| **Total Liabilities** | | **119,353** | 123,406 |
| **Net Assets** | | **168,167** | 177,670 |
| **Equity** | | | |
| Retained surplus | | **143,900** | 153,403 |
| **Total Members Interest in Equity** | | **143,900** | 153,403 |
| **Total Minority Interest** | | **24,267** | 24,267 |
| **Total Equity** | | **168,167** | 177,670 |

*The above statement should be read in conjunction with the accompanying notes.*

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2011

| | | CONSOLIDATED | |
|---|---|---|---|
| | | 2011 | 2010 |
| | Notes | $'000 | $'000 |
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | **165,407** | 167,214 |
| Payments to suppliers and employees | | **(141,661)** | (143,615) |
| Goods and services tax paid | | **(9,154)** | (8,450) |
| Interest received | | **225** | 219 |
| Finance costs | | **(6,605)** | (6,994) |
| **Net Cash Flows from Operating Activities** | 19b | **8,212** | 8,374 |
| **Cash Flows from Investing Activities** | | | |
| Payment for property, plant and equipment | | **(1,758)** | (2,385) |
| Net proceeds from sale of property, plant and equipment | | **452** | 778 |
| Disposal of subsidiary | | **-** | 2 |
| Acquisition of investment | | **(154)** | (300) |
| **Net Cash Flows/(Used In) Investing Activities** | | **(1,460)** | (1,905) |
| **Cash Flows from Financing Activities** | | | |
| Principal repayment under finance leases | | **(4,168)** | (6,108) |
| Distribution paid to minority interest | | **(2,056)** | (2,199) |
| **Net Cash Flows (Used In) Financing Activities** | | **(6,224)** | (8,307) |
| **Net Increase/(Decrease) in Cash Held** | | **528** | (1,838) |
| Cash at the beginning of the financial year | | **7,287** | 9,125 |
| **Cash at the End of the Financial Year** | 19a | **7,815** | 7,287 |

*The above statement should be read in conjunction with the accompanying notes.*

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2011

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **Total Equity at the Beginning of the Year** | **177,670** | 189,624 |
| (Deficit) for the year | **(7,447)** | (9,827) |
| Trust distribution paid to minority | **(2,056)** | (2,127) |
| Other comprehensive income | **-** | - |
| **Total Equity at the End of the Year** | **168,167** | 177,670 |
| Attributable to: | | |
| Members of Penrith Rugby League Club Ltd | **143,900** | 153,403 |
| Minority interest | **24,267** | 24,267 |
| | **168,167** | 177,670 |

*The above statement should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011

## 1. Summary of Significant Accounting Policies

### a) Basis of Accounting

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 and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis; except for the available for sale investment, which has been measured at fair value. The directors have determined that the consolidated Group is not-for-profit for the purposes of reporting under Australian equivalents to International Financial Reporting Standards (AIFRS).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

### b) Going Concern Basis of Accounting

Included in Note 13 'Interest bearing liabilities (current)' is an amount of $62.1 million which at year end was due for repayment on 29 February 2012 to the lender: ING Management Limited as responsible entity (RE) for the IEF Real Estate Entertainment Group.

ING announced its intention to withdraw from the Australian real estate market in March 2011 and confirmed its intention to exit from Panthers Partnership Agreement. In December 2011, Torchlight Group through its controlled entity, Bodiam RE Limited took over as RE for the IEF Real Estate Entertainment Group.

In December 2011 the group achieved in principal agreement restructuring its financing with IEF Real Estate Entertainment Group which once formalised will have the following effect:

- extension of the maturity date of the loan to 30 June 2013; and
- an option to repurchase the units in Panthers Property Unit Trust (PPUT) at a fixed price effectively buying out the minority interest.

Currently the required legal documentation is in the process of being finalised to formalise the above in principal agreements.

The directors of the Group are confident that the restructuring of the Group's financing arrangements with the Torchlight group will be finalised successfully. Consequently these accounts have been prepared under the going concern basis of accounting.

However, should the negotiations breakdown with Bodiam RE Limited, then the loan with IEF Real Estate Entertainment Group will become payable subject to Penrith Rugby League Club Limited's rights under the ING Joint Venture Agreement to acquire the loan in Panthers Investment Corporation Pty Limited and units in PPUT at Market Value. Should this occur, the Group has a number of alternative strategies available in order to meet its obligations. The Directors are confident that one or more of these strategies would take effect. However, should these strategies not be successful the Group may have to realise assets other than in the normal course of business in order to meet this liability. In the event that the loan cannot be repaid by the due date, then the Group may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### c) Corporate Information

The financial report of Penrith Rugby League Club Limited for the year ended 31 October 2011 was authorised for issue in accordance with a resolution of the directors on 29 February 2012.

Penrith Rugby League Club Limited is a company limited by guarantee that is incorporated and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the Directors' Report.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

**d) Significant Accounting Judgements, Estimates and Assumptions**

***(i) Significant Accounting Judgements***

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Poker Machine Licences

The entity holds poker machines licences either acquired through a past business combination or granted for no consideration by the NSW government. AIFRS requires that licences outside of a pre AIFRS transition business combination be recognised initially at its fair value as at the date it was granted with a corresponding adjustment to profit and loss to recognise the grant immediately as income. Until new gaming legislation taking effect in April 2002 allowing poker machine licences to be traded for the first time, the entity has determined that fair value at grant date for licences granted pre April 2002 to be zero. Licences granted to the entity post April 2002 are initially recognised at fair value. The entity has determined that the market for poker machine licences does not meet the definition of an active market and consequently licences recognised will not be revalued each year.

***(ii) Significant Accounting Estimates and Assumptions***

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

Recovery of Deferred Tax Assets

Deferred tax assets are not recognised for deductible temporary differences as management does not consider it probable that future taxable profit will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Impairment of Investment

The group determines whether investments are impaired on an annual basis. This requires estimation of the recoverable amount of the investment. The assumptions used are discussed in note 9.

**e) Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), as issued by the Australian Accounting Standards Board.

The Group has adopted the following amended Australian Accounting Standards as of 1 November 2010:

• AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2010

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

***AASB 101 Presentation of Financial Statements***

The revised Standard has had no material impact on the group financial statements.

***Accounting Standards and Interpretations issued but not yet effective***

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 31 October 2011.

It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

**f) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of Penrith Rugby League Club Limited and its subsidiaries as at 31 October 2011 (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Investments in subsidiaries held by Penrith Rugby League Club Limited are accounted for at cost in the separate financial statements of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

**g) Cash and Cash Equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value. For the purposes of the Statement of Cash Flow, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

**h) Trade and Other Receivables**

Trade receivables, which generally have 7, 14 or 30-day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Loan receivables from related parties are classified as loans and receivables and carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the loans are derecognised or impaired, as well through the amortisation process.

