

**Parramatta National Rugby League
Club Pty Limited
ACN 092 536 519**
General purpose (RDR) financial
report for the year ended
31 October 2017

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Directors' report

Your directors present their report on Parramatta National Rugby League Club Pty Limited (the "Company" or the "Club") for the year ended 31 October 2017.

Directors

The following persons were directors of Parramatta National Rugby League Club Pty Limited during the whole of the financial year and up to the date of this reports, unless otherwise stated:

Max Donnelly

Anthony Shiner (Appointed: 24 February 2017)

Col Robertshaw (Appointed: 24 February 2017)

Jim Sarantinos

Michael McRitchie's (Appointed: 24 February 2017)

Sean McElduff (Appointed: 24 February 2017)

Steven Sherman (Resigned: 24 February 2017)

Victoria Leaver (Appointed: 24 February 2017)

Dividends

No dividends have been paid or declared since the previous financial year nor do the directors recommend the declaration of dividend (2016: \$nil).

Principal activities

The principal activities of the Company during the year were to compete in the National Rugby League competition and encourage, promote and control the development, playing and interests of rugby league football in the Parramatta district and within the area of boundaries of the Company as defined in the Rules and Regulations of the National Rugby League, Australian Rugby League, New South Wales Rugby League and in respect of the development of junior football in the Parramatta District.

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

Overall objectives

To foster, encourage, promote and control the development, playing and interests of Rugby League Football within the area of the boundaries of the Company as defined from time to time in the by-laws of the Leagues outlined above.

Operating results for the year

The operating loss of the Company for year ended 31 October 2017 was \$10,156,596 (2016: \$12,016,648).

Significant changes in the state of affairs

On 13 January 2017, the Company converted from being an unlisted public company limited by shares to a proprietary company. The Company is now referred to as Parramatta National Rugby League Club Pty Limited and is referred to as such in this annual report. At the prior period reporting date (31 October 2016) the Company was an unlisted public company limited by shares.

There have been no other significant changes in the state of affairs of the Company during the year.

Significant events after the reporting period

There have been no significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Directors' report (continued)

Likely developments and expected results

The directors are not aware of any significant likely developments concerning the activities of the Company after the end of the financial year.

Environmental regulation

The Company is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Insurance of officers

During the financial year, the parent entity, Parramatta Leagues Club Limited paid a premium to insure the directors and officers of the group, which includes the directors and officers of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification of auditors

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

Directors' report (continued)

Auditor independence declaration

The directors have received a declaration from the auditor of Parramatta National Rugby League Club Pty Limited. This has been included on page 4.

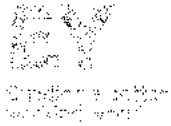
Ernst & Young was appointed as auditor in accordance with Section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



Max Donnelly
Director
Sydney

18 December 2017



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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ay.com/au

Auditor's Independence Declaration to the Directors of Parramatta National Rugby League Club Pty Limited

As lead auditor for the audit of Parramatta National Rugby League Club Pty Limited for the financial year ended 31 October 2017, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Daniel Cunningham
Partner
18 December 2017

Statement of profit or loss and other comprehensive income

For the year ended 31 October 2017

	Notes	2017 \$	2016 \$
Revenue	4.1	15,959,302	17,872,729
Other income	4.2	590,933	800,432
Cost of good sold		(323,290)	(1,155,862)
Employee benefits expense		(17,856,000)	(18,422,177)
Depreciation expense		(628,183)	(272,841)
Match expenses		(1,516,048)	(1,624,809)
Medical expenses		(861,472)	(711,187)
Media and public expenses		(429,417)	(567,366)
Sponsorship expenses		(800,696)	(1,696,540)
Team expenses		(1,472,719)	(1,291,211)
Membership costs		(701,750)	(566,809)
NRL fine		-	(750,000)
Legal costs		(432,876)	(940,928)
Other expenses		(1,684,380)	(2,690,079)
Loss before tax		(10,156,596)	(12,016,648)
Income tax expense	5	-	-
Loss for the year		(10,156,596)	(12,016,648)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10,156,596)	(12,016,648)

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

Statement of financial position

As at 31 October 2017

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	6	491,604	47,141
Trade receivables and other assets	7	634,602	382,848
Inventories	8	-	132,932
Total current assets		<u>1,126,206</u>	<u>562,921</u>
Non-current assets			
Property, plant and equipment	9	2,155,412	2,555,341
Total non-current assets		<u>2,155,412</u>	<u>2,555,341</u>
Total assets		<u>3,281,618</u>	<u>3,118,262</u>
Liabilities			
Current liabilities			
Trade and other payables	10	2,822,290	2,381,650
Borrowings	11	75,379,928	67,176,242
Grant in advance		600,000	-
Employee benefit liability	12	392,206	216,580
Total current liabilities		<u>79,194,424</u>	<u>69,774,472</u>
Non-current liabilities			
Borrowings	11	-	1,500,000
Grant in advance		2,400,000	-
Total non-current liabilities		<u>2,400,000</u>	<u>1,500,000</u>
Total liabilities		<u>81,594,424</u>	<u>71,274,472</u>
Net liabilities		<u>(78,312,806)</u>	<u>(68,156,210)</u>
Members' funds			
Contributed equity	13	100	100
Accumulated losses		(78,312,906)	(68,156,310)
Total deficiency in members' funds		<u>(78,312,806)</u>	<u>(68,156,210)</u>

