

**Illawarra District Rugby League  
Football Club Limited**  
ABN 90 002 762 610

Annual financial report  
31 October 2017

## **Illawarra District Rugby League Football Club Limited**

### **Directors' report**

For the year ended 31 October 2017

The Directors present their report together with the financial report of Illawarra District Rugby League Football Club Limited ("the Company") for the year ended 31 October 2017 and the auditor's report thereon.

#### **Directors**

The Directors of the Company at any time during the financial year were:

#### **Information on Directors**

|                     |   |  |
|---------------------|---|--|
| Peter Newell OAM    | - | Chairman   |
|                     | - | Company Director   |
|                     | - | Director (Alternate), St George Illawarra Rugby League Football Club Pty Limited |
|                     | - | Chairman, Clubs Australia  |
|                     | - | Chairman, Clubs NSW  |
|                     | - | Chairman, ClubKeno Holdings  |
|                     | - | Director, NSW Institute of Sport   |
|                     | - | Remuneration Committee   |
| Sean O'Connor       | - | Deputy Chairman  |
|                     | - | Company Director   |
|                     | - | Director, St George Illawarra Rugby League Football Club Pty Limited             |
|                     | - | Chairman, Illawarra RLFC   |
|                     | - | Finance Committee  |
| John Borgo          | - | Company Director   |
| Kevin Felgate       | - | Football Administrator   |
| Graeme Gulloch      | - | Company Director   |
|                     | - | Bachelor of Commerce, Master Business Administration                             |
|                     | - | Director, St George Illawarra Rugby League Football Club Pty Limited             |
|                     | - | Illawarra RLFC Committee   |
|                     | - | Chairman, Finance Committee  |
|                     | - | Remuneration Committee   |
| Colin Markham       | - | Retired Member of NSW Parliament   |
| Robert Millward OAM | - | Football Administrator   |
|                     | - | Director, St George Illawarra Rugby League Football Club Pty Limited             |
|                     | - | Director, New South Wales Rugby League   |
|                     | - | Chairman, NSWRL NSW Cup Committee  |
| Ian Neill           | - | Retired Miner  |
|                     | - | Chairman, Board of Management, Illawarra Division Rugby League                   |

## Illawarra District Rugby League Football Club Limited

### Directors' report

For the year ended 31 October 2017

#### Information on Directors (continued)

|                  |   |   |
|------------------|---|---|
| John Thirlwell   | - | Company Director  |
|                  | - | Bachelor of Commerce, Industrial Relations  |
|                  | - | Chairman, Remuneration Committee  |
|                  | - | Finance Committee   |
|                  | - | Resigned April 2017   |
| John Brannon     | - | Company Director  |
|                  | - | Bachelor of Commerce Degree majoring in Economics   |
|                  | - | Master of Business Administration   |
|                  | - | Graduate Australian Institute of Company Directors  |
|                  | - | Non-Executive Director, Bendigo Community Bank  |
|                  | - | Member, Corporate Governance Sub-Committee, Fairy Meadow Community Financial Services Ltd |
|                  | - | Chairman, Australia's Industry World Pty Ltd  |
|                  | - | Director, Mine Subsidence Board (NSW Government)  |
|                  | - | Managing Director, Détente Business Consulting Pty Ltd                                    |
|                  | - | Appointed June 2017   |
| Sean O'Shannassy | - | General Manager, Station Manager, i98FM (Ex Officio Director)                             |
|                  | - | Appointed February 2016   |
|                  | - | Resigned October 2017   |

#### Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year were:

| Director      | Steelers Board and Directors<br>Committee meetings |                                   | Joint venture meetings            |                                   |
|---------------|--|-----------------------------------|-----------------------------------|-----------------------------------|
|               | Number of<br>meetings<br>attended                  | Meetings<br>eligible to<br>attend | Number of<br>meetings<br>attended | Meetings<br>eligible to<br>attend |
| P Newell      | 13   | 13                                | -                                 | -                                 |
| S O'Connor    | 13   | 13                                | 11                                | 11                                |
| J Borgo       | 11   | 13                                | -                                 | -                                 |
| J Brannon     | 3  | 4                                 | -                                 | -                                 |
| K Felgate     | 13   | 13                                | -                                 | -                                 |
| G Gulloch     | 11   | 13                                | 10                                | 11                                |
| C Markham     | 5  | 13                                | -                                 | -                                 |
| R Millward    | 12   | 13                                | 11                                | 11                                |
| I Neill       | 11   | 13                                | -                                 | -                                 |
| J Thirlwell   | 5  | 8                                 | -                                 | -                                 |
| S O'Shannassy | 7  | 13                                | -                                 | -                                 |

## **Illawarra District Rugby League Football Club Limited**

### **Directors' report**

**For the year ended 31 October 2017**

#### **Principal activities**

The principal activities of the Company are the promotion of Rugby League, at the local, state and national level. This incorporates the operation, management and/or support of the Illawarra District Rugby League Competition for the Men's Senior, Junior, and Women's competitions; the management of a team in the New South Wales Rugby League competition; and support for the St George Illawarra Dragons team in the National Rugby League. This is achieved through sponsorship agreements, and the operation of a licensed Club.

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

These activities generate funds to achieve the objectives of fostering and promoting rugby league as well as supporting our members and community.

A number of performance indicators are employed by the Company in order to measure and improve the Club's performance. The Club uses EBITDA & Contribution percentage analysis to measure the performance of each department.

#### **Objectives**

The Company's objective in both the short and long term is to manage a profitable licensed club that will allow us to:

- Foster, encourage, promote and control the development, playing and interests of rugby league within both the Illawarra and as a Joint Venture Partner in the St George Illawarra Dragons;
- Provide services to our members; and
- Provide support to our community.

