PENRITH RUGBY LEAGUE CLUB LIMITED AND ITS CONTROLLED ENTITIES

ACN 000 578 398

GENERAL PURPOSE (RDR) FINANCIAL REPORT
For the year ended 31 October 2018

Contents

Directors' report

Your directors submit their report on Penrith Rugby League Club Limited and its controlled entities (the "Group") for the year ended 31 October 2018.

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

Names	**Qualifications**
David O'Neill Chairman	Director for 6 years. Director of ABCOE Distributors, Penrith. Chairman of Panthers on the Prowl. As a passionate Panthers supporter, he would like to repay Panthers with his time and energy in focusing on continuing growth of the Panthers Group. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Gregory Alexander Deputy Chairman	Director for 16 years. Involved with football in Penrith area for 40 years. Penrith's "Rookie of the Year" in 1984. Won the prestigious Daly M Player of the Year in 1985. Played City Origin, State of Origin and for Australia. Captained Penrith's first Premiership win in 1991. Sports Commentator on Fox Sports. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017). Inducted into the Panthers Hall of Fame in 2016.
Peter Graham	Director for 2 years. Loyal supporter of the Panthers since 1967. Founding member of the Executive of Emu Plains Little Athletics Club. President of Nepean High P&C for 6 years. Mentor with Panthers on the Prowl Building Young Men Program. Director of Panthers on the Prowl. Played Rugby League for Emu Plains. Extensive executive and board experience in the power and media industries and the university sector. Principal of PTG Consulting. Chair of Western Sydney University College. Chair of Exchange for Change. Graduate of Western Sydney University and Harvard Business School. Member of the Australian Institute of Company Directors. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Ian Hicks	Director for 3 years. Managing Director - Hix Group Pty Ltd, a local business that employs over 70 local people. Has sponsored & is a passionate supporter of Panthers for a number of years as a Corporate Sponsor. He is also a Director - Western Sydney Business Centre, Director- Penrith CBD Corp. and a Director of Panthers on the Prowl. A Panthers member for more than 33 years and is passionate about representing the members interest and helping Panthers to continue its growth to be the biggest and best club in Australia that we are all proud of. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).

Directors' report (continued)

DIRECTORS (CONTINUED)

Names (continued)	**Qualifications (continued)**
David Mayne Independent Director (Resigned: 28 February 2018)	Director for 5 years. Panthers Port Macquarie Advisory Committee member since 2005, Vice Chair since 2008 and elected chair in 2014. A past Regional Manager Wesley Mission. Marketing Manager TAFE. Councillor Hastings Council. President Chamber of Commerce. Assistant Governor Rotary. Chair Life Education. General Manager Macleay Options. Extensive experience in business Management and marketing with passion for operational and structural development whilst understanding the importance members play in the growth & vibrancy of Panthers. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Denis Merrick FCPA; JP	Director for 10 years. Certified Practising Accountant (Retired). Principal in accounting firms in Penrith for over 40 years. Over 30 years' experience in administration of sporting bodies. Life Member of Lower Mountains Junior Rugby League club. Qualified Rugby League Coach and Referee. Accredited official with Swimming Australia. Swimming Life member of a local club and district association. Panthers member since 1973. Chairman of the Finance and Audit Sub-committee, and the Constitution Sub-committee. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Mark Mulock Independent Director	Director for 2 years. Born, bred and raised in Penrith. Lifetime Panthers supporter. Board Member of Panthers on the Prowl. Founding member of The Great Walk Foundation, Penrith Charity. Member and current Chairman of Olatype Pty. Limited – Penrith Business Group. Legal practitioner for 35 years practising in Penrith as Mark Mulock & Co Pty. Limited since 1991. Completed ClubsNSW Finance for Club Boards, Director Foundation and Management Collaboration Courses (2017).
Robert Wearn (Appointed: 28 April 2018)	A proud Penrith local and long time, passionate supporter of Panthers. Rob is the Managing Director of Mulgoa Quarries, a local earth moving and civil contracting company and employer of approximately 150 local people since 1986. Rob is a member and former Chairman of Olatype Pty Ltd – Penrith Business Group. He has been a Director of Sydney Business Park since 2007. Rob is community focused and is a founding member of The Great Walk Foundation, a Penrith charity. He is also a Director of Thorndale Foundation, a local disability services provider. Rob is an active supporter of the Children's Cancer Institute, as well as Royal Far West, which helps connect country children with urgent developmental and mental health support.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the Group were:

- promotion of the game of rugby league football;
- provision of facilities for sport and recreation;
- operation of a licensed club; and
- rental and development of property.