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

Statement of changes in equity

For the year ended 31 October 2017

	Contributed equity (Note 13)	Accumulated losses	Total deficiency in members' funds
	\$	\$	\$
At 1 November 2016	100	(68,156,310)	(68,156,210)
Loss for the year	-	(10,156,596)	(10,156,596)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	<u>(10,156,596)</u>	<u>(10,156,596)</u>
At 31 October 2017	<u>100</u>	<u>(78,312,906)</u>	<u>(78,312,806)</u>
At 1 November 2015	100	(56,139,662)	(56,139,562)
Loss for the year	-	(12,016,648)	(12,016,648)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	<u>(12,016,648)</u>	<u>(12,016,648)</u>
At 31 October 2016	<u>100</u>	<u>(68,156,310)</u>	<u>(68,156,210)</u>

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

Statement of cash flows

For the year ended 31 October 2017

	2017	2016
Note	\$	\$
Operating activities		
Receipts from customers and sponsors	17,910,798	21,412,646
Payments to suppliers and employees	(26,945,153)	(32,192,580)
Interest received	3,386	463
Receipt of grant in advance	1,500,000	-
Net cash flows used in operating activities	(7,530,969)	(10,779,471)
Investing activities		
Purchase of property, plant and equipment	(228,254)	(382,016)
Net cash flows used in investing activities	(228,254)	(382,016)
Financing activities		
Proceeds from NRL loan	-	1,500,000
(Net repayments)/proceeds of hire purchase liabilities	(10,264)	44,587
Proceeds from loan from parent entity	8,213,950	8,888,875
Net cash flows from financing activities	8,203,686	10,433,462
Net increase/(decrease) in cash and cash equivalents	444,463	(728,025)
Cash and cash equivalents at 1 November	47,141	775,166
Cash and cash equivalents at 31 October	491,604	47,141

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

Notes to the financial statements

For the year ended 31 October 2017

1. Corporate information

The financial report of Parramatta National Rugby League Club Pty Limited (the "Company" or the "Club") for the year ended 31 October 2017 were authorised for issue in accordance with a resolution of the directors on 18 December 2017.

Parramatta National Rugby League Club Pty Limited is a for-profit company limited by shares that is incorporated and domiciled in Australia. The Company's parent and ultimate parent entity is Parramatta Leagues Club Limited, which holds 100% of the issued ordinary shares of the Company at 31 October 2017 (2016: 100%).

The registered office and principal place of business of the Company is 1 Eels Place, Parramatta, NSW 2150.

The nature of the operations and principal activities of the Company are described in the directors' report.

2. Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements for the Company is tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards-Reduced Disclosure Requirements (AASB - RDRs). The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars \$.

The accounting policies adopted are consistent with those of the previous financial year.

2.2 Going concern

As at 31 October 2017, the Company recorded a net working capital deficiency of \$78,068,218 (2016: \$69,211,551) and a deficiency in members' funds of \$78,312,806 (2016: \$68,156,210). The financial statements have been prepared on a going concern on the back of continuing financial support from the parent entity, Parramatta Leagues Club Limited.

Parramatta Leagues Club Limited ("PLC") has provided the Company with a letter of financial support confirming that it will continue to provide sufficient financial support to enable the Company to meet its financial obligations for a period of at least 12 months from the date of this report.

Notes to the financial statements (continued)

For the year ended 31 October 2017

2. Summary of significant accounting policies (continued)

a) Current versus non-current classification

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

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

b) Revenue recognition

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

Revenue is recognised for the major business activities as follows:

(i) NRL Distribution

NRL distributions are recorded as revenue in the relevant year as they are approved and earned by the National Rugby League.

(ii) Sponsorship and hospitality income

Revenue from sponsorship and hospitality services is recognised over the period to which the sponsorship relates and when any related services are provided.

(iii) Rendering of services

Revenue from gate receipts, fundraising activities and season ticket sales are recognised when the services are provided.

(iv) Merchandise income

Revenue from the sale merchandise is recognised (net of rebates, returns, discounts and other allowances) at the point of sale or delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods.

(v) Members' subscription

The Company recognises members' subscription revenue over the period to which the subscription relates and the services are provided.

