



The
Broncos

ANNUAL REPORT

BRISBANE BRONCOS LEAGUES
CLUB LIMITED 2013 / 2014



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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26th Annual General Meeting of Brisbane Broncos Leagues Club Ltd, ACN 010 798 679 will be held in the Darcey Mitchell Room, Brisbane Broncos Leagues Club Ltd, Fulcher Road, Red Hill on Thursday, 20 November 2014 at 6.00pm.

AGENDA

1. Apologies
2. Confirmation of minutes from the last Annual General Meeting held on Thursday, 28 November 2013.
3. Business arising out of minutes.
4. Annual reports for adoption:
 - 4.1 President Report; and
 - 4.2 Directors' Report, Independent Audit Report and Financial Statements.
5. Election of Officers
 - 5.1 President
 - 5.2 Vice President
 - 5.3 Treasurer
 - 5.4 Two Committee Members
6. Approval of Committee Members' remuneration year ended 30 June 2015.
7. General business (of which seven days written notice has been given).

NOMINATIONS FOR BOARD OF DIRECTORS

Persons wishing to nominate for the position of Director of Brisbane Broncos Leagues Club Limited are invited to do so before 6.00pm on Thursday 6 November, 2014. Nomination forms are available upon request from the Secretary and attention is drawn to section 3.7 of the Constitution of the Brisbane Broncos Leagues Club Limited.

FORMS OF PROXY

Refer to the reverse side of this form. Additional Forms of Proxy are available from Reception.

Dated 25th September 2014 by order of the Board of Directors.



Sally Dickinson
Company Secretary

PRESIDENT'S REPORT

We are pleased to present the 2013/2014 Annual Report for Brisbane Broncos Leagues Club Ltd.

During the year under review the Club produced a disappointing result with EBITDAS of \$2.95m (2013: \$3.68 million) and a loss from operations of \$161,000 (2013: profit of \$604,000).

A summary of the Club's financial performance for the 2013/2014 financial year is set out below.

	2014	2013
	\$'000	\$'000
Revenue		
Sales – food, bar & bottleshop	7,383	8,221
Gaming machine takings	13,330	13,226
Other	1,460	1,607
	22,173	23,054
Expenses		
Cost of sales	(3,262)	(3,676)
Gaming machines related expenses	(5,409)	(5,263)
Employee & other	(10,548)	(10,431)
	(19,219)	(19,370)
Profit before interest, tax, depreciation & sponsorship (EBITDAS)	2,954	3,684
Finance costs	(598)	(705)
Depreciation & amortisation	(2,517)	(2,375)
Profit / (loss) from operations	(161)	604

COMMENTARY ON OPERATIONS

The operating loss for the financial year is disappointing and reflects a very static return from gaming, a lower result from food, beverage and functions operations, together with an increase in depreciation and amortisation costs. The Club also incurred substantial one-off costs in legal and compliance advice associated with events that occurred at Broncos Leagues Club. These events are covered in note 19 of the financial statements following this report.

The Board has worked tirelessly in recent months to put in place the appropriate corporate governance and risk management procedures to ensure a higher level of compliance practice and culture exists in the Club in future.

During the year our traditionally loyal Broncos Leagues Club members continued to support the Club and the Board of Directors wishes to thank all our members for their continued patronage. However, overall membership decreased during the year and as a result any expected revenue growth from a larger membership base did not materialise. The management team and staff will be working very hard to reinvigorate our membership and strive to provide existing and potential new members with a high level of enjoyment and entertainment.

Despite the downturn in business and increased operating costs, the Club continued its strong support of the local community with schools, charities, community groups and sporting organisations and the Broncos Football Club all benefiting from our financial support.

The Club's General Manager, Geoff Kuehner, recently resigned and at the time of this report the Board is conducting a recruitment program to look for a replacement. I take this opportunity to thank Geoff for his long involvement at various levels in the Club, in more recent years as General Manager.

In the meantime, the Board has appointed Bob Cutmore to the position of Chief Operating Officer of the Broncos Leagues Club. Bob is well known and respected in the industry and brings to the Club a wealth of experience and knowledge in the gaming and hospitality industry.