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

Directors' report (continued)

EMPLOYEES
The Group employed 776 employees as at 31 October 2018 (2017: 687).

REVIEW AND RESULTS OF OPERATIONS
The net loss before tax for continuing operations for the Group for the year was $5,345,000 (2017: $4,462,000) after amortisation and depreciation charge from continuing operations of $17,678,000 (2017: $16,750,000), and finance costs of $4,872,000 (2017: $3,600,000). This is before recognising a tax benefit of $100,000 (2017: expense of $1,160,000) and recognising a loss from discontinued operations of $272,000 (2017: $130,000).

The increase in net loss before tax from continuing operations in the current year is due to the following movements:
- An increase in revenue from continuing operations of $7,961,000 or 6% to $139,081,000 (2017: $131,120,000).
- An increase in depreciation expenses of $928,000 or 6% to $17,678,000 (2017: $16,750,000).
- An increase in finance costs of $1,272,000 or 35% to $4,872,000 (2017: $3,600,000); and
- An increase in employee benefits expense of $3,457,000 or 7% to $55,171,000 (2017: $51,714,000).

The net loss after tax before discontinued operations increased by $377,000 or 7% to $5,245,000 (2017: $5,622,000) in current year.

The tax benefit in the current year was $100,000 (2017: expense of $1,160,000).

DIVIDENDS
The Group is limited by guarantee and is prevented by its constitution from paying dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
There have been no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD AND LIKELY DEVELOPMENTS AND EXPECTED RESULTS
At an Extraordinary General Meeting of Penrith Rugby League Club Limited, held on the 21st January 2019, the members voted in favour of the de amalgamation of Wallacia Panthers from Penrith Rugby League Club Limited to St Johns Park Bowling Club Limited. The Extraordinary General Meeting of St Johns Park Bowling Club Limited is scheduled for 31st January 2019. The Group anticipates that regulatory approval will take between 1-3 months. Further information is disclosed in Note 6.

The Group sold its Port Macquarie service station non-core land. The sale price of $2.05m was accepted on 26 November 2018.

On the 4th January 2019, the second and final contracted payment of $2.25m was received from Tulich Project Management Pty Ltd relating to "The Royce @Panthers Penrith".

ESQ stage 3 is expected to be settled for $3.4m upon completion of LPI registration.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE
The Group’s operations are subject to various environmental regulations under both Commonwealth and State legislation.

The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Directors' report (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Group held an insurance policy for the benefit of the directors and officers. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Group under *ASIC Corporations Instrument 2016/191.* The Group is an entity to which the Class Order applies.

MEASUREMENT OF SUCCESS

The Group measures success by focusing on five key areas.

1. The Financial Performance of the Group

The key financial indicators listed below, are presented for review to the group board and executive management monthly.

• Revenue;
• Wages Costs;
• Earning before interest, tax, depreciation and amortisation (EBITDA); and
• Net Profit

These key indicators are measured against both budget, prior year and a rolling forecast.

2. A growing customer base – monitored via total membership numbers, the use of door counters and data extracted from the point of sale system.

3. Customer satisfaction – by obtaining direct customer feedback through formal focus sessions, mystery shoppers plus monitoring the data obtained from point two above.

4. Employee satisfaction

5. Engaging the Community – through our various charitable arms such as Panthers on the Prowl and the Foundation for Disabled Sportsmen and Sportswomen. Promoting sport and recreation via the Club Grants Scheme and participation in the elite National Rugby League (NRL) competition.