**i) Investment in Associate**

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent, unless otherwise stated. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates.

The Group's share of an associate's profits or losses is recognised in the statement of comprehensive income, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

*i) Investment in Associate (continued)*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Cable Water Skiing (Australia) Limited is undergoing liquidation and the result is not material to the Group. The investment has been fully provided for and therefore has not been equity accounted for.

**j) Investment**

The Group's interest in Narellan Properties is accounted for as an available for sale financial asset under AASB 139. Any gain or loss on the change in fair value of the investment is recognised directly in profit and loss.

**k) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the weighted average basis. Cost comprises invoiced cost plus freight and handling charges. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**l) Property, Plant and Equipment**

Property, Plant and Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a reducing balance method or straight line basis over the estimated useful life of the asset as follows:

| | 2011 | 2010 |
|---|---|---|
| Freehold Buildings | 40 years | 40 years |
| Plant and Equipment | 5 to 15 years | 5 to 15 years |
| Leasehold Improvement | Expected lease term | Expected lease term |
| Plant & Equipment Under Lease | Lease term | Lease term |

*(i) Impairment*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell or its value in use and is determined by an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the Group has used depreciated replacement cost since the Group is a not-for-profit entity where the future economic benefits of its assets are not primarily dependent on the assets ability to generate net cash inflows and the Group would, if deprived of the asset, replace its remaining future economic benefits. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

*l) Property, Plant and Equipment (continued)*

*(i) Impairment (continued)*

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses are recognised in the income statement.

*(ii) Derecognition and Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition upon disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

**m) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**Operating Leases**

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense over the lease term.

**Group as a Lessor**

Leases in which the Group retains substantially all risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the leased term on the same basis as rental income.

**Group as a Lessee**

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance lease 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 recognised as an expense in profit and loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease expense is recognised as it is incurred.

**n) Trade and Other Payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

**o) Panther Points Liabilities**

Liabilities relating to "Panther Points" are accrued as members earn points through members spending at various outlets of the club. Each Panthers Point can be redeemed at one cent by members when they purchase at the outlets. Recognition of revenue is deferred by the amount of points earned by members during the period. Revenue is recognised when the points are redeemed.

**p) Interest Bearing Liabilities**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

**q) Employee Benefits**

*(i) Wages, Salaries, Annual Leave and Sick Leave*

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

*(ii) Long Service Leave*

The liability for long service leave is recognised in 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 up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

In respect of the Group's defined contribution superannuation plans, any contributions made to the superannuation funds are charged against profits when due.

**r) Taxes**

*(i) Income Tax*

Income tax is brought to account using the liability method of tax effect accounting with the exception of Penrith District Rugby League Football Club Limited, Mulgoa Land Trust (No.1) and Panthers Property Unit Trust which are exempt from income tax.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

***1. Summary of Significant Accounting Policies (continued)***

***r) Taxes (continued)***

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

*(ii) Tax Consolidation Legislation*

Penrith Rugby League Club Limited (PRLC) and its wholly-owned controlled entities implemented the tax consolidation legislation as of 6 December 2006.

The head entity, PRLC, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within the group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, PRLC also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 4.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

*(iii) Other Taxes*

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

- When the 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 as applicable.
- Receivables and payables, which are stated with the amount of GST included.
- Poker machine revenues are reported inclusive of GST and a corresponding GST expense is reported in poker machine taxes.

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 balance sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*1. Summary of Significant Accounting Policies (continued)*

**s) Revenue Recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria recognition must also be met before revenue is recognised:

***Sale of Goods (Includes Liquor, Restaurant Sales, and Gaming Machine Revenue)***

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

*Accommodation Income*

Accommodation revenue is recognised when the services are performed.

*Sponsorship Income*

Revenue is taken to account in the period to which the sponsorship relates.

*Advertising and Promotion Income*

Revenue is taken to account in the period to which the advertising and promotion relates.

*Grant Income*

Revenue is taken to account in the period in which all the attached conditions have been complied with, the Group has control of the grant monies (the right to receive the grant) and it is probable that the economic benefits comprising the grant will flow to the Group.

*Trust Income*

Revenue is taken to account when the control of the right to receive the distribution has passed to the Group.

*Interest Income*

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Subscriptions*

Subscriptions for annual membership are recognised in revenue over the membership year. Subscriptions for permanent membership are not taken to income as they are refundable on death or within twelve months of resignation of the members. These are included in the Group's non- current liabilities.

**t) Self Insured Risks**

Payments of members' mortality benefits are expensed when incurred.

**u) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**v) Intangible Assets**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

## 2. Income and Expenses

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| **Revenue/Income from Continuing Operations** | | |
| **a) Revenues from Operating Activities** | | |
| Revenue from catering and beverages | **31,348** | 33,091 |
| Revenue from gaming | **91,404** | 91,703 |
| Revenue from raffles/bingo | **1,401** | 1,409 |
| Revenue from accommodation | **1,191** | 1,134 |
| Revenue from gate receipts | **1,747** | 1,764 |
| Revenue from functions and banquets | **4,848** | 5,284 |
| Revenue from merchandise sales | **1,247** | 1,400 |
| Revenue from show tickets | **1,535** | 1,284 |
| Rental income | **2,903** | 2,879 |
| NRL Grant | **3,651** | 3,553 |
| Sponsorship revenue | **4,223** | 4,273 |
| Subscriptions | **790** | 963 |
| Other | **5,333** | 4,605 |
| | **151,621** | 153,342 |
| **b) Other Income** | | |
| Net gain on disposal of property plant and equipment | **76** | 412 |
| Net gain on disposal of poker machine licences | **-** | - |
| NSW State Government grant | **13** | 20 |
| Interest received – other | **225** | 219 |
| Bad debts recovery | **-** | 6 |
| | **314** | 657 |
| **Total Revenue/Income from Continuing Operations** | **151,935** | 153,999 |
| **c) Profit on Disposal of Subsidiary** | **-** | 522 |
| ***Expenses from Continuing Operations*** | | |
| **d) Cost of Goods Sold** | | |
| Changes in inventories of finished goods | **338** | 230 |
| Raw materials and consumables used | **15,877** | 16,145 |
| | **16,215** | 16,375 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*2. Income and Expenses (continued)*