During the year the Club continued to work closely with the Broncos Football Club and congratulates the team on reaching the finals in 2014. The Board particularly thanks Chairman Dennis Watt and CEO Paul White for their ongoing support. The Board also takes this opportunity to thank outgoing coach Anthony Griffin for his support over the past four years as well as congratulate Wayne Bennett on his return to the Broncos.

The Directors, management and staff have had a very difficult and challenging year. Challenges still remain but all are dedicated to working tirelessly to ensure the Broncos Leagues Club performs to its potential. I thank each and every staff member for their contribution during the year and look forward to continuing this support in the future.

Finally, I would again like to extend my thanks to our many loyal members. The Board plans on making next year's experience an enjoyable one of you, your family and friends at the Broncos Leagues Club.

REPORTED LOSS	2014	2013
	\$'000	\$'000
Profit / (loss) from operations - see above	(161)	604
Impairment – property, plant and equipment	(4,620)	–
Sponsorship – Broncos Rugby League Club	(113)	(450)
Profit / (loss) before tax	(4,894)	154
Income tax credit	39	23
Profit / (loss) for the year	(4,855)	177

In July 2014 an independent valuation of the Club's property, plant and equipment was carried out by Gavin Duthie, a certified practicing valuer, for bank mortgage lending purposed. The valuer provided a going concern value inclusive of land, building improvements, plant and equipment, chattles and licences, at \$14 million, being the highest and best use. The directors have considered the going concern valuation of the Club's property, plant and equipment and recognised an impairment charge of \$4.62 million to the carrying value of land buildings at 30 June 2014.

Yours sincerely



Bruno Cullen (President)

DIRECTORS' REPORT

Your directors present their report on the Club for the year ended 30 June 2014.

1. DIRECTORS

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

B. P. Cullen (President)	B.D. Maranta (Resigned 31 October 2013)
G.W. Miles	R.W. Atkins (Resigned 27 February 2014)
K. Macdonald	A. Gee (Resigned 5 June 2014)
T.W. Condon	S. Webcke (Appointed 27 February 2014, Resigned 3 July 2014)
J. Peterson	

Details of the current directors are summarised below:

BRUNO CULLEN – President

Bruno Cullen (FAICD FAMI) has been President since November 2008 and a director for 10 years. He was the managing director of the Brisbane Broncos Limited until January 2011 after 8 years in that position. He is President of the Queensland Country Credit Union Ltd and a director of Queensland Country Health Ltd. He is a fellow of both the Australian Institute of Company Directors (AICD) and the Australian Mutuals Institute (AMI). He is a director of the Queensland Academy of Sport (QAS). He is also a member of the Club's Audit committee.

GENE MILES – Vice President

Gene Miles has been a director for 15 years and represented Australia in rugby league and is a former captain of the Brisbane Broncos. He is currently Executive Chairman of Former Origin Greats (FOGS). Gene has been a selector for the Qld State of Origin team for the previous 13 years. He is also a life member of Broncos Leagues Club.

KEN MACDONALD – Honorary Treasurer

Ken Macdonald is a fellow of the Institute of Public Accountants. In 2005, he retired as Managing Director and Chief Executive Officer of the publicly listed automotive group AP Eagers Limited after 26 years service. He retired as a non-executive director of MTQ Insurance Services Limited in 2008 after 9 years service. He is also a member of the Club's Audit committee.

TOM CONDON

Tom Condon has been a director for 14 years and is a retired civil engineer. He was a senior executive of Brisbane City Council for several years and is a life member of the Broncos Leagues Club.

JAMES PETERSON

James Peterson has been a director for 8 years and is a partner in the law firm of McCullough Robertson and specialises in corporations law and governance. He has been a director of a number of companies. He is also a member of the Club's Audit committee.

General Manager /Secretary

GEOFF KUEHNER

Geoff Keuhner resigned as General Manager and Secretary on 31 July 2014.

SALLY DICKINSON

Sally Dickinson was appointed Secretary on 31 July 2014.

2. PRINCIPAL ACTIVITIES

The principal activities of the company are to provide a social and sporting club and to support the game of rugby league specifically through the Brisbane Broncos.

There were no significant changes in the nature of the company's activities during the financial year.

