

**PENRITH DISTRICT RUGBY
LEAGUE FOOTBALL CLUB
LIMITED**

ACN 003 908 503

**GENERAL PURPOSE (RDR) FINANCIAL REPORT
For the year ended 31 October 2019**

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Directors' report

Your directors submit their report on Penrith District Rugby League Football Club Limited (the "Football Club") for the year ended 31 October 2019.

DIRECTORS

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

Names	Qualifications
David O'Neill Chairman	Director for 7 years. Director of ABCOE Distributors, Penrith. Chairman of Panthers on the Prowl. As a passionate Panthers supporter, he would like to repay Panthers with his time and energy in focusing on continuing growth of the Panthers Group. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Gregory Alexander Deputy Chairman	Director for 17 years. Involved with football in Penrith area for 41 years. Penrith's "Rookie of the Year" in 1984. Won the prestigious Dally M Player of the Year in 1985. Played City Origin, State of Origin and for Australia. Captained Penrith's first Premiership win in 1991. Sports Commentator on Fox Sports. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017). Inducted into the Panthers Hall of Fame in 2016.
Peter Graham	Director for 3 years. Loyal supporter of the Panthers since 1967. Founding member of the Executive of Emu Plains Little Athletics Club. President of Nepean High P&C for 6 years. Mentor with Panthers on the Prowl Building Young Men Program. Director of Panthers on the Prowl. Played Rugby League for Emu Plains. Extensive executive and board experience in the power and media industries and the university sector. Principal of PTG Consulting. Chair of Western Sydney University College. Chair of Exchange for Change. Graduate of Western Sydney University and Harvard Business School. Member of the Australian Institute of Company Directors. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Ian Hicks	Director for 4 years. Managing Director - Hix Group Pty Ltd, a local business that employs over 70 local people. Has sponsored & is a passionate supporter of Panthers for a number of years as a Corporate Sponsor. He is also a Director - Western Sydney Business Centre, Director- Penrith CBD Corp. and a Director of Panthers on the Prowl. A Panthers member for more than 33 years and is passionate about representing the members interest and helping Panthers to continue its growth to be the biggest and best club in Australia that we are all proud of. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).

Directors' report (continued)

DIRECTORS (continued)

Names (continued)

Qualifications (continued)

<p>Denis Merrick FCPA; JP (Retired: 28 February 2019)</p>	<p>Director for 10 years. Certified Practising Accountant (Retired). Principal in accounting firms in Penrith for over 40 years. Over 30 years' experience in administration of sporting bodies. Life Member of Lower Mountains Junior Rugby League club. Qualified Rugby League Coach and Referee. Accredited official with Swimming Australia. Swimming Life Member of a local club and district association. Panthers member since 1973. Chairman of the Finance and Audit Sub-committee, and the Constitution Sub-committee. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).</p>
<p>Mark Mulock</p>	<p>Director for 3 years. Born, bred and raised in Penrith. Lifetime Panthers supporter. Board Member of Panthers on the Prowl. Founding member of The Great Walk Foundation, Penrith Charity. Member of Olatype Pty. Limited – Penrith Business Group. Legal practitioner for 35 years practising in Penrith as Mark Mulock & Co Pty Ltd since 1991. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).</p>
<p>Rob Wearn Independent Director</p>	<p>Director for 1 year. A proud Penrith local and long time, passionate supporter of Panthers. Rob is the Managing Director of Mulgoa Quarries, a local earth moving and civil contracting company and employer of approximately 150 local people since 1986. Rob is a member and former Chairman of Olatype Pty Ltd – Penrith Business Group. He has been a Director of Sydney Business Park since 2007. Rob is community focused and is a founding member of The Great Walk Foundation, a Penrith charity. He is also a Director of Thorndale Foundation, a local disability services provider. Rob is an active supporter of the Children's Cancer Institute, as well as Royal Far West, which helps connect country children with urgent developmental and mental health support.</p>

DIVIDENDS

The Football Club is limited by guarantee and is prevented by its constitution from paying any dividends.

PRINCIPAL ACTIVITIES

The principal activities of the Football Club during the year were:

- promotion of the game of rugby league football;
- provision of facilities for sport and recreation;
- sponsorship activities; and
- advertising and promotion activities.