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| *Expenses from Continuing Operations (continued)* | | |
| **e) Amortisation and Depreciation Expense** | | |
| Amortisation of non-current assets | | |
| Plant and equipment under lease | **5,050** | 6,845 |
| Depreciation of non-current assets | | |
| Buildings | **8,397** | 8,343 |
| Plant and equipment | **1,696** | 2,128 |
| Leasehold improvement | **1,978** | 1,828 |
| | **17,121** | 19,144 |
| **f) Bad and Doubtful Debts Expense** | **144** | 142 |
| **g) Finance Costs Expense** | | |
| Borrowings other persons/corporations | **5,942** | 5,839 |
| Finance charges - lease liability | **663** | 1,155 |
| | **6,605** | 6,994 |
| **h) Employee Benefits Expense** | | |
| Wages and salaries | **42,509** | 41,314 |
| Workers compensation costs | **1,160** | 1,715 |
| Defined contribution plan expense | **3,115** | 3,159 |
| Long service leave provision | **289** | 317 |
| Termination benefits | **120** | 70 |
| Employee benefits | **519** | 775 |
| Other | **186** | 212 |
| | **47,898** | 47,562 |

**3. Subsequent Events**

In December 2011 Bodiam RE Limited took over as Responsible Entity (RE) for ING Real Estate Entertainment Fund (ING REEF). As a result the Panthers Group is restructuring its financing arrangements with ING REEF as follows:

- Repaying $10m of the $63m loan to Panthers Investment Corporation Pty Limited (PIC) from ING Management Limited which was due on 29 February 2012. Agreeing in principal commercial terms on further extending the PIC loan to 30 June 2013.
- Agreeing in principal commercial terms on an option to purchase at a set value the ING REEF owned units in the Panthers Property Unit Trust (PPUT).

Currently the required legal documentation is in the process of being finalised to formalise the above in principal agreements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

## 4. Income Tax

The major components of income tax expense are:

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **Income Statement** | | |
| **a) Income Tax Expense** | | |
| *Current income tax* | | |
| Current income tax charge/(benefit) | - | - |
| Adjustments in respect of current income tax of previous years | - | - |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences | **(1,356)** | (818) |
| **Income Tax Expense Reported in the Statement of Comprehensive Income** | **(1,356)** | (818) |

**b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate**

A reconciliation between tax expense and the product of accounting surplus before income tax multiplied by the Group's applicable income tax rate is as follows:

| | | |
|---|---|---|
| **Total Accounting Profit/(Loss) Before Income Tax** | **(8,803)** | (10,645) |
| | **(8,803)** | (10,645) |
| **At the Group's Statutory Income Tax Rate of 30% (2010: 30%)** | **(2,641)** | (3,194) |
| Members only income | **(382)** | (1,009) |
| Members only expenses | **1,916** | 1,716 |
| Other items (net) | **1,111** | (775) |
| Depreciation & amortisation – property, plant & equipment | **549** | 115 |
| Effect of mutuality | **(2,571)** | 1,147 |
| Non-temporary differences | **662** | 1,182 |
| **Aggregate Income Tax Benefit** | **(1,356)** | (818) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*4. Income Tax (continued)*

| | | | CONSOLIDATED | |
|---|---|---|---|---|
| | Balance Sheet | | Income Statement | |
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **c) Recognised Deferred Tax Assets and Liabilities** | | | | |
| **Consolidated** | | | | |
| Deferred income tax at 31 October relates to the following: | | | | |
| *(i) Deferred Tax Liabilities* | | | | |
| Prepayments | **102** | 52 | **51** | 30 |
| Poker machine licences | **376** | 402 | **(26)** | (1) |
| Accelerated depreciation: fixed assets | **15,777** | 16,936 | **(1,160)** | 267 |
| **Gross Deferred Tax Liabilities** | **16,255** | 17,390 | | |
| *(ii) Deferred Tax Assets* | | | | |
| Doubtful debts | **86** | - | **(86)** | 2 |
| Provisions | **972** | 954 | **(18)** | (1,156) |
| Employee entitlements | **616** | 599 | **(16)** | 5 |
| Deferred Revenue | **86** | 62 | **(24)** | (9) |
| Accruals | **83** | 7 | **(77)** | 44 |
| **Gross Deferred Tax Assets** | **1,843** | 1,622 | | |
| **Deferred Tax Income/(Expense)** | | | **(1,356)** | (818) |

**d) Tax Losses**

The Group has deferred tax assets relating to carried forward tax losses that are not recognised on the balance sheet of $9,053,000 (2010: $7,130,000). The carried forward tax losses are available indefinitely for offset against future taxable income, subject to continuing to meet relevant statutory tests.

**e) Tax Consolidation**

*(i) Members of the Tax Consolidated Group and the Tax Sharing Arrangement*

PRLC and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 6 December 2006. PRLC is the head entity of the tax consolidated group. Members of the Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

*(ii) Tax Effect Accounting by Members of the Tax Consolidated Group*

**Measurement Method Adopted Under AASB Interpretation 1052 Tax Consolidation Accounting**

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*4. Income tax (continued)*

*e) Tax Consolidation (continued)*

*(ii) Tax Effect Accounting by Members of the Tax Consolidated Group*

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

**Nature of the tax funding agreement**

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based on accounting profit, adjusted for material amounts that are not assessable or deductible for tax purposes. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable), the terms and conditions of which are disclosed at Note 29.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

## 5. Trade and Other Receivables (current)

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Trade debtors | **3,021** | 2,038 |
| Provision for doubtful debts | **(417)** | (328) |
| | **2,604** | 1,710 |
| Other debtors | **187** | 213 |
| | **2,791** | 1,923 |

## 6. Inventories (Current)

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Raw materials and stores at cost | **1,583** | 1,921 |
| Total inventories at the lower of cost and net realisable value | **1,583** | 1,921 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

## 7. Other Assets (Current)

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Prepayments | **561** | 682 |
| Sundry debtors *(i)* | **436** | 899 |
| Licence deposits *(ii)* | **398** | 398 |
| | **1,395** | 1,979 |

*(i)* Sundry debtors include returnable deposits, loans to players and staff loans.

*(ii)* The Federation of Community, Sporting and Workers Clubs of New South Wales permit the entity the use of the Fingal Bay Holiday Resort and Urunga Holiday Resort upon the terms of certain written and oral agreements. The Licence deposits are refundable deposits which allow the Group's members to rent holiday units.