SHORT AND LONG TERM OBJECTIVES

The short term objectives of the Group is to develop the existing land at Penrith, including developments on the Tulich Project relating to "The Royce at Panthers Penrith" and ESQ1818 Apartment developments , while upgrading members' amenities at Port Macquarie Panthers.

The long term objectives of the Group is to explore future development opportunities and continue to be the premier provider of entertainment and community services in the Penrith region.

Directors' report (continued)

DIRECTORS' MEETINGS

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

		Number of meetings held whilst in office	Number of meetings attended
Number of meetings held:	12		
Number of meetings attended:			
D O'Neill		**12**	**12**
G Alexander		**12**	**10**
I Hicks		**12**	**12**
D Merrick FCPA | JP		**12**	**11**
P Graham		**12**	**12**
D Mayne		**5**	**3**
M Mulock		**12**	**11**
R Wearn		**7**	**7**

DIRECTORS' BENEFITS

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

INDEMNIFICATION OF AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

The directors have received a declaration of independence from the auditor and this is attached on page 7. The directors are satisfied that the nature and scope of non audit services has not compromised the auditor's independence.

Signed in accordance with a resolution of the directors.

David O'Neill
Chairman
Panther Group

30 January 2019

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

As lead auditor for the audit of Penrith Rugby League Club Limited for the financial year ended 31 October 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Penrith Rugby League Club Limited and the entities it controlled during the financial year.

Ernst & Young

Daniel Cunningham
Partner
30 January 2019

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 October 2018

	Notes	**2018** **$'000**	2017 $'000
Continuing operations			
Revenue/income from continuing operations	4(a)	**139,081**	131,120
Raw materials and consumables used		**(14,754)**	(14,325)
Employee benefits expense	4(d)	**(55,171)**	(51,714)
Gaming machine tax		**(15,768)**	(15,411)
Depreciation expense		**(17,678)**	(16,750)
Finance costs	4(c)	**(4,872)**	(3,600)
Electricity expense		**(2,788)**	(2,325)
Artists and entertainment expenses		**(1,449)**	(1,071)
Repairs and maintenance		**(3,713)**	(3,017)
Member promotions and membership expense		**(4,625)**	(3,796)
Donations		**(1,827)**	(1,267)
Sponsorship		**(1,643)**	(1,834)
Insurance expense		**(1,172)**	(1,144)
Other promotions		**(1,636)**	(2,224)
Rent and rates		**(1,193)**	(1,145)
Advertising expense		**(971)**	(782)
Land tax		**(398)**	(333)
Computer expenses		**(366)**	(550)
Junior development		**(198)**	(226)
Bad and doubtful debts expense		**(11)**	(2)
Impairment loss		**-**	(479)
Other expenses	4(b)	**(14,193)**	(13,587)
Loss before tax from continuing operations		**(5,345)**	(4,462)
Income tax benefit/(expense)	5	**100**	(1,160)
Loss for the year from continuing operations		**(5,245)**	(5,622)
Discontinued operations			
Loss after tax for the year from discontinued operations	6	**(272)**	(130)
Loss for the year		**(5,517)**	(5,752)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(5,517)**	(5,752)
Attributable to:			
Members of Penrith Rugby League Club Limited		**(5,517)**	(5,752)

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

Consolidated statement of financial position
As at 31 October 2018

	Notes	2018 $'000	2017 $'000
Assets			
Current assets			
Cash	7	**10,731**	12,314
Trade and other receivables	8	**1,438**	1,316
Inventories	9	**806**	787
Other assets	10	**1,905**	1,584
Net assets held for sale	6	**1,160**	1,108
Total current assets		**16,040**	17,109
Non-current assets			
Property, plant and equipment	11	**214,637**	215,477
Deferred tax assets	5	**1,189**	904
Intangible asset	12	**-**	279
Total non-current assets		**215,826**	216,660
Total assets		**231,866**	233,769
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	13	**7,035**	4,052
Employee benefit liabilities	14	**3,999**	3,739
Loans and borrowings	15	**7,620**	9,943
Other liabilities	16	**10,503**	11,873
Total current liabilities		**29,157**	29,607
Non-current liabilities			
Employee benefit liabilities	14	**500**	504
Deferred tax liabilities	5	**980**	755
Loans and borrowings	15	**55,358**	50,653
Other liabilities	16	**2,790**	3,652
Total non-current liabilities		**59,628**	55,564
Total liabilities		**88,785**	85,171
Equity			
Retained surplus		**143,081**	148,598
Total members' interest in equity		**143,081**	148,598
Total equity		**143,081**	148,598
Total liabilities and equity		**231,866**	233,769