In order to meet these objectives the following strategies have been implemented:

- Focus on the licensed club's operational performance;
- Focus on cash generation;
- To operate within our affordable means; and
- To work closely with our key stakeholders.

The performance of the Company is measured on a monthly basis through financial reporting to the Board of Directors. Key elements of the Company's performance are monitored and evaluated by the Company's finance consultants, MF Accounting Services, the Company's General Manager and the Company's Board of Directors.

## **Illawarra District Rugby League Football Club Limited**

### **Directors' report**

For the year ended 31 October 2017

#### **Review and results of operations**

The licensed club operations show a net trading profit of \$216,054 (2016: loss of \$565,371). Included in this profit is a total of \$104,305 in expenditure identified as being misappropriated by a former senior employee of the Company.

Also, the Company received entitlements of its insurance recovery claim related to the fraud identified in January 2017. The total settlement received was \$502,389 being the maximum coverage under the Company's Employee Theft Coverage policy, these proceeds have been classified as other income in the 2017 financial year.

#### **Dividends**

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

#### **State of affairs**

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review.

#### **Events subsequent to reporting date**

Apart from the matters noted below, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in the future financial years.

1. Civil legal proceedings against the former senior employee, who undertook the misappropriation of funds, have been completed and the senior employee has been sentenced in December 2017. The employee has agreed to best repay the misappropriated funds but it is unclear at this stage the amount of funds that may be recovered through these actions. The financial report has not included any recoverable amount in terms of income or receivable with the exception of the \$502,389 received through insurance.

#### **Environmental regulations**

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the Company.

#### **Likely developments**

Information about likely developments in the operations of the Company, and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

#### **Company limited by guarantee**

The Company is incorporated as a Company limited by guarantee. In accordance with the constitution of the Company, every member of the Company undertakes to contribute an amount limited to \$4 per member in the event of the winding up of the Company during the time that they are a member or within one year thereafter. At 31 October 2017 there were 8,454 members (2016: 7,683 members).

**Illawarra District Rugby League Football Club Limited**

**Directors' report**

For the year ended 31 October 2017

**Indemnification and insurance of officers and auditors**

*Indemnification*

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company, indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings.

*Insurance*

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

**Lead auditor's independence declaration**

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 31 October 2017.

Signed in accordance with a resolution of the Directors:



P Newell  
*Director*



Sean O'Connor  
*Director*

Dated in Wollongong this 22<sup>nd</sup> day of February 2018.



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Illawarra District Rugby League Football Club Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Illawarra District Rugby League Football Club Limited for the financial year ended 31 October 2017 there have been:

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

*KPMG*

KPMG

David Willcocks

*Partner*

Wollongong

22 February 2018

## Illawarra District Rugby League Football Club Limited

### Statement of profit or loss and other comprehensive income

For the year ended 31 October 2017

|  | Note | 2017<br>\$         | 2016<br>\$         |
|--|------|--------------------|--------------------|
| Revenue from licensed club operations          |      | 8,045,235          | 7,804,157          |
| Revenue from football operations               |      | 920,236            | 856,935            |
| <b>Total revenue</b>                           | 5    | <u>8,965,471</u>   | <u>8,661,092</u>   |
| Other income                                   | 6    | 1,202,858          | 606,568            |
| Cost of goods sold                             |      | (705,309)          | (648,835)          |
| Football operation expenses                    |      | (1,267,919)        | (1,192,844)        |
| Administration expenses                        |      | (706,116)          | (686,868)          |
| Unsubstantiated expenses                       |      | (104,305)          | (285,156)          |
| Impairment expense                             |      | (26,049)           | -                  |
| Licensed club expenses                         |      | <u>(6,696,747)</u> | <u>(6,613,985)</u> |
| <b>Results from operating activities</b>       |      | <u>661,884</u>     | <u>(160,028)</u>   |
| Financial income                               |      | 1,983              | 1,599              |
| Financial expense                              |      | (447,813)          | (406,942)          |
| <b>Net financing costs</b>                     | 7    | <u>(445,830)</u>   | <u>(405,343)</u>   |
| <b>Profit/(loss) before income tax</b>         |      | 216,054            | (565,371)          |
| <b>Income tax expense</b>                      | 3(l) | -                  | -                  |
| <b>Profit/(loss) for the year</b>              |      | <u>216,054</u>     | <u>(565,371)</u>   |
| <b>Other comprehensive income</b>              |      |                    |                    |
| Revaluation of land and buildings              |      | -                  | -                  |
| <b>Total comprehensive income for the year</b> |      | <u>216,054</u>     | <u>(565,371)</u>   |

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 11 to 29.

## Illawarra District Rugby League Football Club Limited

### Statement of changes in equity

For the year ended 31 October 2017

|  | <b>Asset<br/>Revaluation<br/>Reserve</b> | <b>Accumulated<br/>Losses</b> | <b>Total</b>     |
|--|--|-------------------------------|------------------|
| <b>For the year ended 31 October 2016</b>      |  |                               |                  |
| Opening balance at 1 November 2015             | 6,566,078                                | (4,074,274)                   | 2,491,804        |
| <b>Total comprehensive income for the year</b> |  |                               |                  |
| Loss for the year                              | -  | (565,371)                     | (565,371)        |
| Revaluation of land and buildings              | -  | -                             | -                |
| Total comprehensive income for the year        | -  | (565,371)                     | (565,371)        |
| <b>Closing balance at 31 October 2016</b>      | <b>6,566,078</b>                         | <b>(4,639,645)</b>            | <b>1,926,433</b> |
| <b>For the year ended 31 October 2017</b>      |  |                               |                  |
| Opening balance at 1 November 2016             | 6,566,078                                | (4,639,645)                   | 1,926,433        |
| <b>Total comprehensive income for the year</b> |  |                               |                  |
| Profit for the year                            | -  | 216,054                       | 216,054          |
| Revaluation of land and buildings              | -  | -                             | -                |
| Total comprehensive income for the year        | -  | 216,054                       | 216,054          |
| <b>Closing balance at 31 October 2017</b>      | <b>6,566,078</b>                         | <b>(4,423,591)</b>            | <b>2,142,487</b> |

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 11 to 29.