Notes to the financial statements (continued)

For the year ended 31 October 2017

2. Summary of significant accounting policies (continued)

b) Revenue recognition (continued)

(vi) Interest income

Interest income is recognised using the effective interest method.

c) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents consist of cash at banks.

e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against other expenses in profit or loss.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on the basis of last purchase price.

g) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	5 to 7 years
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Notes to the financial statements (continued)

For the year ended 31 October 2017

2. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 2(c)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income.

h) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

i) 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 are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

j) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of each reporting period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting 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 end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the financial statements (continued)

For the year ended 31 October 2017

2. Summary of significant accounting policies (continued)

k) Income tax

Current 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 applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

The parent entity, Parramatta Leagues Club Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation on 1 January 2004.

The head entity, Parramatta Leagues Club Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

Notes to the financial statements (continued)

For the year ended 31 October 2017

2. Summary of significant accounting policies (continued)

k) Income tax (continued)

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Notes to the financial statements (continued)

For the year ended 31 October 2017

3. Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Useful life of leasehold improvements

The Company has invested in leasehold improvements at one of its training facilities. Amortisation rates for these leasehold improvements have been determined using the expected useful lives of related assets. In certain circumstances the useful lives used are greater than the current lease period as the group is negotiating lease terms with Parramatta City Council (the lessor of the leasehold property), and is confident of achieving an extension over and above the existing lease period. Any changes to the useful lives are determined based on the best information available at a point in time, and are accounted for prospectively in the financial statements.

Notes to the financial statements (continued)

For the year ended 31 October 2017

4. Revenue and expenses

4.1 Revenue

	2017	2016
	\$	\$
NRL distribution	8,300,000	8,090,004
Sponsorship and hospitality income	4,199,154	5,354,988
Rendering of services	2,652,846	3,004,251
Merchandise income	807,302	1,423,486
Total revenue from continuing operations	15,959,302	17,872,729

4.2 Other income

	2017	2016
	\$	\$
Grants and other activities	587,547	799,969
Interest income	3,386	463
Total other income	590,933	800,432

4.3 Loss before income tax includes the following specific expenses:

	2017	2016
	\$	\$
Defined contribution superannuation expense	930,449	967,824

5. Income tax

Numerical reconciliation of income tax expense to prima facie tax payable

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company applicable income tax rate is as follows:

	2017	2016
	\$	\$
Accounting loss before income tax	(10,156,596)	(12,016,648)
At Australia's statutory income tax rate of 30% (2016: 30%)	(3,046,979)	(3,604,994)
Unrecognised tax benefit	3,046,979	3,604,994
Income tax expense	-	-

6. Cash and cash equivalents

	2017	2016
	\$	\$
Current		
Cash at banks	491,604	47,141

Notes to the financial statements (continued)

For the year ended 31 October 2017

7. Trade receivables and other assets

	2017	2016
	\$	\$
Trade receivables	815,361	826,260
Provision for impairment of receivables (a)	(589,122)	(642,626)
	226,239	183,634
Other receivables	112,894	121,627
Prepayments	295,469	77,587
	634,602	382,848

(a) Impairment of trade receivables

Movements in the provision for impairment of receivables are as follows:

	2017
	\$
At 1 November 2016	642,626
Provision written off in the current year	(53,504)
At 31 October 2017	589,122

8. Inventories

	2017	2016
	\$	\$
Current		
Merchandise	-	132,932

9. Property, plant and equipment

	Plant and equipment
	\$
<i>Cost</i>	
At 1 November 2016	4,044,239
Additions	228,254
At 31 October 2017	4,272,493
<i>Accumulated depreciation</i>	
At 1 November 2016	1,488,898
Depreciation charge	628,183
At 31 October 2017	2,117,081
<i>Net book value</i>	
At 31 October 2017	2,155,412
At 31 October 2016	2,555,341

Notes to the financial statements (continued)

For the year ended 31 October 2017

10. Trade and other payables

	2017	2016
	\$	\$
Current		
Trade payables	383,715	126,210
Accrued expenses	1,516,811	2,182,766
Deferred revenue	921,764	72,674
	<u>2,822,290</u>	<u>2,381,650</u>

11. Borrowings

	2017	2016
	\$	\$
Current		
Hire purchase liabilities, secured (i)	34,323	44,587
Loan from parent entity, unsecured (Note 14.3)	75,345,605	67,131,655
	<u>75,379,928</u>	<u>67,176,242</u>
Non-current		
NRL loans, secured (ii)	<u>-</u>	<u>1,500,000</u>

(i) Hire purchase liabilities

Hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

(ii) NRL loan

During the year the Company entered into a Deed of Agreement (the "Deed") with the National Rugby League Limited with respect to the Company's existing licence agreement to participate in the NRL competition. As a result of entering into the agreement the National Rugby League Limited converted the prior year loan advanced to the Company of \$1,500,000 to a grant in advance. In addition, during the current year the National Rugby League Limited provided an additional \$1,500,000 grant in advance. The \$3,000,000 advance grants will be recognised as income over the 5 year period from 2018 to 2022.