## 8. Trade and Other Receivables (Non-Current)

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Related parties | | |
| Other related party | **1,442** | 1,296 |
| | **1,442** | 1,296 |
| Provision for doubtful receivables | | |
| Other related parties | **(1,417)** | (1,276) |
| | **25** | 20 |

Loans receivable from related parties are non- current. Other details of the terms and conditions of related party receivables are set out in Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**9. Investment**

**a) Investment in Associate**

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| At cost less cumulative impairment: | | |
| Pan Pen Pty Ltd | **221** | 300 |
| Provision for impairment | **-** | (79) |
| | **221** | 221 |
| Cable Water Skiing (Australia) Limited | **675** | 675 |
| Provision for impairment | **(675)** | (675) |
| | **-** | - |

**b) Movements in the Carrying Amount of the Group's Investment in Associates**

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| At cost less cumulative impairment: | | |
| Pan Pen Pty Ltd | | |
| At 1 November 2010 | **221** | 300 |
| Share of profits after income tax | **9** | 12 |
| Impairment of investment | **-** | (91) |
| **At 31 October 2011** | **230** | 221 |
| Cable Water Skiing (Australia) Limited | | |
| At 1 November 2010 | **-** | - |
| Investment at Cost | **-** | - |
| Share of profits after income tax | **-** | - |
| Impairment of investment | **-** | - |
| **At 31 October 2011** | **-** | - |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*9. Investments (continued)*

**c) Summarised Financial Information**

The following table illustrates summarised financial information relating to Pan Pen Pty Ltd

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Extract from the associate' statement of financial position | | |
| Current assets | **301** | 261 |
| Non-current assets | **423** | 501 |
| | **724** | 762 |
| Current liabilities | **(130)** | (181) |
| Non-current liabilities | **(189)** | (773) |
| | **(319)** | (954) |
| **Net Assets/(Liabilities)** | **405** | (192) |
| Share of associate's net assets | **203** | (96) |
| Extract from the associates' statement of comprehensive income: | | |
| Revenue | **715** | 788 |
| **Net Profit** | **33** | 42 |

**d) Details of Associate**

| Name | Country of Incorporation | Equity Interest Held By Controlling Entity 2011 % | 2010 % | Balance Date |
|---|---|---|---|---|
| Cable Water Skiing (Australia) Limited *(i)* | Australia | 52 | 52 | 30 June |
| Pan Pen Pty Ltd *(ii)* | Australia | 50 | 50 | 31 October |

*(i) Principal activity of associated company Cable Water Skiing (Australia) Limited is a dormant company and in the process of being liquidated.*

*(ii) Pan Pen Pty Ltd operates Panorottis restaurant in Penrith Rugby League Club.*

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**e) Interest in Narellan Properties Partnership**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **At Cost** | **145** | - |
| **Less: Provision for Impairment** | **(145)** | - |
| | **-** | - |

**f) Details of Available for Sale Investment**

| Name | Interest Held By Group | | Balance Date |
|---|---|---|---|
| | 2011 | 2010 | |
| | % | % | |
| Narellan properties | **8.33** | 8.33 | 30 June |

***(i) Valuation Assumptions***

The fair value of the available for sale investment is based on future cash flows determined by appropriately qualified independent valuer. Any gain or loss on the change in fair value of the investment is recognised in profit and loss.

**g)** Included in unlisted shares is an investment of $2 in respect of the entire issued capital of Savada Pty Limited. As that company acts solely in a fiduciary capacity for the members of the Penrith District Rugby League Football Club Player's Superannuation Fund for which it is trustee, it is not controlled by Penrith Rugby League Club Limited and has not been consolidated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

## 10. Property, Plant and Equipment

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| **Land** | | |
| - At cost | **112,037** | 112,037 |
| | **112,037** | 112,037 |
| **Buildings** | | |
| - At cost | **143,864** | 144,250 |
| Accumulated depreciation | **(50,982)** | (42,595) |
| | **92,882** | 101,655 |
| **Plant and Equipment** | | |
| - At cost | **43,451** | 42,200 |
| Accumulated depreciation | **(35,511)** | (33,793) |
| | **7,940** | 8,407 |
| **Leasehold Improvement** | | |
| - At cost | **50,816** | 50,559 |
| Accumulated depreciation | **(6,855)** | (4,822) |
| | **43,961** | 45,737 |
| **Plant and Equipment Under Lease** | | |
| - At cost | **84,601** | 82,781 |
| Accumulated amortisation | **(72,190)** | (67,140) |
| | **12,411** | 15,641 |
| **Capital Works in Progress** | | |
| – At cost | **1,353** | 1,372 |
| **Total Property, Plant and Equipment** | **436,122** | 433,199 |
| **Accumulated Depreciation and Amortisation** | **(165,538)** | (148,350) |
| **Total Net Carrying Amount** | **270,584** | 284,849 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*10. Property, Plant and Equipment (continued)*

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| **Reconciliations** | | |
| **Land** | | |
| - Carrying amount at beginning of period | **112,037** | 112,179 |
| - Additions | **-** | - |
| - Disposals | **-** | (142) |
| - Reclassification | **-** | - |
| **Carrying Amount at Period End** | **112,037** | 112,037 |
| **Buildings** | | |
| - Carrying amount at beginning of period | **101,655** | 109,839 |
| - Additions | **-** | - |
| - Disposals | **(376)** | - |
| - Reclassification | **-** | 159 |
| - Depreciation expense | **(8,397)** | (8,343) |
| **Carrying Amount at Period End** | **92,882** | 101,655 |
| **Plant and Equipment** | | |
| - Carrying amount at beginning of period | **8,407** | 9,932 |
| - Additions | **753** | 793 |
| - Disposals | **-** | (26) |
| - Disposal of a subsidiary | **-** | (570) |
| - Reclassification | **476** | 406 |
| - Depreciation expense | **(1,696)** | (2,128) |
| **Carrying Amount at Period End** | **7,940** | 8,407 |
| **Leasehold Improvement** | | |
| - Carrying amount at beginning of period | **45,737** | 46,408 |
| - Additions | **239** | 229 |
| - Disposals | **-** | - |
| - Reclassification | **(37)** | 928 |
| - Depreciation expense | **(1,978)** | (1,828) |
| **Carrying Amount at Period End** | **43,961** | 45,737 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*10. Property, Plant and Equipment (continued)*

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| **Plant and Equipment Under Lease** | | |
| - Carrying amount at beginning of period | **15,641** | 18,387 |
| - Additions | **1,812** | 4,248 |
| - Disposals | **-** | (198) |
| - Reclassification | **8** | 49 |
| - Amortisation expense | **(5,050)** | (6,845) |
| **Carrying Amount at Period End** | **12,411** | 15,641 |
| **Capital Works in Progress** | | |
| - Carrying amount at beginning of period | **1,372** | 1,502 |
| - Additions | **766** | 1,419 |
| - Disposals | **-** | - |
| - Reclassification | **(785)** | (1,549) |
| **Carrying Amount at Period End** | **1,353** | 1,372 |

**Impairment**

Impairment has been recognised where the subsidiary has ceased trading and assets have been determined to have a nil value.