## Illawarra District Rugby League Football Club Limited

### Statement of financial position

For the year ended 31 October 2017

|   | Note | 2017<br>\$        | 2016<br>\$        |
|---|------|-------------------|-------------------|
| <b>Assets</b>                                     |      |                   |                   |
| Cash  | 8    | 405,499           | 213,155           |
| Trade and other receivables                       | 9    | 71,396            | 146,992           |
| Inventories                                       | 10   | 74,477            | 64,191            |
| Other assets                                      | 11   | 128,281           | 151,590           |
| <b>Total current assets</b>                       |      | <u>679,653</u>    | <u>575,928</u>    |
| Other assets                                      | 11   | 750               | 750               |
| Investments accounted for using the equity method | 12   | -                 | -                 |
| Property, plant and equipment                     | 13   | 11,316,348        | 11,540,308        |
| <b>Total non-current assets</b>                   |      | <u>11,317,098</u> | <u>11,541,058</u> |
| <b>Total assets</b>                               |      | <u>11,996,751</u> | <u>12,116,986</u> |
| <b>Liabilities</b>                                |      |                   |                   |
| Trade and other payables                          | 14   | 1,285,513         | 1,342,839         |
| Loans and borrowings                              | 15   | 7,114,442         | 571,972           |
| Employee benefits                                 | 16   | 261,794           | 274,485           |
| Other   | 17   | 274,000           | 274,000           |
| <b>Total current liabilities</b>                  |      | <u>8,935,749</u>  | <u>2,463,296</u>  |
| Loans and borrowings                              | 15   | 343,443           | 6,865,672         |
| Employee benefits                                 | 16   | 49,897            | 62,414            |
| Other   | 17   | 525,175           | 799,171           |
| <b>Total non-current liabilities</b>              |      | <u>918,515</u>    | <u>7,727,257</u>  |
| <b>Total liabilities</b>                          |      | <u>9,854,264</u>  | <u>10,190,553</u> |
| <b>Net assets</b>                                 |      | <u>2,142,487</u>  | <u>1,926,433</u>  |
| <b>Members' funds</b>                             |      |                   |                   |
| Reserves  |      | 6,566,078         | 6,566,078         |
| Accumulated losses                                |      | (4,423,591)       | (4,639,645)       |
| <b>Total members' funds</b>                       |      | <u>2,142,487</u>  | <u>1,926,433</u>  |

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 11 to 29.

## Illawarra District Rugby League Football Club Limited

### Statement of changes in cash flows

For the year ended 31 October 2017

|   | Note | 2017<br>\$       | 2016<br>\$       |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities</b>         |      |                  |                  |
| Cash receipts in the course of operations           |      | 10,969,121       | 9,844,159        |
| Cash payments in the course of operations           |      | (10,139,758)     | (9,661,282)      |
| Interest received                                   |      | 1,983            | 1,599            |
| Interest paid                                       |      | (447,813)        | (406,942)        |
| <b>Net cash from/(used in) operating activities</b> |      | <u>383,533</u>   | <u>(222,466)</u> |
| <b>Cash flows from investing activities</b>         |      |                  |                  |
| Payments for property, plant and equipment          |      | (236,180)        | (343,141)        |
| Proceeds from sale of property, plant and equipment |      | 24,751           | -                |
| <b>Net cash used in investing activities</b>        |      | <u>(211,429)</u> | <u>(343,141)</u> |
| <b>Cash flows from financing activities</b>         |      |                  |                  |
| Net movement in finance lease                       |      | 19,904           | (14,460)         |
| Net movement in loan facility                       |      | 27,809           | 219,991          |
| <b>Net cash from financing activities</b>           |      | <u>47,713</u>    | <u>205,531</u>   |
| <b>Net increase/(decrease) in cash held</b>         |      | 219,817          | (360,076)        |
| Cash and cash equivalents at 1 November             |      | 77,717           | 437,793          |
| <b>Cash and cash equivalents at 31 October</b>      | 8    | <u>297,534</u>   | <u>77,717</u>    |

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 29.

# **Illawarra District Rugby League Football Club Limited**

## **Notes to the financial statements**

For the year ended 31 October 2017

### **1 Reporting entity**

Illawarra District Rugby League Football Club Limited (the “Company”), a not-for-profit entity is a Company domiciled in Australia. The address of the Company’s registered office is 1-3 Burelli Street, Wollongong. The Company operates in the licensed club industry in Wollongong, NSW.

### **2 Basis of preparation**

#### **(a) Basis of accounting**

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board and the Corporations Act 2001. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

The financial statements were authorised for issue by the Board of Directors on 22<sup>nd</sup> of February 2018. Details of the Company’s accounting policies, including any changes during the year, are included in Note 3.

#### **(b) Going concern basis**

The financial report of the Company has been prepared on the going concern basis which assumes that assets will be realised and liabilities extinguished on normal terms and conditions.