3. OBJECTIVES & STRATEGIES

Short term – The short term objective is to reduce current debt levels within a reasonable time frame whilst maintaining state of the art facilities and amenities that service the needs of our membership and community. The club will continue to promote and develop sporting and social activities ensuring we continue to maximise the clubs exposure and involvement within our community.

Long term – The long term objective of the Club is to conduct its business affairs in a sound and responsible manner; to promote the game of rugby league through our association and sponsorship of the Brisbane Broncos and to provide facilities and amenities that improve the financial and future viability of the club.

Strategy for achieving objectives – The primary strategies to achieve the objectives is through strong financial management and the use of key performance indicators (KPIs) to ensure that the Club's business plans, budgets and cash flows are current and relevant. Business activities are managed in a pro-active manner to ensure that the goals, objectives and business strategies are achieved.

The current departmental/management reporting strategies support this objective. The Club's checks and control measures ensure the KPIs provide relevant and accurate information to be utilised in the decision making processes of the club. The club is modern and well positioned for the next decade to ensure consistent growth and long term sustainability.

Performance measurement and key performance indicator – The KPIs are reviewed by executive management and the Board of Directors on a regular basis to ensure relevance at any particular point in time. Business activities are reviewed and altered to adhere to these documents.

4. MEETINGS OF DIRECTORS

During the financial year 10 general director meetings and 3 audit committee meetings were held. Attendances by each director were as follows:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
B.P. Cullen	10	9	3	3
B.D. Maranta	4	3	–	–
R.W. Atkins	7	7	–	–
G.W. Miles	10	9	–	–
T.W. Condon	10	8	–	–
J. Peterson	10	10	3	3
K. Macdonald	10	10	3	3
A. Gee	10	4	–	–
S. Webcke	4	2	–	–

There were no other committees.

5. LIMITED LIABILITY OF MEMBERS

The company was incorporated under the Corporations Act 2001 as a company limited by guarantee. If the company is wound up, and there are remaining liabilities of the company after realising the company's assets, the constitution requires each member to contribute a maximum of \$100 each toward meeting any outstanding obligations of the company. At 30 June 2014, the total amount that members of the company (at \$100 per member) may be liable to contribute if the company is wound up is \$335,760 (2013: \$472,070).

6. ROUNDING OF AMOUNTS

Pursuant to class order 98/0100, issued by the Australian Securities & Investments Commission, amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars unless otherwise indicated.

7. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this report.

Signed at Brisbane this 25th day of September 2014 in accordance with a resolution of directors.



Bruno Cullen (President)

AUDITOR'S INDEPENDENCE DECLARATION



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

Level 30
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

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ROSS WALKER
KEN OGDEN
NIGEL FISCHER
TERESA HOOPER
MARK NICHOLSON
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JASON EVANS
CHRIS BALL
IAN JONES
KYLIE LAMPRECHT
NORMAN THURECHT
BRETT HEADRICK
WARWICK FACE
NIGEL BATTERS
ADELE TOWNSEND
COLE WILKINSON

The Directors
Brisbane Broncos Leagues Club Ltd
Fulcher Road
RED HILL QLD 4059

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Brisbane Broncos Leagues Club Ltd for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

PITCHER PARTNERS

R C N WALKER
Partner

Brisbane, Queensland
25 September 2014

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Club's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable

Signed at Brisbane on 25 September 2014 in accordance with a resolution of directors.



Director

INDEPENDENT AUDITOR'S REPORT



PITCHER PARTNERS

ACCOUNTANTS • AUDITORS • ADVISORS

Level 30
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRISBANE BRONCOS LEAGUES CLUB LIMITED

We have audited the accompanying financial report of Brisbane Broncos Leagues Club Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

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

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 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 judgement, 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 control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. 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.