**11. Intangible Assets**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Poker machine licences | | |
| Balance at beginning of year | **1,254** | 1,342 |
| Acquired | **-** | - |
| Disposals | **-** | - |
| Impairments | **-** | (88) |
| **Balance at End of Year** | **1,254** | 1,254 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**12. Payables (Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Trade creditors | **4,558** | 7,395 |

Trade liabilities are normally settled on 30 day terms.

**13. Interest Bearing Liabilities (Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| *Secured liabilities* | | |
| Other Loan *(i)* | **62,177** | - |
| Lease liability (Note 20) | **4,293** | 4,449 |
| | **66,470** | 4,449 |

*(i) The loan is provided to a subsidiary, Panthers Investment Corporation Pty Limited (PIC), which matured in July 2010. PIC elected to roll over the loan for a two year period with condition that lender (ING Management Limited) may elect to convert the loan to a 49.9% equity stake in PIC at any time between July 2010 and July 2011. By a subsequent Amending Deed dated 30 October 2011, the lender has agreed to extend the maturity date of the loan to 29 February 2012. Accordingly, the loan is disclosed as current at year end.*

*The loan is secured by a fixed and floating charge on all assets of PIC and a 49.9% equity interest in PPUT. Interest is charged at a base rate of 8.5% and adjusted by 3% p.a. Interest rate for 2011 as at balance sheet date is 9.567% p.a. (2010: 9.28 %).*

*As at balance date, the Group had finance leases with an average lease term of three years. The average discount rate implicit in the leases is 5.73% (2010: 6.37 %). The lease liability is secured by a charge over the leased assets to which the liability relates.*

The carrying amounts of the Group's current and non-current borrowings approximate their fair value.

**14. Provisions (Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Employee entitlements | **2,097** | 2,132 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**15. Other Liabilities (Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Deferred Income | **2,743** | 2,468 |
| Poker machine tax | **6,092** | 6,776 |
| Accrued wages/salaries | **594** | 464 |
| Accruals for annual leave | **3,348** | 3,334 |
| Other creditors and accruals | **7,963** | 5,424 |
| Other non-interest bearing loan *(i)* | **914** | 914 |
| Subscriptions received in advance | **222** | 354 |
| GST Payable | **112** | 9 |
| | **21,988** | 19,743 |

*(i)* Non-interest bearing loan is provided to Panthers Investment Corporation by ING which is repayable on demand.

**16. Interest Bearing Liabilities (Non-Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Unsecured: | | |
| Borrowings | **-** | - |
| Secured: | | |
| Other loan | **-** | 62,176 |
| Lease liability (Note 20) | **4,354** | 6,555 |
| | **4,354** | 68,731 |

The lease liability is secured by a charge over the leased assets to which the liability relates.

The carrying amounts of the Group's current and non-current borrowings approximate their fair value.

**17. Provisions (Non-Current)**

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Employee entitlements | **752** | 646 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

## 18. Other Liabilities (Non-Current)

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Rent received in advance | **614** | 639 |
| Permanent members *(i)* | **2,265** | 2,281 |
| | **2,879** | 2,920 |

*(i) Subscriptions for permanent membership are fully refundable on death or within twelve months of resignation of the member.*

## 19. Cash and Cash Equivalents

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **(a) Reconciliation of Cash and Cash Equivalent** | | |
| Cash balance comprises of: | | |
| Cash | **7,815** | 7,287 |
| | **7,815** | 7,287 |

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **b) Reconciliation of Operating Deficit After Income Tax to Net Cash Flows from Operating Activities** | | |
| Operating deficit after income tax | **(7,447)** | (9,827) |
| Depreciation and amortisation | **17,121** | 19,144 |
| Bad debt expenses | **-** | 142 |
| Net gain on sale of property, plant & equipment | **(76)** | (412) |
| Non cash movement of property, plant & equipment | **338** | - |
| Gain on disposal of subsidiary | **-** | (113) |
| Impairment of Poker Machine Licence | **-** | 88 |
| Impairment of investment in associate | **-** | 79 |
| **Changes in Assets and Liabilities** | | |
| Decrease /(Increase) in trade and other receivables | **(873)** | (621) |
| Decrease in inventories | **338** | 210 |
| Decrease in prepayments and other debtors | **584** | 719 |
| Increase in deferred tax assets | **(221)** | (1,114) |
| Decrease in trade and other payables | **(488)** | (317) |
| (Decrease)/Increase in deferred tax liabilities | **(1,135)** | 296 |
| Increase in employee entitlements | **71** | 100 |
| **Net Cash Inflows from Operating Activities** | **8,212** | 8,374 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

### 20. Total Minimum Lease Payments Under Hire Purchase

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| The total minimum lease payments under hire purchase are as follows: | | |
| - Not later than one year | **4,713** | 5,094 |
| - Later than one year and not later than five years | **4,580** | 7,182 |
| - Total minimum lease payments | **9,293** | 12,276 |
| - Future finance charges | **(645)** | (1,272) |
| - Lease liability | **8,648** | 11,004 |
| - Current liability (Note 13) | **4,293** | 4,449 |
| - Non-current liability (Note 16) | **4,354** | 6,555 |
| | **8,648** | 11,004 |

*(i)* The majority of the above represents payments due for leased poker machines under non-cancellable lease agreements and have been recognised as a liability.

*(ii)* Finance leases have an average lease term of 3 to 5 years.

*(iii)* Interest rate is disclosed at Note 13.

### 21. Operating Lease Commitments Payable

| | CONSOLIDATED | |
|---|---|---|
| | 2011 $'000 | 2010 $'000 |
| Future minimum rentals payable under non-cancellable operating leases as at 31 October are as follows: | | |
| - Within one year | **75** | 75 |
| - After one year but not more than five years | **300** | 300 |
| - After more than five years | **913** | 988 |
| **Total Minimum Lease Payments** | **1,288** | 1,363 |

Penrith District Rugby League Football Club Limited (PDRLFC) has entered into a non-cancellable lease with Penrith City Council over Centrebet Stadium, located at Mulgoa Road, Penrith. The non-cancellable lease has a remaining term of 17 years and 2 months. The lease includes a clause to enable upward revision of the rental charge on an annual basis according to the Consumer Price Index, and turnover rent, equal to 10% of the net profit of PDRLFC.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

### 22. Operating Lease Commitments Receivable

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Future minimum rentals receivable under non-cancellable operating leases as at 31 October are as follows: | | |
| - Within one year | **531** | 554 |
| - After one year but not more than five years | **1,338** | 1,541 |
| - After more than five years | **2,545** | 2,872 |
| **Total Minimum Lease Payments** | **4,414** | 4,967 |

A subsidiary Mulgoa Land Trust (No.1) has entered into commercial property leases over land and buildings held by the Trust at Mulgoa Road, Penrith.