The Company recorded a profit of \$216,054 (after allowing for non-cash depreciation expense of \$425,208) for the year ended 31 October 2017 (31 October 2016: Loss of \$565,371). During the year ended 31 December 2017 the Company generated surplus cash flows from operating activities of \$383,533 (31 October 2016: cash deficit from operating activities of \$222,466). As at 31 October 2017 the Company had net current liabilities of \$8,256,096 (31 October 2016 net current liabilities of \$1,887,368).

The Company held cash and cash equivalents at 31 October 2017 of \$297,534 (31 October 2016: \$77,717) and has access to an overdraft facility of \$200,000 which was drawn to an amount of \$107,965 as at 31 October 2017 (31 October 2016: drawn to \$135,438).

The Company’s financial position has been adversely impacted by the misappropriation of funds perpetrated by a former senior employee. Further details regarding this matter are contained in note 4.

Despite the financial statements having a history of losses and remaining in a net current liability position for the year ended 31 October 2017, they have been prepared on a going concern basis.

Following the discovery of the misappropriation in January 2017 the Directors took a number of actions to assist in the management of the Company’s working capital. These included:

- negotiating with WIN Corporation for the deferral of payment of the quarterly availability fee in connection with the loan facility provided
- negotiating a payment plan with the Australian Taxation Office in relation to amounts due

Further, as at the date of these financial statements, the Company has maintained its agreed instalment arrangements with the Australian Taxation Office and WIN Corporation.

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **2 Basis of preparation (continued)**

##### **(b) *Going concern basis (continued)***

The Directors have prepared detailed cash flow forecasts for the 12 month period from November 2017. These forecasts have been prepared having regard to:

- revenue to be generated, and costs to be incurred, from the Company's continuing operations
- cash flows required under existing finance commitments
- continuing to comply with the Company's negotiated instalment arrangements with the Australian Taxation Office.
- cash commitments to the football joint venture of \$375,000 as confirmed in December 2017

These cash flow forecasts indicate that the Company will generate sufficient cash from operations to meet ongoing financing requirements and will continue to operate within the current overdraft facility of \$200,000 and continue as a going concern.

The Directors have received a letter of support from WIN Corporation stating that they will not seek repayment of the loan principal for a period of at least 12 months from the date the financial report is signed. The letter of support does not preclude the potential settlement of the loan through the exchange of non-cash assets. The Company is dependent on the continued support from WIN Corporation in order to remain a going concern.

The loan from WIN Corporation has been classified as a current liability at 31 October 2017 (non-current at 31 October 2016). Refer to Note 15 for additional information on classification of the loan as current.

The Directors are of the view that the actions that they have taken and the cash flow forecasts prepared support the going concern basis of preparation.

##### **(c) *Basis of measurement***

The financial statements have been prepared on the historical cost basis, except for land and buildings which are stated at their fair value.

##### **(d) *Functional and presentation currency***

These financial statements are presented in Australian dollars, which is the Company's functional currency.

##### **(e) *Use of estimates and judgements***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

##### **(a) Basis of consolidation**

###### ***Joint Ventures***

Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement.

###### ***Jointly controlled entities***

In the financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Company's share of the jointly controlled entity's net profit or loss is recognised in accordance with the policy detailed in note 12. Other movements in reserves are recognised directly in the reserves.

##### **(b) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### **(c) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 3(f)). The Company's standard trading terms require settlement within 7 days.

##### **(d) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

##### **(e) Property, plant and equipment**

###### ***Owned assets***

Land and buildings are stated at fair value. Other items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(f)).

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **3 Significant accounting policies (continued)**

##### **(e) *Property, plant and equipment (continued)***

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing items and restoring the site on which they are located, and capitalised borrowing costs (see below).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

##### *Leased assets*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 3(f)). Lease payments are accounted for as described in accounting policy 3(k).

##### *Borrowing costs*

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 November 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

##### *Subsequent costs*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 3 Significant accounting policies (continued)

##### (e) *Property, plant and equipment (continued)*

###### *Depreciation*

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The range of depreciation rates used for each class of asset in the current and comparative periods are as follows:

|                            |           |
|----------------------------|-----------|
| Buildings                  | 3% - 20%  |
| Plant and equipment        | 7% - 25%  |
| Leased plant and equipment | 25% - 33% |
| Furniture and fittings     | 7% - 20%  |
| Motor vehicles             | 20%- 25%  |

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

###### *Determination of fair values*

The fair value of land is recognised based on market values. The fair value of buildings is based on the summation of land value and the depreciated replacement cost of improvements. In accordance with Company policy, independent external valuations are obtained at least every three years.

##### (f) *Impairment*

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

###### *(i) Calculation of recoverable amount*

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 3 Significant accounting policies (continued)

##### (f) *Impairment (continued)*

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

##### (ii) *Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (iii) *Derecognition of financial assets and liabilities*

A financial asset is derecognised when:

- the rights to receive cash flows have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all of the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss.

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **3 Statement of significant accounting policies (continued)**

##### **(g) Trade and other payables**

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30-day terms.

##### **(h) Loans and borrowings**

###### *Interest bearing*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

###### *Non-interest bearing*

Non-interest bearing loans are recognised initially at fair value less attributable transaction costs. When no repayment date is specified and the repayment date is not known into the foreseeable future, the loan is measured at its face value.

##### **(i) Employee benefits**

###### *(i) Defined contribution superannuation funds*

Obligations for contributions to defined contribution superannuation funds are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

###### *(ii) Other long term service benefits*

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

###### *(iii) Short term benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### *(iv) Termination benefits*

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 3 Statement of significant accounting policies (continued)

##### (j) Revenue

###### *Goods sold and services rendered*

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in profit or loss when the underlying services have been provided. No revenue is recognised if there is significant uncertainty regarding recovery of consideration due.