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

OPERATING AND FINANCIAL REVIEW

Revenue from ordinary activities for the year decreased by \$610,000 or 2.1% to \$28,933,000 (2018: \$29,543,000). This was mainly due to:

- a decrease in other income of \$407,000 or 12.0% to \$2,997,000 (2018: \$3,404,000).

Directors' report (continued)

Operating results for the year

The net deficit after tax of the Football Club for the year ended 31 October 2019 was \$1,139,000 (2018: \$4,853,000).

Employees

The Football Club employed 194 employees as at 31 October 2019 (2018: 178).

SHORT AND LONG TERM OBJECTIVES

The Football Club's short term objectives are to utilise the Academy facilities to provide a premium training and development environment for senior and junior players.

The Football Club's long term objectives are to harness and cultivate the rugby league talent of the Penrith region.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Football Club and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Football Club.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Football Club is not subject to any particular or significant environmental regulation.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the parent entity, Penrith Rugby League Club Limited, held an insurance policy for the benefit of the directors and officers. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Football Club has agreed to indemnify its auditor, Ernst & Young (Australia), 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 (Australia) during or since the financial year.

Directors' report (continued)

DIRECTORS' MEETINGS

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

	Number of meetings held whilst in office	Number of meetings attended
Number of meetings held: 12		
Number of meetings attended:		
D. O' Neill	12	12
G. Alexander	12	8
I. Hicks	12	12
D. Merrick FCPA/JP	4	4
P. Graham	12	8
M. Mulock	12	12
R. Wearn	12	10

DIRECTORS' BENEFITS

The directors were remunerated for their performance of their duties as common directors of Penrith Rugby League Club Limited and Penrith District Rugby League Football Club Limited.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$'000) under the option available to the Football Club under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Football Club is an entity to which this legislative instrument applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received an independence declaration from the auditor, Ernst & Young (Australia). A copy has been included on page 6 of the report. The directors are satisfied that the nature and scope of non-audit services has not compromised the auditor's independence.

Signed in accordance with a resolution of the directors.



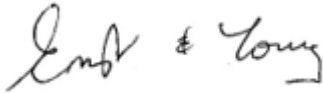
David O'Neill
Chairman

Penrith, 28 February 2020

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

As lead auditor for the audit of the financial report of Penrith District Rugby League Football Club Limited for the financial year ended 31 October 2019, 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

28 February 2020

Statement of profit or loss and other comprehensive income

For the year ended 31 October 2019

	Notes	2019 \$'000	2018 \$'000
Income from operations	4	28,933	29,543
Distributions received	4(c)	5,530	-
		34,463	29,543
Raw materials and consumables used		(1,353)	(1,604)
Salaries and employee benefits expenses	5	(24,401)	(22,485)
Depreciation		(1,803)	(1,678)
Expected credit losses		(3)	(11)
Advertising and promotion		(363)	(461)
Artists and entertainment expenses		(272)	(363)
Insurance expenses		(337)	(341)
Repairs and maintenance expenses		(988)	(1,065)
Rent and rates expenses		(153)	(144)
Electricity expenses		(280)	(253)
Sponsorship expenses		(1,461)	(1,643)
Medical expenses		(699)	(877)
Training expenses		(566)	(633)
Junior development		(468)	(200)
Other expenses		(2,448)	(2,584)
Net loss on disposal of property, plant and equipment		-	(10)
Finance costs		(7)	(44)
Deficit before income tax		(1,139)	(4,853)
Income tax expense		-	-
Deficit from operations after income tax		(1,139)	(4,853)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,139)	(4,853)

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 2019

	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash	6	129	218
Trade and other receivables	7	712	1,264
Inventories		47	117
Prepayments		69	284
Total current assets		957	1,883
Non-current assets			
Trade and other receivables	7	55,904	53,589
Property, plant and equipment	8	12,268	13,236
Total non-current assets		68,172	66,825
Total assets		69,129	68,708
Liabilities and equity			
Current liabilities			
Trade and other payables	9	4,564	1,863
Employee benefit liabilities	10	562	480
Deferred revenue	11	1,357	1,850
Interest-bearing loans and borrowings	12	188	188
Total current liabilities		6,671	4,381
Non-current liabilities			
Employee benefit liabilities	10	173	116
Deferred revenue	11	1,200	1,800
Interest-bearing loans and borrowings	12	367	554
Total non-current liabilities		1,740	2,470
Total liabilities		8,411	6,851
Equity			
Retained earnings		60,718	61,857
Total equity		60,718	61,857
Total liabilities and equity		69,129	68,708

