

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED
AND CONTROLLED ENTITIES



ANNUAL REPORT

2015

ABN 54 000 202 826

FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2015



OUR FUTURE

To be one of Australia's great sporting, leisure and entertainment organisations, loved and respected for the positive contribution and difference we make to our community and its people.

Chairman's Report

Building Strong Foundations for the Future

I am pleased to report to our Members that the combined entity of our Football and Leagues Club is in solid shape to move into the future with renewed optimism. This is not just in a financial sense or based on performance on the field, but more broadly in terms of the foundations being put in place around improved leadership, governance, culture, values, strategy, capabilities and professionalism within the organisation.

2015 was about rebuilding the club, engaging and growing our fan base and building the value of our brand to keep existing partners and attract new ones. We were delighted to welcome Lyall Gorman into the club as our Group Chief Executive in late 2014. Bringing with him a wealth of first-hand sporting and business knowledge, Lyall has also introduced further talent to the organisation to strengthen our business acumen.

Lyall and his team have had a strong focus on building and embedding the right vision and values within the club, not just with staff and players but more broadly across our members, fans, commercial partners and the community. We are now staffed with the resources and the talent to continue to grow the business and to compete with the leading NRL clubs.

At Board level we have spent the past few years with a strong focus on governance. An extensive review by Ernst and Young in 2014 identified a number of areas for improvement which have been acted upon. Foremost was ensuring all Directors completed an Australian Institute of Company Directors course to fully understand their roles, responsibilities and appropriate behaviours.

The complexity and nature of our business necessitates a skills based Board and moving forward we must continue to strive to attract the best possible candidates to these roles. The constitutional amendments made by our members last year allow us the flexibility to appoint independent Directors to assist in this area.

Whilst we have made progress, we are under no illusion of the challenge ahead, but see this as a major opportunity. The NRL is one of the most competitive professional sporting competitions in the world. The new television deal unveiled by the NRL for the 2018-2022 seasons will deliver more than \$1.8 billion over five years. This revenue will increase the professionalism of the competition even further.

If we are to meet our objectives to become one of the elite clubs in the competition we need to continue to build on these foundations and challenge ourselves to go from good to great.

On the Field

Our senior team delivered for our fans, moving from the bottom of the ladder in 2014 to sixth in 2015 and back into the finals. Despite losing our first four games the team rallied in the latter part of the season and narrowly missed a coveted top four position. After a strong first round finals win over South Sydney, the team fell to eventual premiers the North Queensland Cowboys.

Highlights of the Season

- The welcome return to coaching for Shane Flanagan.
- The outstanding debut season of Jack Bird who went on to win the NRL Rookie of the Year Award.
- The continued maturing and form of Monty Porter Medal winner Wade Graham.
- Our leading try scorer Valentine Holmes with 16 tries.
- The outstanding season of new recruit Michael Ennis at hooker.
- State of Origin selection for our captain Paul Gallen, Michael Ennis and Andrew Fifita.

I would also like to acknowledge the significant contribution to the club from a number of players who left us at the end of the 2015 season. These include Michael Gordon (a two-time Monty Porter medal winner), Jeff Robson, Blake Ayshford and Anthony Tupou. The reality of professional sport today is that both clubs and players are required to make hard commercial decisions on playing lists and contracts.

At a junior level, our SG Ball and Harold Matthews Cup teams were both State and National Champions in the same year for the first time ever. This speaks volumes of our development pathways within the club and the potential for the future.



Financial Performance

The reported Group financial loss for the 2015 year was \$1.552m. More details can be found in the audited accounts in this document. The Board made a strategic decision to increase investment in certain areas in 2015. It was clear after a disappointing 2014 season that our football department was under-resourced and needed to be bolstered with additional and more qualified support staff and equipment. We also recruited a well credentialed Group Chief Executive in Lyall Gorman to put in place the structures, people and processes across the organisation to build for the future. Consistent with this focus, Football Club revenue increased 8.5% year-on-year but our expenses increased by 14%.

The NRL has extensive data on all clubs in a range of commercial performance benchmarks across sponsorship, merchandise and game day. In almost every category we improved our ranking amongst the 16 clubs year on year in 2015. Over the past three seasons our sponsorship has increased by a compound interest growth of 18% which is the most of any club. While our key commercial drivers are moving in a positive direction we remain behind many of the bigger clubs in our overall performance and have significant growth potential ahead.

In late 2015, the Club Chairmen from all 16 clubs negotiated increased funding from the NRL for the 2016 and 2017 seasons of \$1.5m per club in each year. These additional funds provide the potential for the club to move towards a break-even position in the foreseeable future if we can meet commercial revenue budget targets.

Property Development

With our property development partners Capital Bluestone, the new apartments on the western side of the stadium are well and truly out of the ground. The first two stages of this award winning design development are sold out. To date 460 units have been sold from a proposed total of 643. Sales for the remaining 183 units in stage three will go to market during the second half of 2016. The rebuild of the Leagues Club and the commencement of the new retail facility on the eastern side of the club are expected to commence in October 2016.

While we have not received additional revenue from the property development since late 2012, the long term revenue returns remain strong and will ensure a healthy financial future for the club.

Thanks

As we look forward to the 2016 season I would like to recognise the support and contribution of the following:

- The clubs' partners for their support, particularly our major partner Southern Radiology
- All our Members and loyal supporters.
- The staff of the Leagues Club and the Football Club for their dedication and hard work.
- The National Rugby League for their assistance and support.
- My fellow Board members who give their time and expertise without compensation.

Damian Keogh AM

Group CEO Report



As I shared with you at our Annual General Meeting last year, 2015 was a year in which our focus was very much around strengthening the essential building blocks that would continue to move our club from being a good one to a truly great one over time.

Our energies were very heavily driven around re-visiting and re-stating the fundamental fabric of our club's vision, values and culture and uplifting our on and off field performance to ensure that we delivered to you a club of which you could be truly proud, year in year out.

While a very large part of this journey was also around uplifting our capability across every facet of our business, it was equally driven around significantly increasing our engagement and collaboration with you, our Members, to ensure that you were not only better informed, but also better involved in shaping our club's future.

On the field our continued increased investment in our football operations, through the professionalism and quality of its people and its facilities and infrastructure, continues to reap very pleasing rewards, while off the field every one of our key revenue lines has shown positive improvement.

Similarly, our Licensed Club on the back of increased revenue, tight cost control and a significant uplift in our food and beverage options continues to provide a wonderful and financially stable facility for our Members.