###### *Poker machine revenue*

Poker machine revenue is recognised in profit loss, net of prizes and jackpots, once the underlying games have been completed.

###### *Other gaming revenue*

Other gaming revenue is recognised in profit or loss when the underlying gaming event has been completed.

###### *Sponsorship*

Sponsorship revenue is recognised as revenue over the period the sponsorship relates to.

###### *Rental income*

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

##### (k) Expenses

###### *Operating lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense and spread over the lease term.

###### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

###### *Net financing costs*

Interest income is recognised in profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **3 Statement of significant accounting policies (continued)**

##### **(l) Taxation**

###### *Income tax*

Under a private ruling from the Australian Taxation Office (“ATO”) income derived by the Company from all sources and activities is considered exempt from the payment of income tax. This ruling applied to the years ended 30 June 1999 to June 2003 and was granted on the basis that the dominant objective of the Company is for the encouragement of a game or sport pursuant to Sections 50-1 and 50-45, Item 9.1 of the Income Tax Assessment Act, 1997.

It is the responsibility of the directors to self-assess the Company’s tax status. The directors have reviewed the objectives and activities of the Company for the year ended 31 October 2017 and have concluded, on the basis that the activities of the Company continue to be the same as those carried out at the time of issue of the private ruling in 1999, that the Company continues to be tax exempt pursuant to Sections 50-1 and 50-45, Item 9.1 of the Income Tax Assessment Act, 1997.

##### **(m) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### **(n) Reserves**

The revaluation reserve relates to the revaluation of land and buildings which are stated at fair value.

##### **(o) Comparatives**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 4 Impact of fraud

In January 2017, following enquiries undertaken during the completion of the Company's annual audit, it was discovered that a senior employee had been misappropriating Company funds for his own personal benefit. Upon discovery of the fraud, the senior employee was immediately suspended and later terminated upon receipt of legal advice.

External consultants were engaged to undertake an investigation into the misappropriation. This investigation was finalised in May 2017 and identified that a total of \$1,046,383 in Company funds had been misappropriated. Also, as part of the 2017 annual audit an additional \$9,500 in expense claims was identified as fraudulent.

Following the lodgement of an insurance claim in May 2017 the Company has received insurance proceeds of \$502,389 representing the maximum amount payable under its insurance policy and these amounts have been included as other income in the current financial period.

In addition to the receipt of these insurance recoveries, civil proceedings have concluded against the terminated employee and the employee has been found guilty and sentenced in December 2017. The employee has agreed to best repay the misappropriated funds but it is unclear at this stage the amount of funds that may be recovered through these actions. This financial report does not include any additional recoverable amount in terms of income or receivable relating to the legal proceedings. These amounts will be recognised in the year of receipt.

The table below reflects the results of the Company for 2017 and 2016 had the fraud not occurred:

|  | <b>2017</b>      | <b>2016</b>      |
|--|------------------|------------------|
|  | <b>\$</b>        | <b>\$</b>        |
| Net profit/(loss) per Statement of profit or loss and other comprehensive income | 216,054          | (565,371)        |
| Impact of fraudulent transactions (as per external consultants)                  | 94,805           | 285,156          |
| Additional fraud identified  | 9,500            | -                |
| Insurance recovery   | (502,389)        | -                |
| (Loss) excluding the impact of the fraud   | <u>(182,030)</u> | <u>(280,215)</u> |

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

|  | Note | 2017<br>\$       | 2016<br>\$       |
|--|------|------------------|------------------|
| <b>5 Revenue</b>                         |      |                  |                  |
| Revenue from licensed club operations    |      | 8,045,235        | 7,804,157        |
| Revenue from football operations         |      | 920,236          | 856,935          |
|  |      | <u>8,965,471</u> | <u>8,661,092</u> |
| <b>6 Other Income:</b>                   |      |                  |                  |
| <b>Other income</b>                      |      |                  |                  |
| Gain on sale of fixed assets             |      | 15,867           | -                |
| Rental income                            |      | 178,774          | 173,895          |
| Sundry income                            |      | 231,832          | 158,677          |
| Other revenue – Tabcorp Gaming Solutions |      | 273,996          | 273,996          |
| Insurance recovery – fraud               |      | 502,389          | -                |
|  |      | <u>1,202,858</u> | <u>606,568</u>   |
| <b>7 Net financing costs</b>             |      |                  |                  |
| Interest income – other parties          |      | 1,983            | 1,599            |
| <i>Finance income</i>                    |      | <u>1,983</u>     | <u>1,599</u>     |
| Interest and availability fees           |      | (447,813)        | (406,942)        |
| <i>Finance expense</i>                   |      | <u>(447,813)</u> | <u>(406,942)</u> |
| Net financing costs                      |      | <u>(445,830)</u> | <u>(405,343)</u> |
| <b>8 Cash</b>                            |      |                  |                  |
| Cash at bank                             |      | 205,499          | 14,155           |
| Cash on hand                             |      | 200,000          | 199,000          |
|  |      | <u>405,499</u>   | <u>213,155</u>   |
| Overdraft                                | 15   | <u>(107,965)</u> | <u>(135,438)</u> |
| <b>Cash and cash equivalents</b>         |      | <u>297,534</u>   | <u>77,717</u>    |
| <b>9 Trade and other receivables</b>     |      |                  |                  |
| Trade receivables                        |      | 97,988           | 165,402          |
| Provision for doubtful debts             |      | (26,592)         | (18,410)         |
|  |      | <u>71,396</u>    | <u>146,992</u>   |
| <b>10 Inventories</b>                    |      |                  |                  |
| Stock on hand - bar                      |      | <u>74,477</u>    | <u>64,191</u>    |