Opinion

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

- (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 23 in the financial report, which indicates that the company's current liabilities exceed current assets as at 30 June 2014 and that due to the failure to comply with certain financial covenants the bank loans are at call. These conditions, along with other matters as set forth in note 23, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

PITCHER PARTNERS



RCN WALKER
Partner

Brisbane, Queensland
25 September 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 \$'000	2013 \$'000
Revenue			
Food & beverage		7,383	8,221
Gaming machine takings		13,330	13,226
Other revenue	2	1,460	1,607
		<u>22,173</u>	<u>23,054</u>
Expenses			
Food & beverage		6,504	7,114
Gaming		5,409	5,263
Promotions & entertainment		2,093	2,198
Membership		616	574
Property costs		4,051	3,761
Administration		2,634	2,409
Impairment charge – property, plant and equipment	7	4,620	–
Finance costs	2	598	705
Other expenses		542	876
		<u>27,067</u>	<u>22,900</u>
Profit / (loss) before income tax		(4,894)	154
Income tax (expense) / credit	3	39	23
Profit / (loss) for the year		<u>(4,855)</u>	<u>177</u>
Other comprehensive income		–	–
Total comprehensive income for the year		<u>(4,855)</u>	<u>177</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	NOTES	2014	2013
		\$'000	\$'000
Current Assets			
Cash and cash equivalents		297	427
Trade and other receivables	4	189	149
Inventories	5	96	156
Current tax assets		–	23
Other assets	6	124	131
Total Current Assets		706	886
Non-Current Assets			
Property, plant and equipment	7	14,138	19,946
Investment properties	8	2,245	2,207
Intangible assets	9	10	20
Deferred tax assets	10	70	31
Total Non-Current Assets		16,463	22,204
Total Assets		17,169	23,090
Current Liabilities			
Trade and other payables	11	1,559	1,652
Borrowings	12	9,326	3,057
Provisions	13	584	533
Other liabilities	14	78	97
Total Current Liabilities		11,547	5,339
Non Current Liabilities			
Borrowings	12	1,646	8,862
Provisions	13	24	60
Other liabilities	14	8	30
Total Non-Current Liabilities		1,678	8,952
Total Liabilities		13,225	14,291
Net Assets		3,944	8,799
Members' Funds			
Retained profits	15	3,944	8,799

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

Members' funds at the beginning of the year	8,799	8,622
Profit for the year	(4,855)	177
Members' funds at the end of the year	3,944	8,799

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities			
Cash receipts in the course of operations		24,186	25,069
Cash payments in the course of operations		(21,348)	(22,193)
Membership fees received		171	243
Finance costs paid		(598)	(711)
Income tax refund/(payments)		23	89
Net cash inflow from operating activities	20	2,434	2,497
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		22	33
Payments for property, plant and equipment		(215)	(515)
Proceeds from vendor rebates		315	–
Payments for intangible assets		(1)	(7)
Payments for investment properties		(38)	(740)
Net cash outflow from investing activities		83	(1,229)
Cash Flows from Financing Activities			
Proceeds from bank borrowings		150	1,023
Repayment of bank borrowings		(1,027)	(905)
Repayment of hire purchase liabilities		(1,665)	(1,166)
Net cash outflow from financing activities		(2,542)	(1,048)
Net increase in cash held		(25)	220
Cash and cash equivalents at beginning of financial year		307	87
Cash and cash equivalents at end of financial year	20	282	307

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Brisbane Broncos Leagues Club Limited (the "Club") in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Club is a not-for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements AASB 101

The financial statements of the Club comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

New and amended standards adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and is not likely to affect future periods.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Club's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(q).

Historic cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(a) Cash and Cash Equivalents

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

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items of inventory, mainly on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(c) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis, less depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Club and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The depreciable amount of all property, plant and equipment, including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the assets' useful lives to the Club commencing from the time the asset is held ready for use.

The expected useful lives are as follows:

Class	Life (Years)
Buildings	10-40
Plant and equipment	3-10
Leased plant and equipment	3-5

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in profit or loss.

(d) Investment Properties

Investment properties, principally comprising residential properties, are held for long-term rental yields and are not occupied by the group. Investment properties are carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by the Directors. Changes in fair values are recorded in the profit or loss as part of other income or expenditure..

(e) Intangible Assets

Software assets have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of software over its estimated useful life of 3 years on average.

(f) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences, to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences

if they arose in a transaction, other than a business combination, that, at the time of the transaction, did not affect either accounting profit or taxable profit or loss.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The deferred tax liabilities in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised directly in other comprehensive income or equity.