Of equal importance, has been the consistent and valued contribution of our highly skilled and committed Board. They continue to go above and beyond on a voluntary basis to ensure that the best possible club at every level of our operations is delivered for you. There is no doubt at all that the Board's continued focus on best practice governance and unselfishly increasing its Director skill set around key areas including property, financial investment and the continued rapid trends and surges in the digital space, will yield significant results in the future.

During the year some of our highlights included:

- The creation of our first ever Football Club Member Council to provide you, our Members, with a true and direct voice into the future direction of our club.
- The establishment of our wonderful volunteer group, our Sharkcrew, who give so willingly of their time in a raft of activities across our operations.
- The creation of the Sharks Have Heart Foundation, established to secure our club's long term financial future outside the operations of football. The generosity of our donors will enable the club to invest in community and social impact programs, best practice career development, educational and welfare programs for our players and staff, state of the art high performance facilities, programs and equipment and assist those who just need our help and support.
- In keeping with our #morethanjustafootballclub mission, the introduction of our benchmark community programs with their unique focus on positioning our club as a true catalyst for social impact and change across our region in key areas including:
 - Anti-violence and anti-bullying through our Sharks Make Bullying History program;
 - Increased physical activity for boys and girls through our Sharks NRL Schools programs;
 - Self-esteem, peer pressure and responsible decision making;
 - Diet and nutrition;
 - Physical, mental and emotional well-being through our NRL Sharks Well-being program.

- The remarkable success of our SG Ball and Harold Matthews National Champion squads and our continued investment in our talent identification and elite player pathways through our Academy structure.
- Our increased focus on developing our partnership with our Junior Rugby League partners while at the same time forging stronger relationships with both Touch Football and Oztag through our newly introduced school ambassadors program.
- The appointment of Kirin Lindop as our Stadium Operations and Business Development Manager and Tim Thorne as General Manager Community Engagement and Pathways, and the resultant uplift in our game day experience and fan engagement.
- Being recognised by the NRL as providing the #1 game day atmosphere in 2015 and also being the recipient of the NRL 2015 Membership Club of the Year award.
- A significantly enhanced relationship with the NRL at every level of our operations and relationships.

Looking ahead there are many exciting developments underway including:

- The commencement of the retail component of our Woollooware Bay development in the final quarter of 2016 including the construction of our much anticipated new licensed facility.
- Continued focus on the development of the pipeline of our next generation of talented players through our Academy and elite player pathway structures and programs.
- A new Stadia Strategy to ensure that our Members and fans are provided with the best possible service, innovation, game day experience and facilities.
- The shift towards utilising our ever growing digital footprint to enhance communication and delivery to you, our Sharks family, that is relevant, timely and exciting.
- Continued investment in our sports science and high performance programs and playing talent to ensure that week in, week out the very best equipped and skilled NRL playing group take to the park to deliver the results we all seek.
- A much enhanced financial distribution model being put in place by the NRL, that along with our own major focus on our key commercial drivers, will see us continue to edge closer and closer to a long term financially stable and sustainable business model.

Our commitment to you is to continue to do everything in our power to become the 'Club of Choice' in the NRL. We firmly believe that no one owns the exclusive rights to that title and on a daily basis, as a management team, we remain continually driven by the key motivating question, "Why not us?"

While we have come a long way, there is still plenty to do but as I have emphasised from day one, together I know we can and will achieve something very special.

I thank you greatly for being a part of that journey and look forward to sharing with you the many exciting times and rewards that lay ahead.

Community Report

2015 proved a pivotal year for the Sharks community engagement and pathways programs with the NRL Head of Community stating that our program and initiatives were setting the benchmark in the NRL.

Our players attended over 730 events, totalling a club record 1,831 hours of appearances.

The community also benefited from our donation of over \$45,000 worth of signed jerseys, footballs and game day tickets. The community engagement team developed many ground breaking programs, including the Sharks Make Bullying History Initiative. We also partnered with The Beauty Bank, taking its profile and programs to another level by leveraging our capability and brand reach.

The Make Bullying History Initiative aims to erase bullying in the Sutherland Shire through delivering motivational and engaging presentations to students, school leaders, teachers, parents, business and community groups. Whilst the program was developed in 2015, the official launch will take place in early 2016 aiming to deliver the program to at least 21 schools in its first three years.

The Beauty Bank supplies life's little luxuries to those in need by collecting beauty and hygiene products, which are then packaged and redistributed. With the Sharks help The Beauty Bank has an opportunity to grow and become one of Australia's outstanding charities, with the potential to make a real social impact for those who truly need support.

We have significantly increased the level of engagement with the players and parents of our local Junior Rugby League Clubs as well as those participants involved in non-contact rugby league and community groups who attended our home games during the 2015 season. This heightened level of community engagement created deep ties between the grassroots of the game, the community and our club.

Working together with NRL Game Development and NSW Touch we have taken our school and club ambassador networks to a new level, doubling the number of engaged primary schools in the Shire.



Strengthening and deepening our relationships within our community is a critical focus for our club moving forward as we strive to do all that we can to deliver positive social outcomes for the club, the community, the code, and all of our partners.

Michael Ennis demonstrated who we are as a club by being a top-four finalist for the Ken Stephens Medal, an NRL award recognising the efforts of a player who has not only achieved on the field, but has also committed much time and effort off the field to community projects. Michael was one of a number of players to go above and beyond for both the community and their club. We aim to take our player engagement in community programs and initiatives to a new level in 2016 with increased education and training.

Our Leagues Club offered its support to numerous community organisations throughout 2015, with \$50,005 worth of funding allocated to six important Sutherland Shire organisations and programs via ClubGRANTS Category 1 funding:

Rainbow Club Australia	\$17,160
Police Citizens Youth Club NSW	\$10,000
Dandelion Support Network	\$8,125
Men of League Foundation	\$7,500
Cronulla Sutherland District Junior Rugby League Football Club	\$5,000
Australian Kookaburra Kids Foundation	\$2,220

Category 2 funding saw over \$69,000 cash and \$162,000 "in kind" support also donated to the following organisations:

Men of League Foundation	\$1,000
Sutherland Shire Council	\$1,250
Cronulla Sutherland DRLFC	\$5,000
Cronulla Sutherland Sports Council	\$12,000
Cronulla Sutherland Sports Council (in kind)	\$3,642
Cronulla Sutherland DRLFC and Community Associations	\$50,000
Cronulla Sutherland DRLFC and Community Associations (in kind)	\$158,438

Above and beyond its ClubGRANTS obligations our Leagues Club provides the community with ongoing support on a needs basis as was the case during the recent Kurnell storms when the Club acted as a meeting place for displaced residents and emergency services staff in the aftermath of the storm that severely damaged the local suburb of Kurnell. Generous donations of food and beverage were also distributed to the Kurnell community.