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

Consolidated statement of changes in equity
For the year ended 31 October 2018

	Retained surplus $'000	***Total equity $'000***
At 1 November 2017	**148,598**	**148,598**
Deficit for the year	**(5,517)**	**(5,517)**
Other comprehensive income	**-**	**-**
Total comprehensive loss for the year	**(5,517)**	**(5,517)**
At 31 October 2018	**143,081**	**143,081**
At 1 November 2016	154,350	154,350
Deficit for the year	(5,752)	(5,752)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,752)	(5,752)
At 31 October 2017	148,598	148,598

	2018 $'000	*2017 $'000*
Attributable to:		
Members of Penrith Rugby League Club Limited	**143,081**	148,598
Total	**143,081**	148,598

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

Consolidated statement of cash flows

For the year ended 31 October 2018

	Note	***2018***	*2017*
		$'000	*$'000*
Operating activities			
Receipts from customers, sponsorships and grants		**152,808**	147,297
Payments to suppliers and employees		**(136,730)**	(124,733)
Interest received		**21**	29
Finance costs		**(2,578)**	(2,479)
Net cash flows from operating activities		**13,521**	20,114
Investing activities			
Proceeds from sale of property, plant and equipment		**6,270**	3,990
Purchase of property, plant and equipment		**(24,795)**	(22,928)
Proceeds from sale of intangible assets		**2,355**	1,726
Net cash flows used in investing activities		**(16,170)**	(17,212)
Financing activities			
Repayments of borrowings		**(8,934)**	(17,341)
Proceeds from borrowings		**11,067**	20,575
Repayment of lease liabilities		**(1,067)**	(6,313)
Net cash flows from/(used in) financing activities		**1,066**	(3,079)
Net decrease in cash and cash equivalents		**(1,583)**	(177)
Cash and cash equivalents at 1 November		**12,314**	12,491
Cash and cash equivalents at 31 October	7	**10,731**	12,314

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

Notes to the consolidated financial statements
For the year ended 31 October 2018

1 CORPORATE INFORMATION

The financial report of Penrith Rugby League Club Limited (the "Company") and its controlled entities (the "Group") for the year ended 31 October 2018 was authorised for issue in accordance with a resolution of the directors on 30 January 2019.

Penrith Rugby League Club Limited is a company limited by guarantee that is incorporated and domiciled in Australia. The nature of the operations and principal activities of the Group are described in the Directors' report.

The registered office and principal place of business of the Company is Mulgoa Road, Penrith NSW 2750.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *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 apart from interest rate swaps which are measured at fair value.

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

(b) Statement of compliance

The consolidated financial statements of the Group 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 comply with Australian Accounting Standards which contain specific requirements for not-for-profit entities including standards AASB 116 *'Property, Plant and Equipment'*, AASB 136, *'Impairment of Assets'*, AASB 1004, *'Contributions'* and AASB 1054 *'Australian Additional Disclosures'.*

(c) Going concern

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

At 31 October 2018, the Group's total current liabilities exceeded total current assets by $13,117,000 (2017: $12,498,000). Given there are $2,850,000 (2017: $14,670,000) of financing facilities available for use at 31 October 2018 and the Group is forecast to generate positive operating cash flows, the directors have concluded that the use of the going concern assumption in the preparation of this year's financial report is appropriate.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New accounting standards and interpretations

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting year ended 31 October 2018. The directors have not early adopted any of these new or amended standards or interpretations. The directors are in the process of assessing the impact of the applications of AASB 9 *Financial Instruments* (effective 1 January 2019), AASB 15 *Revenue from Contracts with Customers* (effective 1 January 2019), and AASB 16 *Leases* (effective 1 January 2020) and its amendments to the extent relevant to the consolidated financial statements of the Group.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 October 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its Power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(g) Cash

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

(h) Trade and other receivables

Trade receivables, which generally have 7, 14 or 30-day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Loan receivables from related parties are classified as loans and receivables and carried at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the loans are derecognised or impaired, as well through the amortisation process.