(g) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Club prior to the end of financial year, which are unpaid. The amounts are usually unsecured and due within 30 days of recognition.

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Borrowings are classified as current liabilities unless the Club has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(i) Leases

Leases of property, plant and equipment, where the Club has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the estimated useful life of the asset. Where there is no reasonable certainty that the lessee will obtain ownership, the asset is depreciated over the shorter of the lease term and the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease term.

(j) Employee Benefits

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

Long service leave

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 period. 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 currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

The Club makes contributions to defined contribution superannuation funds. Contributions are recognised as an expense as they become payable.

(k) Provisions

Provisions are recognised when the Club has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(l) Financial Instruments

The Club classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Recognition

Financial instruments are initially measured at fair value plus transaction costs (except for financial assets carried at fair value through profit or loss). Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest method.

Other

The Club does not have any financial instruments classified as at fair value through profit or loss, available-for-sale or held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, including discounted cash flow analysis, recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date the Club assesses whether there is objective evidence that a financial asset has been impaired. Impairment losses are recognised in profit or loss, where applicable.

(m) Impairment of Assets

At each reporting date the Club reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is estimated and compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Club estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item or expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Revenue from sale of goods, such as food and liquor, 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.

Revenue from gaming machines is recognised on the basis of daily takings.

Interest revenue is recognised as the interest accrues (using the effective interest rate method).

Revenue from membership fees is recognised over the membership period.

Members' subscription payments in advance are included in unearned revenue. Other amounts received in advance of provision of goods or services are also included in unearned revenue.

(p) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impaired receivables. Trade and other receivables are usually due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for impaired receivables is established when there is objective evidence that the Club will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

(q) Critical Accounting Estimates and Judgments

The Club evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Club. Key estimates and judgements impacting the financial statements are as follows:

Recoverable amount of property, plant and equipment

The Club assess impairment at each reporting date by evaluating conditions specific to the Club that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the assets is determined. The analysis to assess the recoverable amount of property, plant & equipment is based on their value in use which involves an assessment of the Club's net present value of estimated future cash flows. There are a number of critical assumptions used in the value in use calculation, in particular the growth rate of earnings, the level and timing of future capital expenditure and the impact on earnings, and the discount rate applied to the net cash flows.

(r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(s) General

This financial report covers Brisbane Broncos Leagues Club Ltd as an individual entity. Brisbane Broncos Leagues Club Ltd is a public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Brisbane Broncos Leagues Club Ltd
Fulcher Road
RED HILL QLD 4059

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
2. Revenue and Expenses		
Profit before income tax expense includes the following specific items:		
Other revenue		
Commissions	266	269
Sponsorships	18	35
Membership fees	212	274
Rent & recovery of outgoings	356	358
Entertainment shows	89	57
Other	519	614
	1,460	1,607
Other income		
Onerous lease reversed	–	–
Expenses		
<i>Depreciation and Amortisation</i>		
Depreciation		
- buildings	380	380
plant and equipment	2,126	1,950
Amortisation		
- software	11	10
- leased plant and equipment	–	35
Total depreciation and amortisation	2,517	2,375
Impairment		
- land	1,620	–
- buildings	3,000	–
	4,620	–
<i>Finance Costs</i>		
Interest on bank loans and overdraft	439	563
Interest on finance leases and hire purchase liabilities	159	142
	598	705
Cost of sales – food, bar & bottleshop	3,262	3,676
(Profit) / Loss on sale of plant & equipment	(22)	(18)
Loss from fair value adjustment – investment properties (see note 8)	–	33
Sponsorship – Brisbane Broncos Rugby League Club Ltd	113	450
Employee benefits expense*	6,002	5,915
Defined contribution superannuation expense*	421	407