Whilst 2015 has been a game changing year, 2016 will see our community programs and engagement flourish to yet another level.

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The Directors present their report, together with the financial statements on the consolidated entity consisting of Cronulla-Sutherland Leagues Club Limited (the "Company", "Club" or the "Leagues Club") and the entities it controlled for the year ended 31 October 2015.

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

Damian Keogh – Chairman
Darren McConnell – Vice Chairman
Dino Mezzatesta
Andrew Boldeman (retired 19 March 2015)
Craig Airey
Kevin Dwyer
Dane Sorensen
Paul O'Neile
Paul McCarthy
Glen Gorrick (elected 19 March 2015)

Strategic Objectives

The strategic objectives of the company are to:

- Seek to grow revenues, enabling a stronger Football Club and more investment into the Leagues Club for the benefit of our members and the community.
- Provide strong support to the local football club community throughout the Sutherland Shire.
- Optimise the value from the clubs property assets.
- To ensure the long term future of the National Rugby League Sharks franchise in the Sutherland Shire.

Principal Activities

The principal activities of the company are to provide a licensed club for the benefit of members and their guests, to operate an NRL franchise and to encourage, promote and control the development, playing and interests of Rugby League in the Sutherland Shire.

Performance Measures

The company measures its performance in both the amount of revenue derived and the cost to service for all segments of its trading operations, the financial and non-financial support the club provides to the Football Club and other sporting clubs and community organisations. Non-financial support includes the provision of venues at no or reduced costs.

The Key Performance Measures are:

- Net gaming revenue
- Net bar revenue
- Total wages paid
- Total grants paid to the Football Club and community organisations
- Attendances at the club
- Net food revenue
- Membership numbers

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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Information on Directors



Damian Keogh AM
Chairman

Qualifications: BCom.
Experience and expertise: Club Director, Company Director, CEO
Special responsibilities: Chairman-Board of Directors, Member of Remuneration subcommittee, Member of Nominations subcommittee.



Darren McConnell
Director

Qualifications: MBus.
Experience and expertise: Club Director, Company Director, Human Resources Consultant.
Special responsibilities: Director, Member of Remuneration subcommittee, Member of Development subcommittee, Member of Nominations subcommittee, Director of Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



Dino Mezzatesta
Director

Qualifications: ADV DIP
Experience and expertise: Club Director
Special responsibilities: Director, Member of Development subcommittee, Director of Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd.



Andrew Boldeman (retired 19 March 2015)
Director

Qualifications: BEc, FIAA
Experience and expertise: Club Director, CEO
Special responsibilities: Director, Chairman of Audit, Risk and Compliance Committee, Member of Nominations subcommittee, Member of Remuneration subcommittee.



Craig Airey
Director

Qualifications: NSW LC Elec Con
Experience and expertise: Company Director, Club Director, Business Owner
Special responsibilities: Director, Member of Disciplinary subcommittee.



Kevin Dwyer
Director

Qualifications: BCom, LLB
Experience and expertise: Club Director, Company Director, Lawyer
Special responsibilities: Director, Chair of Disciplinary subcommittee.



Dane Sorensen
Director

Qualifications: NSW LC Building Con
Experience and expertise: Club Director, Past Club Elite Player
Special responsibilities: Member of Disciplinary subcommittee, Director Nominee to Player Education & Welfare Committee.



Paul O'Neile
Director

Qualifications: BCom
Experience and expertise: Club Director, CEO
Special responsibilities: Director, Member of Audit, Risk and Compliance Committee.



Paul McCarthy
Director

Qualifications: BEc, MSAA
Experience and expertise: Company Director, Club Director, Financial Analyst
Special responsibilities: Director, Chairman of Audit, Risk and Compliance Committee.



Glen Gorrick (elected 19 March 2015)
Director

Qualifications: AVDIP, Cert III PTI, Cert IV WHS
Experience and expertise: LC Elec Con, Business Owner
Special responsibilities: Director Nominee to Player Education and Welfare Committee

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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Meetings of Directors

	Held	Attended
Damian Keogh	13	12
Darren McConnell	13	13
Dino Mezzatesta	13	12
Andrew Boldeman	5	5
Craig Airey	13	10
Kevin Dwyer	13	12
Dane Sorensen	13	12
Paul O'Neile	13	12
Paul McCarthy	13	13
Glen Gorrick	8	7

Represents the number of meetings held during the time the Director held office.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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FINANCIAL REPORT FOR THE YEAR ENDED 31 OCTOBER 2015



Conditions on winding up

In the event of the company being wound up, each member undertakes to contribute an amount not exceeding one dollar (\$1.00) if the club is wound up, while he or she is a member of the club; or within one year of the date that he or she ceases to be a member for the payment of the debts and liabilities of the club contracted before the member ceased to be a member; and costs, charges and expenses of winding up. At the date of this report there are 19,337 (2014: 18,844) members of the Leagues Club.

Indemnification of auditors

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

Indemnification of insurance of directors and officers

During the financial year the club paid premiums in respect of a contract insuring all the directors and executives of Cronulla-Sutherland Leagues Club Limited and its controlled entities against legal liability arising for any wrongful act committed, attempted or allegedly committed or attempted in the course of their duties as a director or executive of the club. The policy prohibits disclosure of the premium paid.

Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the Board of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001 at Cronulla this 20th day of January 2016.

D Keogh
Chairman

P McCarthy
Director

Auditor's Independence Declaration to the Directors of Cronulla-Sutherland Leagues Club Limited

In relation to our audit of the financial report of Cronulla-Sutherland Leagues Club Limited for the financial year ended 31 October 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Daniel Cunningham
Partner
20 January 2016

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Liability limited by a scheme approved under Professional Standards Legislation

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 OCTOBER 2015**

	Note	2015 \$	2014 \$
Revenue from sale of goods	2	5,483,636	3,558,672
Revenue from rendering of services	2	9,517,167	8,893,623
Other revenue	2	16,270,176	15,146,901
Revenue from continuing operations		31,270,979	27,599,196
Other income	3	2,022,783	3,659,269
Cost of sales		(2,165,594)	(1,519,421)
Bar and catering expenses		(1,975,039)	(1,040,421)
Marketing expenses		(5,755,990)	(5,071,962)
Occupancy expenses		(2,366,772)	(2,016,825)
Administrative expenses		(2,707,997)	(2,880,276)
Gaming expenses		(2,078,590)	(2,164,705)
Gaming taxes		(2,255,828)	(2,183,846)
Development expenses		(387,069)	(267,761)
Other expenses		(2,022,133)	(1,930,124)
Football expenses		(12,561,679)	(11,245,612)
(Deficit)/surplus before finance costs		(982,930)	937,511
Finance costs	4	(554,020)	(354,864)
(Deficit)/surplus before tax		(1,536,950)	582,647
Income tax benefit/(expense)	5	(15,654)	(24,544)
(Deficit)/surplus after tax		(1,552,604)	558,103
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Increment on revaluation of land	9	-	2,481,234
Total other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		(1,552,604)	558,103