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 2019

	<i>Retained earnings</i> \$'000	<i>Total equity</i> \$'000
At 1 November 2018	61,857	61,857
Deficit for the year	(1,139)	(1,139)
Other comprehensive income	-	-
Total comprehensive loss for the year	(1,139)	(1,139)
At 31 October 2019	60,718	60,718
At 1 November 2017	66,710	66,710
Deficit for the year	(4,853)	(4,853)
Other comprehensive income	-	-
Total comprehensive loss for the year	(4,853)	(4,853)
At 31 October 2018	61,857	61,857

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 2019

	<i>Note</i>	2019	2018
		\$'000	\$'000
Operating activities			
Receipts from customers		16,652	17,949
Payments to suppliers and employees		(33,304)	(34,622)
Receipt from grants		14,377	14,159
Interest paid		(7)	(44)
Net cash flows used in operating activities		(2,282)	(2,558)
Investing activities			
Purchase of property, plant and equipment		(835)	(428)
Net cash flows used in investing activities		(835)	(428)
Financing activities			
Advances from related parties		3,215	3,002
Payments of finance lease liabilities		(187)	(34)
Net cash flows from financing activities		3,028	2,968
Net decrease in cash and cash equivalents		(89)	(18)
Cash and cash equivalents at 1 November		218	236
Cash and cash equivalents at 31 October	6	129	218

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 2019

1 CORPORATE INFORMATION

Penrith District Rugby League Football Club Limited ("Football Club") is a company limited by guarantee that is incorporated and domiciled in Penrith, Australia.

The directors have determined that the Football Club is a not-for-profit entity.

The registered office and principal place of business of the Football Club is Penrith Rugby League Club Limited, Mulgoa Road, Penrith, NSW 2750.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 Football Club are 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 statements also comply with Australian Accounting Standards which contain requirements specific to not-for-profit entities, including standards AASB 116 *Property, Plant and Equipment*, AASB 136 *Impairment of Assets*, AASB 1004 *Contributions* and AASB 1054 *Australian Additional Disclosures*.

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

(b) Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 October 2019, the Football Club's total assets exceeded total liabilities by \$60,718,000 (2018: \$61,857,000), while total current liabilities exceeded total current assets by \$5,714,000 (2018: \$2,498,000). The Football Club is owed \$7,152,000 by Mulgoa Land Trust (No.1) and \$48,752,000 owed by Penrith Rugby League Club Limited who are both part of the Group.

The directors of the Football Club have received a letter of continued financial support from its ultimate parent entity, Penrith Rugby League Club Limited ("PRLC") which shows that PRLC will undertake to continue to provide such financial support as is necessary to enable the entity to meet its debt as and when they fall due and payable.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies, disclosure, standards and interpretations

New and amended standards and interpretations

The Football Club has applied AASB 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Football Club. The Football Club has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 November 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Club applied AASB 9 retrospectively, with an initial application date of 1 November 2018 and adjusting the comparatives where necessary. The standard was applicable for Financial assets and trade receivable balances. Assessment of new standard resulted in immaterial differences.

There was no material impact on the statements of comprehensive income, financial position or cash flows as a result of the adoption of AASB 9.

Accounting standards and interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Football Club for the annual reporting year ended 31 October 2019. The directors have not early adopted any of these new or amended standards or interpretations. The directors are in the process of assessing the impact of the application of AASB 16 *Leases* (effective 1 November 2019) and its amendments to the extent relevant to the financial statements of the Football Club.

The directors have conducted an initial assessment of the impact of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* (effective 1 November 2019). The directors concluded that the adoption of these standards will have no material effect on the financial statements of The Club.