*Superannuation expense is also included within employee benefits expense

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
3. Income Tax		
Income tax expense / (credit)		
Current tax	(71)	(21)
Deferred tax	32	(2)
	(39)	(23)
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit for the year before income tax expense	(4,894)	154
Income tax calculated at the Australian rate of 30% (2013: 30%)	(1,468)	46
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
- Non-assessable net mutual income	(138)	(293)
- Members only income	(106)	(149)
- Members only expenditure	208	234
- Sponsorship	34	72
- Non-deductible amortisation	-	54
- Impairment charge not deductible	1,386	-
- Benefit of tax losses not recognised	71	4
- Other items	(26)	9
Income tax expense / (credit)	(39)	(23)
4. Trade and Other Receivables		
Trade receivables	144	68
Amounts receivable from Brisbane Broncos Football Club	33	33
Other receivables	12	48
	189	149
Refer to note 18 for information on amounts receivable from related parties.		
5. Inventories		
Finished goods – at costs	96	156
6. Other Assets		
Prepayments & deposits	124	131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
7. Property, Plant and Equipment		
Land – at cost	5,620	5,620
Provision for impairment	(1,620)	–
	4,000	5,620
Buildings – at cost	19,717	19,717
Accumulated depreciation and impairment	(15,782)	(12,402)
	3,935	7,315
Plant and equipment – at cost	15,639	15,590
Accumulated depreciation	(9,436)	(8,579)
	6,203	7,011
Total property, plant and equipment	14,138	19,946

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment are set out below:

	PLANT EQUIPMENT				
	LAND	BUILDINGS	OWNED	LEASED	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	5,620	7,695	6,199	43	19,557
Additions	–	–	2,769	–	2,769
Disposals	–	–	(7)	(8)	(15)
Depreciation / Amortisation	–	(380)	(1,950)	(35)	(2,365)
Balance at 30 June 2013	5,620	7,315	7,011	–	19,946
Additions	–	–	1,634	–	1,634
Volume rebate	–	–	(315)	–	(315)
Disposals	–	–	(1)	–	(1)
Depreciations / Amortisation	–	(380)	(2,126)	–	(2,506)
Impairment charge	(1,620)	(3,000)	–	–	(4,620)
Balance at 30 June 2014	4,000	3,935	6,203	–	14,138

In July 2014 an independent valuation of the Club's property, plant and equipment was carried out by Gavin Duthie, a certified practicing valuer, for bank mortgage lending purposes. The valuer provided a going concern value inclusive of land, building improvements, plant and equipment, chattles and licences, at \$14 million, being the highest and best use. The valuer also provided a valuation based on a notional lessor's interest, at \$12.5 million which assumes the transfer of the real estate assets under a sale and leaseback arrangement. The directors have considered the going concern valuation of the Club's property, plant and equipment and recognised an impairment charge to the carrying value of land and buildings at 30 June 2014.

Assets Pledged as Security – Refer to note 12.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
8. Investment Properties		
Investment properties – at fair value	2,245	2,207
Movement in investment properties:		
Opening balance	2,207	1,500
Additions at cost	38	740
Net loss from fair value adjustments	–	(33)
Closing balance	2,245	2,207

In the 2013 financial year the Club purchased an additional residential property. The 3 investment properties owned by the Club adjoin the Club on the southern side and are being leased to either Brisbane Broncos Football Club or third parties. At 30 June 2014 the directors assessed the fair value of the three properties at \$2.2 million based on curbside valuations by a real estate agent showing a range of market values.

Assets Pledged as Security – Refer to note 12.

9. Intangible Assets

Software – at cost	71	70
Accumulated amortisation	(61)	(50)
	10	20

Reconciliations

Balance at 1 July	20	23
Additions	1	7
Amortisation	(11)	(10)
Balance at 30 June	10	20

10. Deferred Tax Assets

Deferred tax assets	70	31
<i>Deferred income tax relates to the following:</i>		
Employee benefits	54	23
Accrued expenses	16	8
Net deferred tax assets	70	31

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
11. Trade and Other Payables		
Trade creditors and accruals	1,481	1,455
Other payables (construction)	–	–
Amounts payable to related parties	78	197
	<u>1,559</u>	<u>1,652</u>

Refer to note 19 for information on amounts payable to related parties.