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2015**

	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	1,039,746	1,326,897
Trade and other receivables	7	1,840,408	1,037,409
Inventories	8	193,486	237,970
Total current assets		3,073,640	2,602,276
Non-current assets			
Inventory	8	744,872	744,872
Property, plant and equipment	9	27,014,443	27,338,521
Derivative Asset	10	18,240,521	17,143,277
Total non-current assets		45,999,836	45,226,670
Total assets		49,073,476	47,828,946
LIABILITIES			
Current liabilities			
Trade and other payables	11	4,344,494	3,513,368
Interest bearing liabilities	12	2,463,403	1,840,612
Short term provisions	13	424,870	426,096
Current tax liability	5	23,217	22,127
Income in advance	14	2,119,725	784,930
Total current liabilities		9,375,709	6,587,133
Non-current liabilities			
Interest bearing liabilities	12	3,626,861	3,634,679
Deferred tax liabilities	5	813,047	813,047
Long term provisions	13	43,780	27,404
Total non-current liabilities		4,483,688	4,475,130
Total liabilities		13,859,397	11,062,263
Net assets		35,214,079	36,766,683
EQUITY			
Retained Earnings		35,214,079	36,766,683
Asset Revaluation Reserve		-	-
Total equity		35,214,079	36,766,683

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 OCTOBER 2015**

	Note	2015 \$	2014 \$
Cashflows from Operating Activities			
Cash receipts from customers and sponsors		25,340,019	21,859,668
Grants		9,836,953	8,276,963
Cash paid to suppliers and employees		(33,714,461)	(30,012,418)
Other interest received		4,759	5,500
Rent received		85,800	139,920
Interest paid		(451,225)	(293,416)
Income taxes paid		(7,799)	(2,417)
Net cash inflow/(outflow) from operating activities		1,094,046	(26,200)
Cash flows from investing activities			
Purchase of property, plant and equipment		(886,370)	(522,420)
Proceeds from sale of property, plant and equipment		45,000	-
Net cash (outflow)/inflow from investing activities		(841,370)	(522,420)
Cash flows from financing activities			
Proceeds from borrowings		500,000	3,995,322
Repayment of borrowings		-	(3,052,781)
Capital element of finance lease costs		(1,039,826)	(89,830)
Net cash (outflow)/inflow from financing activities		(539,826)	852,711
Net (decrease)/increase in cash and cash equivalents		(287,151)	304,091
Cash and cash equivalents at beginning of period		1,326,897	1,022,806
Cash and cash equivalents at end of period	6	1,039,746	1,326,897

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31 OCTOBER 2015**

	Retained Earnings \$	Asset Revaluation Reserve \$	Total Equity \$
At 1 November 2013	13,374,769	20,352,577	33,727,346
Surplus for the year	558,103	-	558,103
Other comprehensive income:			
Increment on revaluation of land	-	2,481,234	2,481,234
Total comprehensive income	558,103	2,481,234	3,039,337
Reallocation on sale of land	22,833,811	(22,833,811)	-
At 31 October 2014	36,766,683	-	36,766,683
At 1 November 2014	36,766,683	-	36,766,683
Deficit for the year	(1,552,604)	-	(1,552,604)
Other comprehensive income:			
Total comprehensive income	(1,552,604)	-	(1,552,604)
At 31 October 2015	35,214,079	-	35,214,079

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies

Corporate Information

These consolidated financial statements of Cronulla-Sutherland Leagues Club Limited and its controlled entities for the year ended 31 October 2015 were authorised for issue in accordance with a resolution of the Directors on 20 January 2016 and cover the consolidated entity ('the Group') consisting of Cronulla-Sutherland Leagues Club Limited and its controlled entities, Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, Sharks Retail Pty Ltd, as required by the Corporations Act 2001. The financial report is presented in the Australian currency.

Cronulla-Sutherland Leagues Club Limited and its controlled entity Cronulla-Sutherland District Rugby League Football Club Limited are companies limited by guarantee. Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd and Sharks Retail Pty Ltd are proprietary companies limited by shares. All shares are owned by the Group.

The address of the registered office and principal place of business is 461 Captain Cook Drive, Woollooware, NSW 2230.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards - Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis with the exception of financial assets that are measured at fair value.

Prior year comparative information has been reallocated where necessary in order to be comparable with the 2015 financial information.

Statement of Compliance

The Company is a not-for-profit entity which is not publicly accountable. Therefore the financial statements are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASB - RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporation Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical cost and do not take into account the changing values of money, or except where stated, current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets.

(b) Basis of Consolidation

Controlled Entities

The consolidated financial statements comprise the financial statements of Cronulla-Sutherland Leagues Club Limited and its controlled entities Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Club Retail Pty Ltd, and Sharks Retail Pty Ltd at 31 October each year ("the Group"). A controlled entity is an entity controlled by the Leagues Club. Control exists where the Leagues Club has the capacity to dominate the decision making in relation to financial and operational policies of the entity so that the entity operates with the Leagues Club to achieve the objectives of the Leagues Club.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated.

(c) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Revenue Recognition (continued)

Sale of Goods

Revenue from entertainment, beverages and merchandise is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

Rendering of Services Membership and Sponsorship Revenue

Revenue from gaming, advertising and football games together with other services to members and other patrons, along with sponsorship income are recognised when services are provided.

Interest Revenue

Revenue is recognised as interest accrues taking into account the effective yield on the financial asset.

Rental Income

Rental Income is accounted for on a straight line basis over the term of the lease.

(d) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. The consolidated entity adopts the above detailed policy however, Cronulla-Sutherland District Rugby League Football Club Limited (the "Football Club") is exempt from income tax pursuant to Section 45-50 of the Income Tax Assessment Act (1997).

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Sharks Property Holdings Pty Ltd, a subsidiary and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

(e) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing value in use for cash generating assets, 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.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

(g) Trade and Other Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectable amounts and have repayment terms between 30 and 60 days. Collectability of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectable are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts greater than 60 days. On confirmation that the trade receivables will not be collectable the gross carrying value of the asset is written off against the associated provision.