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 11 Other assets

##### *Current*

|                |                |                |
|----------------|----------------|----------------|
| Prepayments    | 58,465         | 68,687         |
| Accrued income | 14,040         | 26,490         |
| Term deposit   | 55,776         | 56,413         |
|                | <u>128,281</u> | <u>151,590</u> |

##### *Non-current*

|       |            |            |
|-------|------------|------------|
| Other | <u>750</u> | <u>750</u> |
|-------|------------|------------|

#### 12 Interest in joint venture

The Company has a 50% (2016: 50%) interest in a joint venture, *St George Illawarra Rugby League Football Club Pty Limited*, whose principal activity is the propagation and promotion of rugby league. The joint venture partner is St George District Rugby League Football Club Limited. The joint venture entity was incorporated in Australia on 3 November 1998.

##### *Equity accounting*

The operating results of the joint venture have not been equity accounted by the Company for the year ended 31 October 2017 or 31 October 2016. Whilst the Company has a 50% interest in the joint venture entity, the Company is unlikely to receive any future economic benefit, in the form of contribution reductions or distributions of assets, from its share in the joint venture entity as a result of the deficit in net assets recorded in the joint venture accounts. Given this deficit, the Company's investment in the joint venture has been written down to nil.

##### *Contributions to the joint venture*

Under the terms and conditions of the joint venture agreement, the Company may be required to contribute and pay its respective portion of the joint venture's funding requirements from time to time. This funding obligation is contingent upon the ongoing financial position of the joint venture, the unanimous agreement of that board that funding injections are required and the financial position of the Company.

##### *Other transactions*

The Company, during the course of its normal operations, enters into transactions with the joint venture entity. These transactions are undertaken on an arm's length basis.

##### *Voting rights*

The board of the joint venture entity has 8 directors at any one time. Under the terms of the joint venture agreement between the Company and St George District Rugby League Football Club Limited, each party is able to nominate 4 directors to the joint venture board. One of the Company's 4 directors is able to be appointed by Win Corporation.

St George District Rugby League Football Club Limited also has the right to nominate the Chairman of the joint venture board. The Chairman of the joint venture board has the casting vote for certain joint venture board decisions.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

|  | 2017<br>\$         | 2016<br>\$         |
|--|--------------------|--------------------|
| <b>13 Property, plant and equipment</b>    |                    |                    |
| <i>Land and buildings</i>                  |                    |                    |
| At fair value                              | 11,400,264         | 10,966,128         |
| Accumulated depreciation                   | <u>(598,012)</u>   | <u>(295,557)</u>   |
|  | <u>10,802,252</u>  | <u>10,670,571</u>  |
| <i>Furniture and fittings</i>              |                    |                    |
| At cost                                    | 341,586            | 341,586            |
| Accumulated depreciation                   | <u>(160,837)</u>   | <u>(131,015)</u>   |
|  | <u>180,749</u>     | <u>210,571</u>     |
| <i>Plant and equipment</i>                 |                    |                    |
| At cost                                    | 965,995            | 911,377            |
| Accumulated depreciation                   | <u>(715,069)</u>   | <u>(669,811)</u>   |
|  | <u>250,926</u>     | <u>241,566</u>     |
| <i>Motor vehicles</i>                      |                    |                    |
| At cost                                    | 117,039            | 148,018            |
| Accumulated amortisation                   | <u>(44,214)</u>    | <u>(85,945)</u>    |
|  | <u>72,825</u>      | <u>62,073</u>      |
| <i>Capital WIP</i>                         | <u>9,596</u>       | <u>355,527</u>     |
| <b>Total cost/fair value</b>               | <u>12,834,480</u>  | <u>12,722,636</u>  |
| <b>Total accumulated depreciation</b>      | <u>(1,518,132)</u> | <u>(1,182,328)</u> |
| <b>Total property, plant and equipment</b> | <u>11,316,348</u>  | <u>11,540,308</u>  |

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 13 Property, plant and equipment (continued)

|  | 2017              | 2016              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Reconciliations</b>   |                   |                   |
| Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below: |                   |                   |
| <b>Land and buildings</b>  |                   |                   |
| Carrying amount at beginning of year   | 10,670,571        | 10,840,000        |
| Additions  | 434,135           | 126,128           |
| Disposals  | -                 | -                 |
| Depreciation   | (302,454)         | (295,557)         |
| Revaluation  | -                 | -                 |
| Carrying amount at end of year   | <u>10,802,252</u> | <u>10,670,571</u> |
| <b>Furniture and fittings</b>  |                   |                   |
| Carrying amount at beginning of year   | 210,571           | 223,511           |
| Additions  | -                 | 24,287            |
| Disposals  | -                 | -                 |
| Depreciation   | (29,822)          | (37,227)          |
| Carrying amount at end of year   | <u>180,749</u>    | <u>210,571</u>    |
| <b>Plant and equipment</b>   |                   |                   |
| Carrying amount at beginning of year   | 241,566           | 275,771           |
| Additions  | 100,538           | 37,705            |
| Disposals  | (1,115)           | -                 |
| Write down assets  | (26,049)          | -                 |
| Depreciation   | (64,014)          | (71,910)          |
| Carrying amount at end of year   | <u>250,926</u>    | <u>241,566</u>    |
| <b>Motor vehicles</b>  |                   |                   |
| Carrying amount at beginning of year   | 62,073            | 84,973            |
| Additions  | 47,438            | -                 |
| Disposals  | (7,768)           | -                 |
| Depreciation   | (28,918)          | (22,900)          |
| Carrying amount at end of year   | <u>72,825</u>     | <u>62,073</u>     |

#### a) Fair value hierarchy

Land and buildings measured at fair value were valued by an independent valuer, for the 31 October 2015 reporting date. The Directors have considered the valuation with regard to current market conditions and believe the external valuation is still appropriate at 31 October 2017.