These non-cancellable leases have remaining terms of between 5 years and 26 years. The leases include clauses to enable upward revision of the rental charge on an annual basis, either at a fixed rate or in accordance with prevailing market conditions.

### 23. Capital Commitments

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Commitments contracted for at reporting date but not recognised as liabilities are as follows: | | |
| - Within one year | **187** | 1,040 |
| - After one year but not more than five years | **-** | - |
| - After more than five years | **-** | - |
| **Total Capital Commitments** | **187** | 1,040 |

### 24. Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. The Group also contributes to the plans, generally at the rate of twice the employees' contributions. Contributions by the Group of up to 9% of employees' wages and salaries are legally enforceable. PRLC contributions for the year ended 31 October 2011 amounted to $3,114,798 (2010: $3,149,013).

### 25. Members Guarantees

Pursuant to the Memorandum of Association, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding $4 (2010: $4). At 31 October 2011 such guarantees totalled $516,292 (2010: $583,980).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**26. Contingent Liabilities**

*(i)* Full members of the chief entity with continuous membership since 1 April 1975 are entitled to a mortality benefit of $200. At 31 October 2011 the maximum contingent liability was $445,000 (2010: $454,800).

*(ii)* Permanent members of the chief entity are entitled to a mortality benefit under certain circumstances of $1000 (2010: $1,000). There were 11,796 permanent members at 31 October 2011 (2010: 11,911). Benefits paid during the period were $23,215 (2010: $18,415).

*(iii)* The Group has provided an undertaking to Penrith District Rugby Club Players Superannuation Plan that it will continue to provide financial support to the Plan to meet debts as and when they fall due.

**27. Key Management Personnel**

**a) Details of Key Management Personnel**

| | |
|---|---|
| Cedric Harry Frank Simpson | Chief Executive Officer *(Terminated 23/11/11)* |
| Neil Allan Bare | Chief Financial Officer |
| Sue McNeill | Chief Operating Officer |
| Warren Wilson | Business Strategy Consultant *(Commenced on 12/10/11)*<br>Chief Executive Officer *(Commenced 29/02/12)* |
| Phil Gould | General Manager PDRLFC *(Commenced on 01/06/11)* |
| Phil Moss | Commercial Manager PDRLFC *(Commenced on 07/6/11)* |

Key management personnel includes all directors plus the following executive management:

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Key management personnel compensation: | | |
| Short-term | **1,521** | 580 |
| Post employment | **77** | 52 |
| Other long-term | **-** | - |
| Termination benefits | **311** | 29 |
| | **1,909** | 661 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**28. Remuneration of Auditor**

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Amounts received or due and receivable by Ernst & Young for: | | |
| An audit of the financial statements of the entity and any other entity in the Group | **212** | 197 |
| Other services in relation to the entity and any other entity in the Group: | | |
| - Assurance related | **68** | 70 |
| - Tax related | **106** | 46 |
| | **386** | 313 |

**29. Related Party Disclosures**

**a) The directors of Penrith Rugby League Club Limited during the financial period were:**

| | |
|---|---|
| D Feltis JP *(Chairman)* | G Kennedy |
| T Heidtmann *(Senior Deputy Chairman)* | W Wheeler |
| J Hiatt OAM *(Deputy Chairman)* | S Robinson (*Appointed 25 May 2011)* |
| G Alexander | B Ferguson (*Appointed 29 June 2011)* |
| K Lowe | B Fletcher (*Appointed 27 July 2011)* |
| D Merrick FCPA \| JP | K Evans *(Resigned 21 June 2011)* |
| K Rhind OAM | G Chapman *(Resigned 21 January 2011)* |
| R Anderson | B Walsh OAM *(Resigned 22 December 2010)* |
| J Geyer | |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**b) The following related party transactions occurred during the financial year:**

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Operating (deficit)/surplus before income tax for the financial year includes aggregate amounts attributable to transactions in respect of: | | |
| **Purchase of Goods and Services** | | |
| Pan Pen Pty Limited | **4** | 1 |
| **Sales of Goods and Services** | | |
| Pan Pen Pty Limited | **22** | 26 |
| **Interest Income/(Expenses) on Loans** | | |
| Penrith District Rugby League Football Club Players Superannuation Fund *(ii)* | **130** | 115 |
| **Rent Expenses for PRLC Premises** | | |
| Pan Pen Pty Limited | **246** | 240 |

*(i)* Mulgoa Road (No 1) Pty Limited charged interest at a rate of 7.80% p.a. (2010: 8.80%).

*(ii)* The Group charged interest at a rate of 9.72% p.a. (2010: 9.72%).

Interest-free loans were advanced to controlled entities during the year by Penrith Rugby League Club Limited. The balance at year end is $49,031,000 (2010: $67,825,000).

The entities were:

Penrith District Rugby League Football Club Limited

Penrith Rugby League Land Holdings Pty Limited

Rylebrook Pty Limited

143 William Street Pty Limited

Settlement Shores Investment Limited

Settlement Shores Entertainment Centre Pty Limited

Plancask Pty Limited

Panthers Investment Corporation Pty Limited

Panthers Property Management Pty Limited

Interest-free loans were advanced to Penrith Rugby League Club Limited by subsidiaries during the year. The entities concerned were Mulgoa Land Trust (No 1), Penrith Leagues Club Land Holdings Pty Limited and Panthers World Wide Adventures Pty Limited.

Interest-free loans are repayable on demand. The balance at year end is $139,754,000 (2010: $104,644,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*29. Related Party Disclosures (continued)*

**c) Transactions with Other Related Parties**

*ING Management Limited*

ING Management Limited (ING) has a 49.9% interest in a subsidiary Panthers Property Unit Trust. In 2011 the Trust made a distribution to ING amounting to $2.055m (2010: $2.199m).

ING has also provided an interest bearing and a non-interest bearing loan to another subsidiary Panthers Investment Corporation (PIC). Details of the two loans are described in Note 13 and 15 respectively.

*Penrith District Rugby League Football Club Players' Superannuation Plan*

Penrith Rugby League Club Limited has provided a loan to the Penrith District Rugby League Football Club Players' Superannuation Plan; this entity is a related party. The balance at year end is $1,423,730 (2010: $1,277,497). The loan attracts interest at a fixed rate of 9.72% (2010: 9.72%).