(h) Inventories

Finished Goods

Inventories are stated at the lower of cost and net realisable value.

(i) Property, Plant and Equipment

Freehold land and buildings are measured at cost less accumulated depreciation.

All other plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

Increases in the carrying amounts arising on revaluation of land are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Buildings	1.60%
Plant and equipment	5% - 33%
Leased plant and equipment	20% - 33%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Gains and losses on disposal are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the profit or loss in the year that the item is derecognised.

(j) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and have 30 - 90 day payment terms.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Interest Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and redemption amount is recognised in the profit or loss over the period of the loans and borrowings using the effective interest method.

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

(m) Borrowing Costs

Borrowing costs include interest on bank loans and overdrafts and finance charges in respect of finance leases.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

(n) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

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

Retirement Benefit Obligations

The Group has several defined contribution superannuation funds. Contributions are recognised as expenses as they become payable. The Group has no legal or constructive obligation to fund any deficit.

Long Service Leave

Liabilities for long service leave are recognised as part of 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 to the reporting date. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national corporate bond rates at reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(o) GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

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.

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

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

(p) Going Concern

The financial report has been prepared on a going concern basis which assumes continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At year end the Leagues Club's current liabilities exceeded its current assets by \$1,347,481 (2014: \$1,235,539) and the consolidated entity's current liabilities exceeded its current assets by \$6,302,069 (2014: \$3,984,987). During the year ended 31 October 2015 the consolidated entity incurred an operating loss of \$1,552,604 (2014: \$558,103 operating profit).

Subsequent to year end, the Group secured an undertaking from the lender who provided the Group with a \$1 million loan that they will not seek repayment of the loan until 1 March 2017, if the seeking repayment of the loan would result in the Group not being able to pay its debts as and when they fall due.

Subsequent to year end, the Group renegotiated an increase of \$900,000 to the existing Group finance facility. This now provides access of up to \$2.7 million should it be required to ensure the Group is able to meet its debts as and when they fall due. The maturity date of the existing draw downs and the facility was also extended to 1 March 2017. As of the date of this report, the Group has drawn down \$1.4 million of the available finance facility.

Therefore the Directors consider there are reasonable grounds to believe the Group will be able to access necessary funding should it be required to enable it to meet its debts as and when they fall due and continue as a going concern.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as going concern.

(q) Financial Instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial Recognition and Measurement

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent Measurement

For purposes of subsequent measurement financial assets are classified in two categories:

- 1) Financial assets at fair value through profit or loss
- 2) Loans and receivables

1) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value are financial assets designated upon initial recognition at fair value through profit or loss.

The Group has designated one financial asset at fair value through profit or loss, this being the expected proceeds from the sale of the residential units. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

For more information on financial assets at fair value through profit or loss, refer to Note 9.

2) Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 1 - Summary of Significant Accounting Policies (continued)

(r) Critical Accounting Estimates and Judgments

The Directors' estimates and judgments incorporated into the financial report are based on historical results and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data from internal and external sources.

The Directors have assessed that the consolidated entity is a 'not for profit' entity, whose activities are:

- 1) To provide a Licensed Club for the benefit of members and their guests; and
- 2) To encourage, promote and control the development, playing and interests of rugby league in the Cronulla-Sutherland district.

In carrying out the assessment at the reporting date as to whether individual assets are impaired, the Directors are required to consider and identify assets which are held exclusively to generate cash and those which are held to support the consolidated entity's activities.

At the reporting date: -

- The Club's poker machines and related equipment are assessed as held exclusively to generate cash.
- All other assets are assessed as held to support the Club's activities.
- All of the Football Club's assets have been assessed as held to support the Club's activities.

Assessment of Impairment and Remaining Useful Lives of Property, Plant & Equipment Owned by the Leagues Club

The Directors have considered whether any indicators of impairment exist which would require the performance of an impairment review in respect of the property, plant and equipment owned by the Leagues Club. In addition management has considered whether the useful lives of any such assets should be revised as a result of the anticipated development. Management have determined that as at the year-end date no such indicators exist.

Directors' Assessment of Fair Value of Land at Directors' Valuation

The Directors have assessed the fair value of residential freehold land at Directors' valuation on the basis of an internally prepared discounted cash flow model. The model takes into account the relevant characteristics and restrictions on the sale or use of the asset, which market participants, would take into account when pricing the asset at the measurement date. These characteristics include the current development plans and Part 3A approval obtained in respect of this parcel of land, as well as factors associated with the development and financing agreements and the fact that the developer partner's financier holds a mortgage over the land.

Assessment of Fair Value of the Financial Asset

The model used to derive the fair value of the financial asset is consistent with that used to derive the fair value of Land at Director's valuation.

(s) New and Revised Standards Effective for these Financial Statements

The Group has adopted all of the new and revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial position of the Group.

(t) Accounting Standards and Interpretations Issued but not yet Effective

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 October 2015 reporting periods. The Group will be required to review and revise presentation, recognition or measurement where required for these Accounting Standards in future years. The Group's assessment of the impact of these new standards and interpretations, set out below, is still being determined.

AASB 9 Financial Instruments

AASB 15 Revenue from Contracts with Customers

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015 \$	2014 \$
Note 2 - Revenue		
From continuing operations		
<i>Sale of goods from operating activities</i>		
Sale of goods	4,141,377	2,382,421
Merchandising/Royalties	1,342,259	1,176,251
	5,483,636	3,558,672
<i>Rendering of services from operating activities</i>		
Gaming revenue	8,283,314	8,008,740
Match revenue	1,202,168	871,428
Stadium events	31,685	13,455
	9,517,167	8,893,623
<i>Other revenue from operating activities</i>		
Functions revenue	435,000	352,983
Members subscriptions	1,368,742	1,461,736
Sponsorship	6,025,585	5,126,343
Interest from other persons	4,759	5,855
Rent received	78,000	127,200
Commission - Keno	89,406	102,164
NSWRL Grant	-	171,109
NRL Grant	8,268,684	7,799,511
	16,270,176	15,146,901
Note 3 - Other Income		
Finance Income - gain on revaluation of financial asset (Refer Note 9)	1,097,244	2,280,774
Other income	925,539	1,378,495
	2,022,783	3,659,269
Note 4 - Expenses		
(Deficit)/Surplus before income tax includes the following specific expenses:		
<i>Bad and doubtful debts</i>		
Trade receivables	76,567	68,044
	76,567	68,044
<i>Finance Costs</i>		
Interest paid/payable	417,933	284,883
Finance charges under finance leases and hire purchase contracts	136,087	69,981
	554,020	354,864
ASADA/salary cap related expense	58,769	195,755
Depreciation and amortisation expense	1,815,018	1,625,217