The fair value of land is recognised based on market values. The fair value of buildings is based on the summation of land value and depreciated replacement cost of improvements.

Land and buildings measured at fair value, with a carrying amount of \$10,802,252 (2016: \$10,670,571) are subject to a registered mortgage to secure loans provided by WIN Corporation Pty Limited. Refer to Note 15.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

|                                       | 2017             | 2016             |
|---------------------------------------|------------------|------------------|
|                                       | \$               | \$               |
| <b>14 Trade and other payables</b>    |                  |                  |
| <b>Current</b>                        |                  |                  |
| Trade payables                        | 759,520          | 641,305          |
| Amounts payable to the joint venture  | 116,061          | 72,050           |
| Other payables and accrued expenses   | 409,932          | 629,484          |
|                                       | <u>1,285,513</u> | <u>1,342,839</u> |
| <b>15 Loans and Borrowings</b>        |                  |                  |
| <b>Current</b>                        |                  |                  |
| Lease liabilities                     | 9,893            | 7,143            |
| Lease facility drawdown               | 146,584          | 429,391          |
| Bank overdraft                        | 107,965          | 135,438          |
| WIN Corporation Pty Limited - secured | 6,850,000        | -                |
|                                       | <u>7,114,442</u> | <u>571,972</u>   |
| <b>Non-current</b>                    |                  |                  |
| Lease liabilities                     | 32,827           | 15,672           |
| Lease facility drawdown               | 310,616          | -                |
| WIN Corporation Pty Limited - secured | -                | 6,850,000        |
|                                       | <u>343,443</u>   | <u>6,865,672</u> |

Refer to Note 13 for disclosure surrounding security attached to the loans provided by WIN Corporation Pty Limited.

#### ***Financing arrangements***

##### *Loans from WIN Corporation Pty Limited - secured*

The loan from WIN Corporation Pty Limited ("WIN") has no fixed repayment date subject to the Company complying with terms and conditions of the loan agreement date 27 July 2006 (as amended).

One of these conditions related to the number of games played at WIN Stadium each year. As the games played at WIN Stadium have fallen below 6, WIN has the ability to call on the loan with six months notice. At the date of these accounts WIN has not exercised this option and has provided a commitment that it will continue to support the Company by not seeking repayment of the loan for a period of at least 12 months from the date the financial report is signed. As a result, the loan has been classified as current at 31 October 2017.

The Company is charged an availability fee for the provision of this loan facility. The availability fee is calculated on the daily balance of the loan outstanding at a rate based on BBSY plus a fee margin of 3.50% and is paid quarterly.

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

|  | 2017           | 2016           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>15 Loans and Borrowings (continued)</b>               |                |                |
| The Company has access to the following lines of credit: |                |                |
| Total facilities available:                              |                |                |
| ■ bank overdraft   | 200,000        | 200,000        |
| ■ lease facility   | -              | 500,000        |
| ■ credit cards   | 10,000         | 25,000         |
|  | <u>210,000</u> | <u>725,000</u> |
| Facilities utilised at balance date:                     |                |                |
| ■ bank overdraft   | 107,965        | 135,438        |
| ■ lease facility   | -              | 429,391        |
| ■ credit cards   | 178            | 3,871          |
|  | <u>108,143</u> | <u>568,700</u> |
| Facilities not utilised at balance date:                 |                |                |
| ■ bank overdraft   | 92,035         | 64,562         |
| ■ lease facility   | -              | 70,609         |
| ■ credit cards   | 9,822          | 21,129         |
|  | <u>101,857</u> | <u>156,300</u> |

#### *Bank overdraft*

The bank overdraft is secured by a guarantee from the Company. Interest on the bank overdraft is charged at prevailing market rates.

#### *Lease facility – secured*

The lease facility is secured by the underlying assets subject to lease.

## 16 Employee benefits

Aggregate liability for employee benefits, including on-costs

|               |                |                |
|---------------|----------------|----------------|
| ■ Current     | 261,794        | 274,485        |
| ■ Non-current | 49,897         | 62,414         |
|               | <u>311,691</u> | <u>336,899</u> |

#### *Defined contribution superannuation funds*

The Company makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was \$167,645 for the financial year ended 31 October 2017 (2016: \$169,033).

## 17 Other liabilities

Deferred income - Tabcorp Gaming Solutions

|               |                |                  |
|---------------|----------------|------------------|
| ■ Current     | 274,000        | 274,000          |
| ■ Non-current | 525,175        | 799,171          |
|               | <u>799,175</u> | <u>1,073,171</u> |

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

|   | 2017           | 2016           |
|---|----------------|----------------|
|   | \$             | \$             |
| <b>18 Commitments</b>                                       |                |                |
| <b>Finance lease payment commitments</b>                    |                |                |
| Finance lease rentals are payable as follows:               |                |                |
| ■ Not later than one year                                   | 8,199          | 9,284          |
| ■ One year or later but no later than five years            | 39,661         | 15,642         |
|   | <u>47,860</u>  | <u>24,926</u>  |
| Less: future lease finance charges                          | <u>(5,140)</u> | <u>(2,111)</u> |
|   | <u>42,720</u>  | <u>22,815</u>  |
| Lease liabilities provided for in the financial statements: |                |                |
| Current   | 9,893          | 7,143          |
| Non-current   | 32,827         | 15,672         |
| Total lease liability                                       | <u>42,720</u>  | <u>22,815</u>  |

The Company leases a motor vehicle under finance lease. At the end of the lease term ownership passes to the Company.