(d) Current versus non-current classification

The Football Club 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 twelve months after the reporting period, or
- Cash or a cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Current versus non-current classification (continued)

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 Football Club classifies all other liabilities as non-current.

(e) Cash

Cash in the statement of financial position comprises cash at bank and on hand.

(f) Trade and other receivables

A receivable represents the Football Club's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit losses. Trade receivables are due for settlement no more than 30 days from the date of recognition.

For trade and other receivables, the Football Club applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Football Club does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Football Club has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

(g) Inventories

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

(h) Property, plant and equipment

(i) Cost and valuation

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

(ii) Capital Work in Progress

Costs incurred which are related to capital projects are carried forward and capitalised where future benefits are expected, beyond any reasonable doubt, to exceed these costs.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Land is not depreciated.

Buildings	40 years
Plant and equipment	2-15 years
Leased improvement	expected lease term
Motor vehicles	3-5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate.

(i) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Football Club as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Football Club is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

(j) Trade and other payables

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

(k) Deferred revenue

Deferred revenue relates to revenue which has been invoiced or received in the current period, of which the point of delivery or provision of service will occur in the following period.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

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

(m) Finance costs

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

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

(n) Employee benefit liabilities

General

Provisions are recognised when the Football Club has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Football Club expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

(i) Wages, salaries, and sick leave

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

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefit liabilities (continued)

(ii) Long service leave and annual leave

The liabilities for long service leave and annual leave which are 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Football Club and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Football Club has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sales of goods

Revenue from sale of goods comprises revenue earned from provision of food, beverages, merchandise goods and other goods. Revenue 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.

Rendering of services

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

Sponsorship Income

Revenue from sponsorship is recognised over the sponsorship period once a contract is entered into.

National Rugby League distribution grant

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

Trust Income

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

Finance income

Finance income is recorded using the EIR method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Finance income is included in other income in the statement of profit or loss and other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxes

Income tax

The Football Club is exempt from income tax under Section 50-45 of the *Income Tax Assessment Act (1997)*.

Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

(q) Distributions

Distributions from a trust of which the Football Club is a beneficiary are taken to income when the distribution is declared.

(r) Impairment of non-current assets

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

Impairment losses are recognised in those expense categories consistent with the function of the impaired asset period.

Notes to the financial statements (continued)

For the year ended 31 October 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of non-current assets (continued)

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

3 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Football Club's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Football Club based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Football Club. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Football Club is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Notes to the financial statements (continued)

For the year ended 31 October 2019

4 INCOME FROM OPERATIONS

	2019 \$'000	2018 \$'000
a) Revenues from operating activities		
Revenue from sponsorship	8,186	7,940
Revenue from catering and beverages	929	1,154
Revenue from gate receipts	2,133	2,251
Revenue from merchandise sales	1,073	1,377
Total revenue from operating activities	<u>12,321</u>	<u>12,722</u>
b) Other income		
Interest received from related parties	2,534	2,754
Other revenue	463	650
NRL grant	13,615	13,417
Total other income	<u>16,612</u>	<u>16,821</u>
Total income from operations	<u>28,933</u>	<u>29,543</u>

c) Mulgoa Land Trust (No 1)

This trust owns land and buildings from which it derives rents. Each year the trust distributes its income to the discretionary beneficiary which is Penrith District Rugby League Football Club Limited. There was \$5,530,000 distribution made to Penrith District Rugby League Football Club Limited for the year ended 31 October 2019 (2018: \$nil).

5 EXPENSES

	2019 \$'000	2018 \$'000
Salaries and employee benefits expense		
Wages and salaries	21,097	19,285
Defined contribution plan expense	1,200	1,177
Payroll and FBT tax	2,104	2,023
Total salaries and employee benefits expense	<u>24,401</u>	<u>22,485</u>

6 CASH

	2019 \$'000	2018 \$'000
Cash at bank and on hand	<u>129</u>	<u>218</u>

Notes to the financial statements (continued)

For the year ended 31 October 2019

7 TRADE AND OTHER RECEIVABLES

	2019	2018
	\$'000	\$'000
Current		
Trade debtors	439	750
Provision for expected credit losses	-	(13)
	439	737
Sundry debtors	273	527
Carrying amount of trade and other receivables	712	1,264

Credit sales are on 7, 14 or 30 days terms.