12. Borrowings

Current

Secured

Bank overdraft	15	120
Bank loans	7,757	1,200
Hire purchase liabilities	1,481	1,671
	<u>9,253</u>	<u>2,991</u>

Unsecured

Other loans	73	66
	<u>9,326</u>	<u>3,057</u>

Non-Current

Secured

Bank loans	–	7,307
Hire purchase liabilities	1,646	1,555
	<u>1,646</u>	<u>8,862</u>

Assets Pledged as Security

All the assets of the Club are pledged as security.

Refer to note 17 for information on financial facilities.

13. Provisions

Current

Employee benefits	584	533
	<u>584</u>	<u>533</u>

Non-Current

Employee benefits	24	60
	<u>24</u>	<u>60</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
14. Other Liabilities		
Current		
Unearned revenue	78	97
Non-Current		
Unearned revenue	8	30
15. Retained Profits		
Retained profits at the beginning of the financial year	8,799	8,622
Profit for the year	(4,855)	177
Retained profits at the end of the financial year	3,944	8,799

16. Company Limited by Guarantee

The Club is a public company limited by guarantee under the Corporations Act 2001. The amount which is capable of being called up in the event of winding up of the Club is not to exceed \$100 per member by virtue of the Club's memorandum of association.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

17. Finance Facilities

The Club has a bank overdraft facility of \$500,000 (2013: \$250,000) of which \$15,000 (2013: \$120,000) was drawn at balance date.

The Club has two bank loan facilities, a \$2 million loan (2013: \$2 million), which expires in February 2015, and a \$5.757 million loan (2013: \$6.507 million), which expires in September 2017 and requires quarterly repayments of \$300,000 or minimum annual repayments of \$600,000.

The loan facilities require the Club to comply with certain financial covenants which include an interest cover ratio. For the year ended 30 June 2014 the Club recorded a loss of \$274,000 (2013: a profit of \$154,000) after finance costs of \$598,000 (2013: \$705,000) but before the impairment charge to property, plant and equipment which resulted in a breach of the interest cover financial covenant. The bank loans have been classified as a current liability at 30 June 2014 due to the breach in the interest ratio covenant.

The bank has acknowledged that the loan facilities are in default and, at this stage, does not intend to waive breach but monitor the Club's performance on a monthly basis.

	2014	2013
	\$'000	\$'000
Equipment Finance Facilities		
In addition to the above the Club has equipment finance facilities with a number of financiers as follows:		
Total equipment finance facilities	2,200	2,200
Amounts drawn (included in hire purchase liabilities)	(1,622)	(1,562)
Amounts undrawn	578	638

The Club is able to draw on these facilities for the acquisition of plant and equipment.

18. Commitments for Expenditure

Hire purchases

Commitments in relation to hire purchases are payable as follows:

Within one year	1,606	1,671
Later than one year but not later than five years	1,709	1,777
Minimum lease payments	3,315	3,448
Future finance charges	(188)	(222)
	3,127	3,226

Hire purchases comprise of items of plant and equipment, mainly poker machines, under commercial hire purchase terms and conditions. Hire purchase liabilities are secured by the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000

19. Related Party Transactions

(a) Key Management Personnel Compensation

Key management personnel compensation

626,480	546,480
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(b) Related Parties

(i) Brisbane Broncos Limited

The Club has a number of transactions with Brisbane Broncos Limited. One of the objectives of the Club, under its constitution, is to support the game of rugby league specifically through Brisbane Broncos Rugby Leagues Club Ltd ("Broncos Football Club") a controlled entity of Brisbane Broncos Limited.

In relation to the bi-annual election of the Club's directors the Broncos Rugby League Club Ltd may nominate, for election, two nominees for each of the positions of President, Vice President, and Honorary Treasurer. It also may nominate eight nominees for the six of the other positions as Director:

The directors utilised the facilities of the Club during the year within a normal employee/customer relationship on terms and conditions no more favourable than those which is reasonable to expect would have been adopted if dealing with them at arm's length in the same circumstances.