The Company has entered into a service agreement with Tabcorp Gaming Solutions in relation to the supply of gaming machines and associated specialised services.

At 31 October, the future minimum payments under the service contract are as follows:

|  |                  |                  |
|--|------------------|------------------|
| ■ Not later than one year                        | 1,160,795        | 1,146,684        |
| ■ One year or later but no later than five years | 2,226,182        | 3,345,804        |
|  | <u>3,386,977</u> | <u>4,492,488</u> |

## 19 Operating leases

### *Leases as Lessor*

The Company leases out part of its freehold land and buildings under operating leases.

At 31 October, the future minimum lease payments receivable under non-cancellable leases are receivable as follows:

|  |                |                |
|--|----------------|----------------|
| ■ Not later than one year                        | 233,006        | 279,349        |
| ■ One year or later but no later than five years | 57,053         | 467,927        |
|  | <u>290,059</u> | <u>747,276</u> |

## 20 Key management personnel disclosures

Key management personnel are those persons having authority and responsibility for planning directing and controlling the activities of the Company, directly or indirectly, including any director (executive or otherwise) of the Company. Total remuneration paid to key management personnel for the current and comparative periods was:

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| Key management personnel compensation | <u>262,886</u> | <u>396,881</u> |
|---------------------------------------|----------------|----------------|

## Illawarra District Rugby League Football Club Limited

### Notes to the financial statements

For the year ended 31 October 2017

#### 20 Key management personnel disclosures (continued)

##### *Other key management personnel transactions with the Company*

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

##### *WIN Corporation Pty Limited*

As a condition of providing a loan facility to the Company, WIN Corporation obtained the right to appoint an ex-officio director to the Board of the Company, and the right to appoint a director to the board of the joint venture entity (refer to Note 15). As at reporting date, the balance of the loan outstanding was \$6,850,000 (2016: \$6,850,000).

During the year the Company incurred an availability fee on the loan facility of \$390,631 (2016: \$371,220). As at reporting date, amounts totalling \$287,287 were outstanding to WIN Corporation in relation to this availability fee.

##### *Waples Marketing Group Pty Limited*

Mr G Gulloch is a director of Waples Marketing Group Pty Limited ("Waples"). During the current and comparative periods the Company engaged the services of Waples Marketing Group Pty Limited in relation to various promotional activities. The value of these transactions during the period ended 31 October 2017 was \$90,013 (2016: \$147,030) and the balance owing as at 31 October 2017 was \$11,996 (2016: \$44,398).

The nature of these transactions relates to Waples acting as a media agency for the Company in the purchasing of advertising with local media outlets. Under these arrangements, Waples invoices the Company for the value of the advertisements placed in addition to their fee on the transaction.

During the year, of the \$90,013 billed by Waples, \$71,886 was paid onto the media outlets and the balance of \$18,127 retained by Waples as the fee for this accredited service.

This fee is based on normal commercial terms and conditions.

Other than outlined above, from time to time Directors of the Company may purchase goods from the Company or participate in other club activities. These purchases and participations are on the same terms and conditions as those entered into by any other member of the club.

## **Illawarra District Rugby League Football Club Limited**

### **Notes to the financial statements**

For the year ended 31 October 2017

#### **21 Other related party transactions**

##### *Joint venture entity*

The Company may be required to make contributions to the joint venture entity as determined by the board of the Company based on the Company's financial position. Refer to note 12 for further details regarding contributions made to the joint venture entity by the Company.

#### **22 Company limited by guarantee**

The Company is incorporated as a Company limited by guarantee. In accordance with the constitution of the Company, every member of the Company undertakes to contribute an amount limited to \$4 per member in the event of the winding up of the Company during the time that they are a member or within one year thereafter. At 31 October 2017 there were 8,454 members (2016: 7,683 members).

#### **23 Subsequent events**

Apart from the matters noted below, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in the future financial years.

1. Civil legal proceedings against the former senior employee, who undertook the misappropriation of funds, have been completed and the senior employee has been sentenced in December 2017. The employee has agreed to best repay the misappropriated funds but it is unclear at this stage the amount of funds that may be recovered through these actions. The financial report has not included any recoverable amount in terms of income or receivable with the exception of the \$502,389 received through insurance.

**Illawarra District Rugby League Football Club Limited**  
**Directors' declaration**

In the opinion of the Directors of Illawarra District Rugby League Football Club Limited:

- the Company is not publicly accountable;
- the financial statements and notes, set out on pages 7 to 29, are in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the Company's financial position as at 31 October 2017 and of its performance, for the financial year ended on that date; and
  - complying with Australian Accounting Standards – Reduced Disclosure Regime and the Corporations Regulations 2001; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dated at Wollongong this 22<sup>nd</sup> day of February 2018.

  
P Newell  
Director

  
Sean O'Connor  
Director



# Independent Auditor's Report

To the Members of Illawarra District Rugby League Football Club Limited

## Opinion

We have audited the **Financial Report** of Illawarra District Rugby League Football Club Limited (the Company).

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

- 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
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 31 October 2017
- Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 fulfilled our other ethical responsibilities in accordance with the Code.

## Other Information

Other Information is financial and non-financial information in Illawarra District Rugby League Football Club Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

*KPMG*

KPMG

A handwritten signature in black ink, appearing to read 'D Willcocks'.

David Willcocks

*Partner*

Wollongong

22 February 2018