During the year the controlled entities transacted with the parent entity and other entities in the Group. With the exception of accounting and administrative assistance, which was provided free of charge, and interest free loans provided by certain Group companies, these transactions were on commercial terms and conditions.

Don Feltis has declared that his son's limousine business Panthers Limousines, was used by the consolidated entity. The consolidated entity paid $4,850 for services provided during the year.

The consolidated entity paid $30,000 sponsorship during the year to the Hawkesbury Race Club Limited. In their respective capacities as CEO and Chairman of Hawkesbury Race Club Limited, Brian Fletcher and John Hiatt are regarded as having an interest.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*29. Related party disclosures (continued)*

| | | | Consolidated | |
|---|---|---|---|---|
| | | | 2011 | 2010 |
| | | | $'000 | $'000 |
| | Shares Type | Country of Incorporation | Holding | Holding |
| | | | 2011 | 2010 |
| | | | % | % |
| **d) Details of Subsidiaries and Associates:** | | | | |
| Penrith Leagues Club Land Holdings Pty Ltd | Ord | Australia | 100 | 100 |
| Mulgoa Road (No.1) Pty Limited | Ord | Australia | 100 | 100 |
| Savada Pty Limited | Ord | Australia | 100 | 100 |
| Rylebrook Pty Limited | Ord | Australia | 100 | 100 |
| Settlement Shores Investment Limited | Ord | Australia | 100 | 100 |
| Plancask Pty Limited | Ord | Australia | 100 | 100 |
| 143 William Street Pty Limited | Ord | Australia | 100 | 100 |
| PanBat Pty Limited | Ord | Australia | 67 | 67 |
| Penmate Pty Limited | Ord | Australia | 100 | 100 |
| Pangara Pty Limited | Ord | Australia | 67 | 67 |
| Penrith District Rugby League Football Club Limited | | Australia | Common Board | Common Board |
| Trelefren Trust | | Australia | Trustee | Trustee |
| Mulgoa Land Trust (No.1) | | Australia | Trustee | Trustee |
| Settlement Shores Entertainment Centre Pty Limited | Ord | Australia | 100 | 100 |
| Panthers Investment Corporation Pty Limited | Ord | Australia | 100 | 100 |
| Panthers Property Unit Trust | Units | Australia | 50.1 | 50.1 |
| Panthers Property Management Pty Limited | Ord | Australia | 50.1 | 50.1 |
| Associates | | | | |
| Pan Pen Pty Ltd | Ord | Australia | 50 | 50 |

Impairment has been recognised where the subsidiary has ceased trading and assets have been determined to have a nil value, and where net assets of the investee are less than the carrying value of the investment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**30. Financial risk management objectives and policies**

**Financial Risk Management**

The Group's principal financial instruments comprise receivables, payables, ING loans, finance leases, hire purchase contracts and cash and short term deposits.

The main purpose of these financial instruments is to raise the finance for the Group's operations. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are liquidity risk, cash flow interest rate risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised are disclosed in note 1 to the financial statements.

**Risk Exposures and Responses**

***Interest Rate Risk***

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated cash flow hedges:

| | CONSOLIDATED | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Financial assets | | |
| Cash and cash equivalents | **7,815** | 7,287 |
| **Net Exposure** | **7,815** | 7,287 |

At 31 October 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

| **Judgements of Reasonably Possible Movements:** | Post Tax Profit Higher/(Lower) | | Equity Higher/(Lower) | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Consolidated | | | | |
| +1% (100 basis points) | **78** | 72 | **78** | 72 |
| -1% (100 basis points) | **(78)** | (72) | **(78)** | (72) |

The movements in profit are due to higher/lower interest costs from variable rate debt/cash balances. The sensitivity is higher in 2011 than in 2010 because of increase in net variable rate cash balances during 2011.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*30. Financial Risk Management Objectives and Policies (continued)*

***Credit risk***

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group. The Group's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets are the carrying amounts of those assets as indicated in the balance sheet. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities / parties fail to perform their obligations under the financial instruments in question.

**a) Allowance for Impairment Loss**

Trade receivables, which generally have 30-day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made for all debts above 90 days. Bad debts are written off when identified.

Loan receivables from related parties are classified as loans and receivables and carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income statement when the loans are derecognised or impaired, as well through the amortisation process.

Movements in the provision for impairment loss were as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| At 1 November 2010 | **328** | 450 |
| Charge for the year | **233** | 136 |
| Amounts written off | **(144)** | (258) |
| **At 31 October 2011** | **417** | 328 |

At 31 October 2011, the ageing of trade receivables is as follows:

| | | **0-30** | **31-60** | **61-90** | **91+** | **Total** |
|---|---|---|---|---|---|---|
| | | **$'000** | **PDNI* $'000** | **PDNI* $'000** | **CI** $'000** | **$'000** |
| 2011 | Consolidated | 1,742 | 241 | 174 | 864 | 3,021 |
| 2010 | Consolidated | 1,232 | 101 | 377 | 328 | 2,038 |

** Past Due not impaired (PDNI)*

*** Considered impaired (CI)*

Penrith Rugby League Club has a loan receivable of $1,423,731 (2010: $1,277,497) from related party Penrith District Rugby League Football Club Players Superannuation Plan. An impairment loss of $141,001 (2010: $150,101) has been recognised by the Group in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

*30. Financial Risk Management Objectives and Policies (continued)*

*a) Allowance for Impairment Loss (continued)*

***Liquidity Risk***

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases and hire purchase contracts.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Presented below are the gross undiscounted cash flows for respective obligations in the upcoming fiscal years.

The remaining contractual maturities of the Group's financial liabilities are:

| | CONSOLIDATED | |
|---|---|---|
| | **2011 $'000** | **2010 $'000** |
| 6 months or less | **4,558** | 7,395 |
| 6-12 months | **66,470** | 4,449 |
| 1-5 years | **4,354** | 71,926 |
| | **75,382** | 83,770 |

**Maturity Analysis of Financial Assets and Liability Based on Management's Expectation**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital (e.g.: inventories and trade receivables). These assets are considered in the Group's overall liquidity risk.

| Year Ended 31 October 2011 | < 6 months $'000 | 6-12 months $'000 | 1-5 years $'000 | Total $'000 |
|---|---|---|---|---|
| Consolidated Financial Assets | | | | |
| Cash & cash equivalents | 7,815 | - | - | 7,815 |
| Trade & other receivables | 2,791 | | 25 | 2,816 |
| | 10,606 | - | 25 | 10,631 |
| Consolidated Financial Liabilities | | | | |
| Trade & other payables | (25,632) | - | - | (25,632) |
| Interest bearing loans & borrowings | (67,384) | - | (4,354) | (71,738) |
| | (93,016) | - | (4,354) | (97,370) |
| **Net maturity** | **(82,410)** | **-** | **(4,329)** | **(86,739)** |

At balance date, the Group has approximately $4,268,141 of unused credit facilities for its immediate use.