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015 \$	2014 \$
Note 5 - Income Tax		
The Income Tax Assessment Act, (1997 (amended) provides that under the concept of mutuality, clubs are only liable for income tax on income derived from non-members and from outside the entity.		
Current tax expense		
Current tax (benefit)/expense	15,654	24,544
Over provision for previous years	-	-
Total current income tax expense/(benefit)	15,654	24,544
Deferred tax expense		
Total income tax expense/(benefit) in profit or loss	15,654	24,544
Reconciliation of the effective tax rate		
(Deficit)/Surplus before income tax expense	(1,536,950)	582,647
Tax at the Australian tax rate of 30% (2014: 30%)	(461,085)	174,794
Tax effect of (benefit)/deficit in the Football Club (Income tax exempt)	(712,879)	(377,746)
Income and expenditure of the Leagues Club subject to mutuality principal adjusted for non-deductible and specifically deductible items	1,189,618	227,496
	15,654	24,544
Over provision in prior years	-	-
Income tax expense/(benefit) in profit or loss	15,654	24,544
Deferred Tax Liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Amounts recognised directly in equity		
Revaluation of property plant and equipment	813,047	813,047
Total deferred tax liabilities	813,047	813,047
An unrecognised deferred tax asset arising from the difference between the tax and accounting bases of the residential land of \$4,298,672 has not been brought to account as its realisation is not probable.		
Current Tax Liabilities		
Current Tax Liability	23,217	22,127
Note 6 - Cash and Cash Equivalents		
Cash on hand	272,000	222,742
Cash at bank	767,746	1,104,155
	1,039,746	1,326,897
Note 7 - Trade and Other Receivables		
Current		
Trade receivables	1,299,741	785,603
Allowance for doubtful debts	(98,205)	(89,087)
	1,201,536	696,516
Other debtors	356,995	208,956
Prepayments	281,877	131,937
	1,840,408	1,037,409

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015 \$	2014 \$
Note 7 - Trade and Other Receivables (continued)		
Analysis of allowance account		
Opening balance	(89,087)	(76,133)
Provisions for doubtful receivables	(76,567)	(68,044)
Receivables written off during the year	67,449	26,251
Reversal of amounts provided	-	28,839
Closing balance	<u>(98,205)</u>	<u>(89,087)</u>
Note 8 - Inventories		
Current		
Finished goods - at cost	<u>193,486</u>	<u>237,970</u>
Write-downs of inventories to net realisable value recognized as an expense during the year amounted to \$29,828 (2014: \$29,973). The expense has been included in cost of sales in profit or loss.		
Non current		
Land	<u>744,872</u>	<u>744,872</u>

The Group has entered into a number of agreements to develop the retail complex. The Group transferred the cost value of the land from Property, Plant and Equipment to Inventory in 2014. It is classified as Non-Current as the Group does not expect the retail development to be completed within the next 12 months.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015 \$	2014 \$
Note 9 - Property, Plant and Equipment		
Freehold land		
At deemed cost	1,076,436	1,076,436
Total land	<u>1,076,436</u>	<u>1,076,436</u>
Buildings		
At deemed cost	6,520,000	6,520,000
Accumulated depreciation	(2,427,073)	(2,322,791)
	<u>4,092,927</u>	<u>4,197,209</u>
Building improvements		
At cost	26,911,095	26,814,644
Accumulated amortisation	(8,416,118)	(7,891,516)
	<u>18,494,977</u>	<u>18,923,128</u>
Total buildings	<u>22,587,904</u>	<u>23,120,337</u>
Total freehold land and buildings	<u>23,664,340</u>	<u>24,196,773</u>
Plant and equipment		
At cost	15,870,456	11,238,609
Accumulated depreciation	(14,131,060)	(9,553,077)
	<u>1,739,396</u>	<u>1,685,532</u>
Leased plant and equipment		
At cost	3,123,329	5,506,311
Accumulated amortisation	(1,568,833)	(4,056,829)
	<u>1,554,496</u>	<u>1,449,482</u>
Total plant and equipment	<u>3,293,892</u>	<u>3,135,014</u>
Work in progress		
At cost	56,211	6,734
	<u>56,211</u>	<u>6,734</u>
Total non-current property, plant and equipment	<u>27,014,443</u>	<u>27,338,521</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 9 Property, Plant & Equipment (Continued)

Reconciliations

2015	Residential Land at Valuation	Freehold Land	Buildings	Plant and Equipment	Leased Plant and Equipment	Work in Progress	Total
Group							
Carrying amount at beginning of financial year	-	1,076,436	23,120,337	1,685,532	1,449,482	6,734	27,338,521
Additions	-	-	196,450	559,864	762,948	49,477	1,568,739
Disposals	-	-	(77,799)	-	-	-	(77,799)
Depreciation	-	-	(651,084)	(506,000)	(657,934)	-	(1,815,018)
Carrying amount at end of financial year	-	1,076,436	22,587,904	1,739,396	1,554,496	56,211	27,014,443

2014	Residential Land at Valuation	Freehold Land	Buildings	Plant and Equipment	Leased Plant and Equipment	Work in Progress	Total
Group							
Carrying amount at beginning of financial year	22,381,269	1,821,308	23,666,313	1,730,490	114,391	-	49,713,771
Additions	2,481,234 ⁽¹⁾	-	109,592	385,243	1,967,608	6,734	4,950,411
Disposals	(24,862,503) ⁽²⁾	-	-	(93,069)	-	-	(24,955,572)
Reclassification	-	(744,872)	-	-	-	-	(744,872)
Depreciation	-	-	(655,568)	(337,132)	(632,517)	-	(1,625,217)
Carrying amount at end of financial year	-	1,076,436	23,120,337	1,665,532	1,449,482	6,734	27,338,521

⁽¹⁾ During the year ended 31 October 2014 the Group continued with the development of the residential units on the Group's land. As at 31 May 2014, the Group and Developer received approval for the relocation of the Club's existing training fields and facilities. At that point in time whilst the Group retained legal title to the land, for accounting purposes the Group had no ongoing involvement in the decision making process with respect to use of the land and the probability of the Group regaining control in the future is remote. As such the Group has effectively sold its interest in the land. The revaluation increment of \$2,481,234 represents the increase in the fair value from 31 October 2013 to 31 May 2014.