Provision for expected credit losses

As at 31 October 2019, trade receivables with an initial carrying value of \$nil (2018: \$13,000) were impaired and fully provided for.

	2019	2018
	\$'000	\$'000
At 1 November	13	2
Charge for the year	3	11
Utilised	(16)	-
At 31 October	-	13

	2019	2018
	\$'000	\$'000
Non-current		
Receivables due from related parties	55,904	53,589
Carrying amount of non-current receivables	55,904	53,589

Terms and conditions of the receivables are disclosed in Note 14.

Notes to the financial statements (continued)

For the year ended 31 October 2019

8 PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Leasehold improvement \$'000	Motor vehicles \$'000	Work in progress \$'000	Total \$'000
Cost							
1 November 2018	575	2,735	6,488	16,183	824	240	27,045
Additions	-	-	596	-	-	239	835
Transfers to/(from) WIP	-	-	460	-	-	(460)	-
31 October 2019	575	2,735	7,544	16,183	824	19	27,880
Accumulated depreciation							
1 November 2018	-	1,691	2,978	8,905	235	-	13,809
Depreciation for the year	-	35	729	796	243	-	1,803
31 October 2019	-	1,726	3,707	9,701	478	-	15,612
Net book value							
31 October 2019	575	1,009	3,837	6,482	346	19	12,268
31 October 2018	575	1,044	3,510	7,278	589	240	13,236

Finance leases

The carrying value of motor vehicles held under finance leases at 31 October 2019 was \$346,000 (2018: \$589,000). Additions during the year were \$nil (2018: \$776,000) of motor vehicles under finance leases and leased assets are pledged as security for the related finance lease liabilities.

Notes to the financial statements (continued)

For the year ended 31 October 2019

9 TRADE AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
Current		
Trade creditors	1,175	828
Other creditors and accruals	3,256	843
Goods and services tax	133	192
Carrying amount of trade and other payables	4,564	1,863

10 EMPLOYEE BENEFIT LIABILITIES

	2019 \$'000	2018 \$'000
Current		
Annual leave	411	341
Long service leave	151	139
	562	480
Non-current		
Long service leave	173	116

	Annual leave \$'000	Long service leave \$'000	Total \$'000
At 1 November 2018	341	255	596
Arising during the year	70	69	139
At 31 October 2019	411	324	735
Current	411	151	562
Non-current	-	173	173

Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Football Club of up to 9.5% of employees' wages and salaries are legally enforceable. The Football Club contributions for the year ended 31 October 2019 amounted to \$1,202,113 (2018: \$1,177,292).

11 DEFERRED REVENUE

	2019 \$'000	2018 \$'000
Current	1,357	1,850
Including:		
Grants revenue (received in advance)	600	600
Sponsorship revenue (received in advance)	403	377
Membership income in advance	266	788
Rental income	88	85
	1,357	1,850
Non-current		
Grant in advance	1,200	1,800

Notes to the financial statements (continued)

For the year ended 31 October 2019

12 INTEREST-BEARING LOANS AND BORROWINGS

	2019	2018
	\$'000	\$'000
Current		
Lease liability (Note 13)	188	188
Non-current		
Lease liability (Note 13)	367	554

13 CONTINGENT LIABILITIES AND COMMITMENTS

a) Operating lease commitments - Football Club as lessee

The Football Club has entered into a lease with Penrith City Council over the stadium located at Mulgoa Road, Penrith.

The non-cancellable lease has a remaining term of 9 years and 2 months. The lease includes a clause to enable upward revision of the base rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 31 October are as follows:

	2019	2018
	\$'000	\$'000
Within one year	91	91
After one year but not more than five years	365	365
After more than five years	380	472
	836	928

Finance lease commitments

The Football Club has finance leases for various motor vehicles. The Football Club's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases are as follows:

	2019	2018
	\$'000	\$'000
Within one year (Note 12)	188	188
After one year but not more than five years (Note 12)	367	554
	555	742

Notes to the financial statements (continued)

For the year ended 31 October 2019

13 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

- b) There are no capital commitments (2018: none).
- c) There are no contingent liabilities (2018: none).