Transactions between the Club and Broncos Football Club were as follows:

Revenue received / receivable

- Rent of premises and recovery of outgoings	281,522	296,518
- Catering	114,037	146,043
- Other	6,498	-

Expenses paid / payable

- Sponsorship	112,500	450,000
- Other	34,398	105,342

Plant and equipment

- Payments for office fitout in the area occupied by the Club	-	-
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(ii) Payments to a director

Over the past two financial years, funds from the Club were made available to, or on behalf of, Andrew Gee who, at the time, was a director of the Club. The amounts involved totalled \$298,000. Those payments occurred without appropriate supporting documentation, without first obtaining member approval (under Chapter 2E of the Corporations Act or otherwise) and without board approval. The full amount of \$298,000 was repaid to the Club prior to the end of the financial year:

The Club subsequently notified Australian Securities and Investments Commission (ASIC) that there may, in the circumstances, be a reasonable basis to suspect that these transactions breached the Corporations Act. ASIC has since notified the Club that they will be not taking any further action.

(iii) Other related parties

The Club pays legal fees to McCullough Robertson of which Jim Peterson (a director of the Club) is partner. Fees paid/payable to McCullough Robertson in the 2014 financial year were \$211,984 (2013: \$254,642) of which \$130,243 (2013: \$211,971) was recovered through insurance in relation to the matter summarised in note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	\$'000	\$'000
20. Notes to Cash Flow Statement		
Reconciliation of Net Profit / (loss) to Net Cash from Operating Activities		
Profit / (loss) for the year	(4,855)	177
Amortisation and depreciation	2,517	2,375
Impairment charge – property, plant and equipment	4,620	–
(Profit) / Loss on sale of property, plant and equipment	(22)	(18)
Loss on fair value adjustment	–	33
Changes in operating assets and liabilities:		
Inventories	60	17
Trade receivables and repayments	(30)	20
Current tax assets	23	45
Deferred tax assets	(39)	(2)
(Increase) / decrease in:		
Trade payables and accruals	186	(161)
Unearned revenue	(41)	(31)
Provisions	15	41
Net cash provided by operating activities	2,434	2,497
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the statement of financial position as follows:		
Cash and cash equivalent assets	297	427
Bank overdraft	(15)	(120)
	282	307

Non-cash Activities

During the 2014 year the Club acquired plant and equipment with an aggregate fair value of \$1,420,000 by means of hire purchase loans (2013: \$2,694,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

21. Contingent Liabilities

(a) Principal Properties Pty Ltd

The Club entered into a call option agreement with Principal Properties Pty Ltd in November 2009 for a portion of the Club's land located at the southern car parking area. The option has lapsed or, in Principal Properties' view, has been terminated. Principal Properties is seeking, under a claim lodged in the Queensland Supreme Court in July 2012, damages for alleged loss of profits, alleging that the Club had repudiated the option agreement by not approving the draft development approval application prepared by it. The Club has lodged its defence to that claim and is vigorously defending the action.

22. Events Subsequent to Reporting Date

There has been no matter or circumstance, which has arisen since 30 June 2014 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2014, the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2014, of the company.

23. Ongoing Operations

The Club has a net current deficiency (current liabilities exceed current assets) of \$10,841,000 as at 30 June 2014 (2013: \$4,453,000). This is mainly due to:

- Bank loans of \$7,757,000 being at call and, therefore, classified as current due to failure to comply with certain financial covenants (refer note 17); and
- The Club's revenue mostly received in cash when recognised, whereas creditors are payable under agreed credit terms.

Notwithstanding this, the directors believe the Club is a going concern and able to pay its debts as and when they become due and payable given that, with the exception of the bank loans, a large portion of current liabilities are not payable immediately but over the following twelve months out of future cash flows e.g. finance lease/hire purchase liabilities and employee benefits. The directors expect the Club's operations to generate net cash inflows sufficient to meet the Club's ongoing liabilities.

In relation to the bank loans, the bank has not called the loans to date, but has indicated that it does not propose to take any action in respect of this event of default but reserves the right to take action in respect of this default at any future time. Accordingly, ongoing operations are dependent upon the continued support of the bank.

Given the above, the financial statements have been prepared on a going concern basis, which assumes that the Club will realise its assets and extinguish its liabilities in the normal course of business. Ongoing operations are dependent upon the matters described previously. Should the Club not receive continued support of the bank, there is significant uncertainty that it will be able to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. No adjustments have been made relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary, should the Club not continue as a going concern.



The
Broncos



Fulcher Rd Red Hill
3858 9000