⁽²⁾ On the sale of interest in the land at 31 May 2014, the Group was required to reclassify the accumulated balance (\$22,853,811) from the asset revaluation reserve to retained earnings, de-recognise the land asset and recognise a financial asset which is measured at fair value with any future changes in value being recognised in the statement of comprehensive income as finance income/expense. The financial asset (refer Note 10) represents the net present value of the cash proceeds the Group is expected to receive less the \$10,000,000 already received (2013), once the development of the residential units is complete.

As at 31 October 2015, the Group revalued its financial asset and recognised a gain of \$1,097,244 (2014: \$2,280,774) in the statement of comprehensive income. This gain represents the increase in expected proceeds the Group is to receive upon completion of the development of the residential units.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 10 - Financial Asset

Expected Proceeds from Sale of Residential Land

2015	2014
\$	\$
18,240,521	17,143,277

The underlying asset is pledged as security to the Developer's financier, ANZ Bank. Refer Note 9 for further details.

Note 11 - Trade and Other Payables

Trade Payables
Other Payables
GST Liability

1,468,406	1,400,859
2,300,536	1,973,448
575,552	139,061
4,344,494	3,513,368

Note 12 - Interest Bearing Liabilities

Current

Unsecured

Members Deposits

82,956	84,382
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Secured

Directors Loans
Lease Liabilities

1,500,000	1,000,000
880,447	756,230
2,380,447	1,756,230

Total Current Financial Liabilities

2,463,403	1,840,612
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Non-Current

Secured

Loan - Private Lender ⁽¹⁾
Lease Liabilities

3,000,000	3,000,000
626,861	634,679
3,626,861	3,634,679

(1) During the financial year ended 31 October 2014 the Group entered into a loan agreement to borrow \$3,000,000 with interest charged at 10% per annum. The loan is repayable on 14 February 2018 and is subject to arms length commercial terms and conditions.

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

NON-CURRENT

First mortgage

Freehold land
Buildings

1,076,436	1,076,400
12,849,553	13,102,659
13,925,989	14,179,059

Finance leases

Plant and equipment

1,255,727	1,350,088
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Total assets pledged as security against borrowings of the consolidated entity

15,181,716	15,529,147
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In addition to the above, the land underlying the financial asset is pledged as security for the borrowings of the development partner.

Loans against which assets are pledged as security

Current
Non-current

-	-
3,000,000	3,000,000
3,000,000	3,000,000

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015 \$	2014 \$
Note 13 - Provisions		
Current		
Provision for annual leave	316,680	288,933
Provision for long service leave	108,190	137,163
Total Current Provisions	424,870	426,096
Non-Current		
Provision for long service leave	43,780	27,404

Non-current long service leave comprises amounts which are not vested at balance date and current long service leave represents the amount which has vested. The timing and amount of payments to be made when leave is taken is uncertain.

Note 14 - Income in Advance

	2015	2014
Current		
Subscriptions in advance	19,179	28,342
Grants in advance	1,360,000	660,719
Season seats in advance	598,096	-
Corporate hospitality in advance	121,248	74,952
Commission in advance	21,202	20,917
	2,119,725	784,930

Note 15 - Cash Flow Information

Non-cash Financing and Investing Activities
Acquisition of Plant and Equipment by means of
Finance Lease

762,948	1,259,118
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Note 16 - Related Party Transactions

Cronulla- Sutherland Leagues Club Limited - Parent Entity

Cronulla-Sutherland Leagues Club Limited is the parent entity of the Group. Cronulla-Sutherland District Rugby League Football Club Limited, Sharks Property Holdings Pty Ltd, Sharks Residential Pty Ltd, Sharks Retail Pty Ltd and Sharks Club Retail Pty Ltd are the controlled entities of the Leagues Club.

Transactions with Related Parties

Transactions with Directors and Director Related Entities

The Group occasionally enters into contracts with other entities that are controlled or significantly influenced by one of its directors. All contracts are based on arms length, normal commercial terms.

The following transactions were on normal terms and conditions:

Fees paid for legal services	8,692	6,000
Sales of Sponsorship of Football Club	110,000	-
Sales of Football Corporate Hospitality	68,889	60,755

Key management personnel compensation for non-disclosing entity

Key Management Compensation	1,600,160	1,553,786
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CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

Note 16 - Related Party Transactions (continued)

Other

In February 2014, the club entered into a shareholders agreement with LeasePlus Holdings Pty Ltd (LeasePlus) to incorporate Cronulla Sharks PLUS Pty Ltd (Sharks PLUS). Under the terms of the agreement the club and LeasePlus each own 50% of the issued capital of Sharks PLUS. The club paid \$15 for its investment which is accounted for as an associate using the equity accounting method. Sharks PLUS had a minor operating loss of \$1,649 for the 2015 financial year. The investment has been recorded at \$0.

Directors Loans

During the financial year the club drew down \$500,00 from the existing \$1.8 million loan facility provided by one of the club's Directors. Subsequent to year end the lender has agreed not to call the loan until 1 March 2017 if the calling of the loan would result in the club not being able to pay its debts as and when they fall due. Interest is charged on the loan at 7.25% per annum.

Subsequent to year end, the Company refinanced a \$1 million loan from an entity related to one of the Company's Directors. The interest rate was reduced retrospectively from 10% to 7.25% and the lender agreed to not call the loan prior to 1 March 2017 if the calling of the loan would result in the club not being able to pay its debts as and when they fall due.

Note 17 - Contingencies

At 31 October 2015, the Leagues Club and Controlled Entities had contingent liabilities as set out below:

Securities held over assets

ANZ Bank has a secured mortgage over the land owned by Sharks Residential Pty Ltd, under which Bluestone Capital borrowed funds for the residential development. If Bluestone Capital were to default on the mortgage, ANZ could sell the land to recoup its loan.

Contingent Liability

As at the 31st October 2015 the Group had been served with a Statement of Claim, the Directors have considered this and sought legal advice. Taking into consideration this advice the Directors believe that there are strong grounds to defend the claim and launch a counter claim. As such the Directors expect that there will be no financial impact to the Group.