12. Employee benefit liability

	2017	2016
	\$	\$
Current		
Annual leave	<u>392,206</u>	<u>216,580</u>

13. Contributed equity

	2017	2016
	\$	\$
100 Ordinary shares issued and fully paid	<u>100</u>	<u>100</u>

There have been no movements in share capital on the current or prior period.

Notes to the financial statements (continued)

For the year ended 31 October 2017

14. Related party disclosures

14.1 The ultimate parent

The ultimate parent entity of the Company is Parramatta Leagues Club Limited.

14.2 Key management personnel compensation

Key management personnel compensation for the years ended 31 October 2017 and 2016 is set out below. The key management personnel of Parramatta National Rugby League Club Pty Limited includes the directors and those executives that report directly to the CEO. These payments were made by the Company.

	2017	2016
	\$	\$
Key management personnel compensation	<u>1,334,641</u>	<u>1,042,139</u>

The parent entity made payments to directors on behalf of the Company for services provided to the Company by the directors in their capacity as directors during the financial year.

There were no other transactions with the key management personnel or their related entities.

14.3 Transactions and balances with related parties

	2017	2016
	\$	\$
Balances - payables and borrowings		
Parramatta Leagues Club Limited - loans (i)	75,345,605	67,131,655
Transactions - expenses		
Parramatta Leagues Club Limited - rental equipment fees charged (ii)	112,559	108,953
Parramatta City Council (iii)	-	75,569

(i) The above loan is unsecured, non-interest bearing with no fixed repayment term. The loan is payable on demand.

(ii) The rental equipment recharge was derived by considering the depreciation charge on relevant equipment owned by Parramatta Leagues Club Limited that is used by the Company.

(iii) Paul Garrard (former Director) held the position of Mayor of the Parramatta City Council up to 12 May 2016. As a consequence, Parramatta City Council was considered to be a director-related entity up to this date. Amounts disclosed represent payments made to Parramatta City Council in respect of Development Applications, Council rates and other related costs. These transactions were made on normal commercial terms and conditions and at arms-length, market rates.

Notes to the financial statements (continued)

For the year ended 31 October 2017

15. Commitments and contingencies

15.1 Remuneration commitments

The Company had entered into contracts with players with respect to subsequent seasons, whereby certain minimum amounts are payable. The minimum amounts payables are as follows:

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the end of each reporting period but not recognised as liabilities, payable:

	<u>2017</u>	<u>2016</u>
	\$	\$
Within one year	9,200,001	8,548,765
	<u>9,200,001</u>	<u>8,548,765</u>

15.2 Hire purchase commitments

Hire purchase liabilities are in respect of purchases of motor vehicles under finance lease arrangements.

	<u>2017</u>	<u>2016</u>
	\$	\$
Commitments in relation to hire purchase liability are payable as follows:		
Within one year	34,323	10,264
Later than one year but not later than five years	-	34,323
	<u>34,323</u>	<u>44,587</u>

15.3 Contingent liabilities

The Company had contingent liabilities at 31 October 2017 in respect of:

Fines and penalties

The Company has received claims made against it. The directors have obtained external advice with respect to these matters. After considering the advice, the directors do not expect these matters to have a material financial impact on the future results of the Company.

The Company is insured against losses and damages associated with fraud. A claim has been lodged with the Company's insurers for damages associated with the NRL breach notice and related costs.

During the previous financial year, the Company was issued with a breach notice by the National Rugby League ("NRL") resulting in a fine levied against the Company. The fine included a suspended amount of \$250,000 which is subject to the Company meeting certain conditions as specified by the NRL. At the date of signing the financial statements, the Company has already met some of the conditions and is confident of meeting the remaining conditions so as to avoid payment of the suspended amount. As such, no provision has been made for this amount in the financial statements as it is not considered probable that an economic outflow will occur.

There are no other contingent liabilities of the Company.

16. Events after the reporting period

There have been no significant events occurring after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

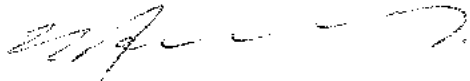
Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of Parramatta National Rugby League Club Pty Limited for the financial year ended 31 October 2017 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 October 2017 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001*;
- (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



Max Donnelly
Director
Sydney
18 December 2017



Independent Auditor's Report to the Members of Parramatta National Rugby League Pty Limited

Opinion

We have audited the financial report of Parramatta National Rugby League Club Pty Limited (the Company), which comprises the statement of financial position as at 31 October 2017, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 31 October 2017 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Daniel Cunningham
Partner
Sydney
18 December 2017