14 RELATED PARTY DISCLOSURES

- a) The immediate and ultimate parent entity of the Football Club is Penrith Rugby League Club Limited.

b) Transactions with related parties

During the year, the Football Club transacted with ABCOE Distributions Pty Limited through purchase of stock. These transactions represented arm's length transactions under normal commercial trading terms. The transaction was completed in an open and transparent tender. David O'Neill (Chairman) is regarded as having an interest. Transactions with ABCOE Distributions Pty Limited in the year ended 31 October 2019 totalled \$28,161 (2018: \$26,502). Outstanding payments owing to ABCOE Distributions Pty Limited as at 31 October 2019 were \$483 (2018: \$5,064). No provisions have been accounted for related to ABCOE Distributions Pty Limited during the financial year.

During the year, the Football Club transacted with Dalycone Pty Ltd through sponsorship and services. These transactions represented arm's length transactions under normal commercial trading terms. Greg Alexander (Director) is regarded as having an interest. Transactions with Dalycone Pty Ltd in the year ended 31 October 2019 totalled \$201,667 (2018: \$167,000). Outstanding payments owing to Dalycone Pty Ltd at 31 October 2019 were \$18,333 (2018: \$13,750). No provisions have been accounted for related to Dalycone Pty Ltd during the financial year.

During the year, the Football Club transacted with Hix Electrical Pty Ltd through sponsorship and services. These transactions represented arm's length transactions under normal commercial trading terms. The commercial agreement was completed in an open and transparent tender. Ian Hicks (Director) is regarded as having an interest. Transactions with Hix Electrical in the year ended 31 October 2019 totalled \$105,095 (2018: \$97,737). Outstanding payments owing to Hix Electrical at 31 October 2019 is \$nil (2018: \$2,500). No provisions have been accounted for related to Hix Electrical during the financial year.

	2019	2018
	\$'000	\$'000
c) Amounts receivable at reporting date		
<i>Ultimate parent entity</i>		
Penrith Rugby League Club Limited	48,752	51,967
Loans receivable in the current year accrues interest at a variable rate depending upon group financing rates and do not have a fixed payment date. As at 31 October 2019 this rate was 5.26% (2018: 5.26%).		
Grants from Penrith Rugby League Club	-	-
<i>Other related entity</i>		
Mulgoa Land Trust (No.1)	7,152	1,622

Mulgoa Land Trust (No.1) owns land and buildings from which it derives rents. Each year the Trust distributes its income to the discretionary beneficiary Penrith District Rugby League Football Club Limited.

Notes to the financial statements (continued)

For the year ended 31 October 2019

14 RELATED PARTY DISCLOSURES (continued)

d) **Provision of accounting and administrative assistance from controlling entity**

Accounting and administrative assistance provided by the controlling entity is free of charge.

	<i>2019</i>	<i>2018</i>
	<i>\$'000</i>	<i>\$'000</i>
e) Interest received		
Interest received on intercompany loans	2,534	2,754

15 MEMBERS' GUARANTEE

Pursuant to the Memorandum of Association, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding \$5 (2018: \$5). At 31 October 2019, such guarantees aggregated \$442,735 (2018: \$445,720).

16 KEY MANAGEMENT PERSONNEL

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

Key management personnel compensation:

	<i>2019</i>	<i>2018</i>
	<i>\$</i>	<i>\$</i>
Total compensation	1,100,836	1,086,000

17 EVENTS AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may affect the operations of the club, the results of those operations, or the state of affairs of the club in future financial years.

Directors' declaration

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

- (a) The financial statements and notes of Penrith District Rugby League Football Club Limited for the financial year ended 31 October 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Football Club's financial position as at 31 October 2019 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*;
- (b) There are reasonable grounds to believe that the Football Club will be able to pay its debts as and when they become due and payable.

On behalf of the Board



David O'Neill
Director

Penrith, 28 February 2020

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

Opinion

We have audited the financial report of Penrith District Rugby League Football Club Limited (the Company), which comprises the statement of financial position as at 31 October 2019, the statement of 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 2019 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.



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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Daniel Cunningham' in a cursive style.

Daniel Cunningham
Partner
Sydney
28 February 2020