(i) Inventories

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

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the year recognised in other income.

(k) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale to equity holders of the parent if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the distribution with be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Additional disclosures are provided in Note 6. All other notes to the consolidated financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

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

Land	Not depreciated
Buildings	40 years
Plant and equipment	2 to15 years
Leasehold improvement	Expected lease term
Plant and equipment under finance lease	Lease term
Freehold improvement	10 to 20 years

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

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

(m) Leases

Group as a lessee

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between 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 recognised in finance costs in the consolidated statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Leases (continued)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

(n) Impairment of non-financial assets

In assessing value in use, the Group has used depreciated replacement cost since the Group is a not-for-profit entity where the future economic benefits of its assets are not primarily dependent on the ability of the assets to generate net cash inflows and the Group would, if deprived of the asset, replace its remaining future economic benefits.

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

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

(o) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Intangible assets (continued)

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income as an expense.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The Group holds poker machines license either acquired through a past business combination or granted for no consideration by the NSW government. These licenses have indefinite useful lives and are tested for impairment annually or when an indication for impairment exists.

(p) Trade and other payables

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

(q) Deferred income

Liabilities relating to “Panther Points” are accrued as members earn points through members spending at various outlets of the club. Each Panther Point can be redeemed at one cent by members when they purchase at the outlets. Recognition of revenue is deferred by the amount of points earned by members during the period. Revenue is recognised when the points are redeemed.

Deferred income also includes deposits in advance for events, functions and ticket sales for Panthers members and guests paid for an event in advance.

(r) Interest-bearing liabilities

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR.

Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised.

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(t) Employee benefit liabilities

(i) Wages, salaries, and sick leave

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

(ii) Long service leave and annual leave

The liabilities for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(u) Revenue recognition

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

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

Sale of goods

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

Rendering of services

Revenue from rendering of services comprises revenue from gaming facilities together with other services to members and other patrons of the club. Revenue from rendering of services is recognised when the services are provided.

Sponsorship income

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

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

Grant income

Revenue is taken to account in the period in which all the attached conditions have been complied with, the Group has control of the grant monies (the right to receive the grant) and it is probable that the economic benefits comprising the grant will flow to the Group.

National Rugby League distribution grant

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

Trust income

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

Interest income

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

Subscriptions

Subscriptions for annual membership are recognised in revenue over the membership year. Subscriptions for permanent membership are not taken to income as they are refundable on death or within twelve months of resignation of the members. These are included in the Group’s non-current liabilities.

Rental income

Revenue from rental receipts is recognised in the period the rental relates to and is recorded in accordance with the rental agreement.

(v) Fair value measurement

The Group measures financial instruments, such as interest rate swaps, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

(w) Self insured risks

Payments of members' mortality benefits are expensed when incurred.

(x) Taxes

Current income tax

Income tax is brought to account using the liability method of tax effect accounting with the exception of Penrith District Rugby League Football Club Limited and Mulgoa Land Trust (No.1) which are exempt from 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 entities.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Taxes (continued)

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Penrith Rugby League Club Limited and its controlled entities (PRLC) and its wholly-owned controlled entities implemented the tax consolidation legislation as of 6 December 2006.

The head entity, PRLC, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the separate taxpayer within the group approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, PRLC also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Taxes (continued)

Goods and services tax (GST)

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

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.

- When receivables and payables, which 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 consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

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

(y) Comparatives

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

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Poker Machine Licences

The Group holds poker machines licences either acquired through a past business combination or granted for no consideration by the NSW government. AIFRS requires that licences outside of a pre AIFRS transition business combination be recognised initially at its fair value as at the date it was granted with a corresponding adjustment to profit and loss to recognise the grant immediately as income. Until new gaming legislation taking effect in April 2002 allowing poker machine licences to be traded for the first time, the entity has determined that fair value at grant date for licences granted pre April 2002 to be zero. Licences granted to the entity post April 2002 are initially recognised at fair value. The Group has determined that the market for poker machine licences does not meet the definition of an active market and consequently licences recognised will not be revalued each year, however will be tested for impairment annually or when an indication of impairment is identified.