**Capital Management**

The company is limited by guarantee and under its constitution is prohibited from paying a dividend to its members.

**Fair Values**

All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair values.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**31. Other Expenses from Operating Activities**

| | CONSOLIDATED | |
|---|---|---|
| | **2011 $'000** | **2010 $'000** |
| Annual report | **74** | 66 |
| Audit and accounting | **374** | 395 |
| Bank charges | **132** | 153 |
| Cleaning expenses | **1,695** | 1,523 |
| Commission | **10** | 60 |
| Consultancy | **688** | 500 |
| Courtesy Bus | **259** | 304 |
| Equipment hire | **400** | 516 |
| Gaming, monitoring and other cost | **2,033** | 2,251 |
| General expenses | **931** | 1,163 |
| Ground expenses | **358** | 370 |
| Legal fees | **222** | 255 |
| Licences and Subscriptions | **851** | 905 |
| Mini asset register | **86** | 85 |
| Money security | **539** | 429 |
| Motor vehicle expenses | **118** | 129 |
| Other expenses* | **2,725** | 2,475 |
| Pest control | **68** | 51 |
| Plants | **61** | 61 |
| Postage | **168** | 150 |
| Printing and stationery | **771** | 852 |
| Purchases Raffle and Bingos | **1,968** | 1,934 |
| Security | **763** | 1,184 |
| Staff amenities | **299** | 276 |
| Telephone | **860** | 932 |
| Travel and accommodation | **164** | 160 |
| Training | **1,062** | 1,092 |
| Waste expenses | **452** | 381 |
| | **18,131** | 18,652 |

*Included in other expenses are amounts relating to the impairment of the investment in associate of $144,572 (2010: $91,000) and the Poker Machine Licence of $nil (2010: $88,000).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**32. Parent Company Information**

The salient financial information in relation to the parent company, Panthers Rugby League Club Limited, is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | **2011** | **2010** |
| | **$'000** | **$'000** |
| Current assets | **10,413** | 10,787 |
| Non-current assets | **162,898** | 179,925 |
| **Total Assets** | **173,311** | 190,712 |
| Current liabilities | **173,251** | 182,882 |
| Non-current liabilities | **9,279** | 10,184 |
| **Total Liabilities** | **182,530** | 193,066 |
| **Net Liabilities** | **(9,219)** | (2,354) |
| (Accumulated deficit)/Retained surplus | **(9,219)** | (2,354) |
| **Total Equity** | **(9,219)** | (2,354) |
| Net loss after tax | **(6,864)** | (11,974) |
| Other comprehensive income | | - |
| **Total Comprehensive Income** | **(6,864)** | (11,974) |

At year end, the parent entity has contingent liabilities of $445,000 (refer to Note 26).

The parent entity has the following contractual obligation as at 31 October 2011:

**The Operating Lease Commitments Payable**

The parent entity has entered into property leases with the related entities Panthers Property Unit Trust (PPUT) and Panthers Investment Corporation Pty Limited (PIC) over the land and all improvements constructed on the land, including PRLC at Mulgoa Road in Penrith.

The non-cancellable leases have a remaining term of 10 years and 8 months with option to renew for three further ten years after the expiry of the first option on 23 June 2022. The lease includes a fixed upward revision of the rental charge of 3% on an annual basis. The total outstanding lease commitment at year end is $191,097,000 (2010: $206,925,000).

**Capital Commitment**

The parent entity had no contractual obligations as at 31 October 2011 (refer to Note 23).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2011
CONTINUED

**33. Core Property and Non-Core Property of the Club**

Pursuant to clause 41J of the Registered Clubs Act 1976, the Core Property of the club is the defined premises of the following properties:

| | | |
|---|---|---|
| **1** | Port Macquarie RSL | 109/1083464 |
| **2** | Port Macquarie Sports | 6/871267 |
| | | 132/754434 |
| | | AC6821-140 (103/754434, 104/754434, 135/754434 and 203/754434) |
| | | 1/196484 |
| **3** | Newcastle | 1/826956 |
| **4** | Cardiff | 1/248724 |
| | | A/366353 |
| | | 1/395842 |
| | | 81/551518 |
| | | 31/614594 |
| | | 162/775974 |
| | | 291/800879 |
| | | 292/800879 |
| | | 91/571092 |
| | | 823/847201 |
| | | 1/20637 |
| | | 2/20637 |
| | | 1/240602 |
| | | 2/240602 |
| | | 3/787275 |
| **5** | Lavington | 27/1014850 |
| **6** | Bathurst RLC | 1/881588 |
| **7** | Bathurst CBC | 26/72/758065 |
| | | 1/247981 |
| **8** | Wallacia | 512/1079728 |
| | | 2/1108408 |
| | | AC5645-56 (3/18701 and 4/18701) |
| **9** | St Johns Park | 1/1079685 |
| **10** | North Richmond | 101/873170 |
| **11** | West Epping | 1/230415 |
| **12** | Glenbrook | 357/704602 |
| | | 321/751662 |

| | | |
|---|---|---|
| 1 | Penrith (Mulgoa) | 151/863625 |
| 2 | Cabramatta (Mekong) | 10/SP23152 |
| | | 11/SP23152 |

The non-core properties of the club are those parts of the above properties which do not constitute the defined premises or any facility provided by the club for the use of its members and their guests, and all other properties owned by the club.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Penrith Rugby League Club Limited, I state that:

1. In the opinion of the directors:

**a)** the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

*(i)* giving a true and fair view of the consolidated entity's financial position as at 31 October 2011 and of its performance for the year ended on that date; and

*(ii)* complying with Accounting Standards and Corporations Regulations 2001; and

**b)** there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,

**DON FELTIS**
*Chairman*

Penrith

29 February 2012

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**Independent Auditor's Report to the Members of Penrith Rugby League Club Limited**

We have audited the accompanying financial report of Penrith Rugby League Club Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 October 2011, the consolidated statement of 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 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.

**Opinion**

In our opinion the financial report of Penrith Rugby League Club Limited is in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the consolidated entity's financial position as at 31 October 2011 and of its performance for the year ended on that date; and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Ernst & Young

**ERNST & YOUNG**

**JAMES PALMER**
*Partner*

Sydney

29 February 2012

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