Note 18 - Commitments

Lease Commitments

	2015 \$	2014 \$
Finance lease - non-cancellable		
Within one year	880,447	730,736
Later than one year but not later than 5 years	626,861	660,173
Total future minimum lease payments	1,507,308	1,390,909
Total future finance charges	247,383	131,791
Lease liabilities	1,754,691	1,522,700

Lease liabilities are represented in the financial statements as follows:

Current (note 12)	880,447	756,230
Non-current (note 12)	626,861	634,679
	1,507,308	1,390,909

The Football Club has a 10 by 5 year lease with the Leagues Club for the use of the playing field and associated facilities, which commenced 31 October 1994, for nil consideration.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 OCTOBER 2015**

	2015	2014
	\$	\$
Note 19 - Parent Entity		
Information Relating to Cronulla-Sutherland Leagues Club Limited		
Statement of Financial Position		
Current Assets	1,262,363	1,799,019
Total Assets	36,084,760	35,810,996
Current Liabilities	2,609,844	2,289,686
Total Liabilities	6,861,136	6,740,857
Retained Earnings	29,223,624	29,070,140
Statement of Comprehensive Income		
Surplus for the year	153,484	4,771,181
Other comprehensive income		
Total Comprehensive Income	<u>153,484</u>	<u>4,771,181</u>

Note 20 - Subsequent Events

Subsequent to year end the Group drew a further \$900,000 from its existing facility. This facility was also increased to provide the Group access of up to \$2.7million. The applicable interest rate is 7.25%. The maturity date of the facility and existing draw downs was also extended to 1 March 2017.

As disclosed in Note 16 the terms of the loan from a related party have also been amended.

Other than the above, 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 21 - Members Guarantee

The Group is limited by guarantee. If the Group is wound up, the constitution states that each member is to contribute a maximum of \$1 towards meeting any outstanding obligations of the Group. At 31 October 2015 the number of financial members totalled 19,337 (2014: 18,844).

Note 22 - Registered Office

The registered office of the Group is 461 Captain Cook Drive, Woollooware, New South Wales 2230.

CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED AND
CONTROLLED ENTITIES

DECLARATION BY DIRECTORS

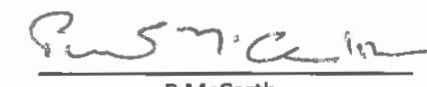
Declaration by Directors

The Directors declare that:

- The financial statements, comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes, are in accordance with the Corporations Act 2001 and;
 - comply with Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001;
 - give a true and fair view of the entity's financial position as at 31 October 2015 and its performance for the year ended on that date.
- At the date of this declaration there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:


D Keogh
Chairman


P McCarthy
Director

Dated this 20th day of January 2016

Independent auditor's report to the members of Cronulla-Sutherland Leagues Club Limited

Report on the financial report

We have audited the accompanying financial report of Independent auditor's report to the members of Cronulla-Sutherland Leagues Club Limited, which comprises the consolidated statement of financial position as at 31 October 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is referenced in the directors' report.

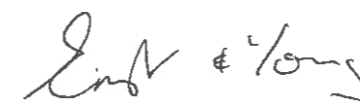
Opinion

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

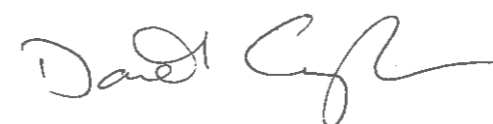
- (a) giving a true and fair view of the financial position of the consolidated entity at 31 October 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(p) in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



Daniel Cunningham
Partner
Sydney
20 January 2016

Development Update

The past twelve months for the Leagues Club have been characterised by a combination of hard work, rapid progress and a strong commitment to delivering one of the most anticipated residential and retail developments in the history of the Shire for our members, football fans and our Sutherland Shire community.

A crucial element of this process has been cultivating ideas and developing a clear vision for the future of our iconic Leagues Club for the long term as well as deepening our understanding and planning for how we will lead the transition throughout the next 18 months of the construction process.

At the time of writing this report, we are heavily engaged in the design development process for our new club and anticipate being in a position to present concept designs to members for feedback in June/July 2016. It is anticipated that construction of the new club and retail shopping centre will commence at the conclusion of the 2016 NRL season.

Members will have witnessed the ongoing construction of the residential development. All 227 apartments in Stage 1 of the project have sold out and construction is 65% complete.

Stage 2 of the residential development will commence construction in the second quarter of 2016 delivering another 178 apartments – all of which have also been sold. The final stage in the development is expected to be released later this year, with construction forecast to begin in February 2017. As was the case with earlier stages of the project, members of both the Football and Leagues Clubs will be provided with an exclusive opportunity to secure an apartment prior to the formal release to the wider public.

From my perspective, one of the most interesting facts surrounding the residential development is that the vast majority of apartments have been sold to existing residents of the Shire. The overwhelming demand from within the Shire community to be a part of our exciting new precinct is front of mind for the Board and our Management team in the ongoing design process for what will be an amazing new licensed facility for our members.

Whilst we are not in a position at this time to provide a definitive date for the commencement of construction of the retail centre/new club premises rest assured that we are committed to doing everything possible for an October 2016 commencement date.

It is a fundamental commitment of our club that we communicate and engage with our members. Over the coming months, we will provide details as to the design development of the new club and the ongoing construction issues associated with the wider development. We will be scheduling meetings with our members to gain input as to what the new club should represent to our stakeholders and look forward to your engagement and feedback.

I am sure that our members appreciate that even with the most detailed planning, a transformation of this scale cannot be realised without some inconvenience. There will be inevitable issues for us to manage including traffic management and altered and restricted site access.

The development will involve some extensive road works including the relocation of the roundabout currently just outside the entrance to our carpark, the straightening of Captain Cook drive and the installation of two sets of synchronised traffic lights. We are acutely aware of the importance of managing these types of issues for our members and neighbours and will continue to work very closely with our Joint Venture Partner and our traffic consultants to provide an effective management plan that helps minimise this impact.

It is important to note that our club will continue to trade during the construction of the retail centre. Whilst this will not be an easy period for the club and will require some thoughtful planning and strong management, I'm sure we can rely on your continued understanding and patronage as supporting your club through the transition will be vitally important. It will be during this construction period that our ability to stick together and work through any inconvenience and disruption will be tested the most, so please continue to support us during the renovations and don't forget you can always call our courtesy bus and we will pick you up. We simply ask that you remember the pain will be temporary, but the reward we will all enjoy after the retail centre and your new club is complete will be ongoing!

I leave you with some inspirational images that will hopefully provide you with an insight into what a perfect Sunday afternoon may look like on our spacious, north facing, outdoor deck overlooking Woolooware Bay!

Have a wonderful year and I look forward to your continued support of this great club.

Marcelo A. Veloz
CEO Leagues Club



CRONULLA-SUTHERLAND LEAGUES CLUB LIMITED
AND CONTROLLED ENTITIES



ANNUAL
REPORT

2015

ABN 54 000 202 826

FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2015