Estimates and assumptions

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

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Notes to the consolidated financial statements (continued)
For the year ended 31 October 2018

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Taxation

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

4 INCOME AND EXPENSES

	2018 $'000	2017 $'000
Revenue/income from continuing operations		
(a) Revenues from operating activities		
Revenue from gaming	**66,051**	64,708
Revenue from catering and beverages	**32,293**	30,925
Revenue from raffles/bingo	**1,243**	1,193
Revenue from gate receipts	**2,250**	2,130
Revenue from functions and banquets	**5,784**	5,711
Revenue from merchandise sales	**1,398**	1,397
Revenue from show tickets	**244**	102
Rental income	**1,622**	1,822
NRL grant	**13,417**	8,060
Sponsorship revenue	**7,540**	7,845
Subscriptions	**490**	507
Other	**4,652**	3,594
	136,984	127,994
Other income		
Net gain on disposal of property, plant and equipment	**-**	1,371
Net gain on disposal of intangible assets	**2,076**	1,726
Interest income	**21**	29
Total other income	**2,097**	3,126
Total revenue/income from continuing operations	**139,081**	131,120

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

4 INCOME AND EXPENSES (continued)

	2018 $'000	2017 $'000
Expenses from continuing operations		
(b) Other expenses from operating activities		
Annual report	**159**	180
Audit and accounting	**512**	444
Bank charges	**223**	196
Cleaning expenses	**1,587**	1,501
Consultancy	**583**	867
Courtesy bus	**40**	41
Equipment hire	**445**	594
Gaming, monitoring and other cost	**723**	588
General expenses	**954**	878
Legal fees	**192**	291
Licences and Subscriptions	**1,082**	728
Medical expenses	**876**	687
Mini asset register	**48**	234
Money security	**45**	83
Motor vehicle expenses	**351**	348
Net loss on disposal of property, plant and equipment	**372**	-
Other expenses	**623**	542
Pest control	**33**	37
Plants	**50**	41
Postage	**335**	208
Printing and stationery	**720**	779
Purchases Raffle and Bingos	**1,569**	1,796
Security	**323**	262
Staff amenities	**181**	188
Telephone	**565**	590
Travel and accommodation	**705**	730
Training	**632**	498
Waste expenses	**265**	256
	14,193	13,587
(c) Finance costs		
Borrowings other persons/corporations	**4,779**	3,373
Finance charges - lease liability	**93**	227
Total finance costs	**4,872**	3,600
(d) Employee benefits expense		
Wages and salaries	**46,522**	43,498
Workers' compensation costs	**886**	915
Defined contribution plan expense	**3,676**	3,533
Long service leave provision	**344**	336
Employee benefits	**226**	178
Payroll and FBT Tax	**3,133**	2,867
Other	**384**	387
Total employee benefits expense	**55,171**	51,714

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

5 INCOME TAX

(a) Income tax expense

	2018 $'000	2017 $'000
Deferred income tax (benefit)/expense		
Relating to origination and reversal of temporary differences	**(100)**	1,160
Income tax (benefit)/expense reported in the consolidated statement of profit or loss and other comprehensive income	**(100)**	1,160

(b) Numerical reconciliation between aggregate tax (benefit)/expense recognised in the consolidated statement of profit or loss and other comprehensive income and tax expense calculated per the statutory income tax rate

Reconciliation of tax (benefit)/expense and the accounting loss multiplied by Australia's domestic rate for 2017 and 2018

	2018 $'000	2017 $'000
Accounting loss before tax from continuing operations	**(5,345)**	(4,462)
Loss before tax from a discontinued operation	**(257)**	-
Accounting loss before income tax	**(5,602)**	(4,462)
At Group's statutory income tax rate of 30% (2017: 30%)	**(1,681)**	(1,339)
Non-temporary differences	**38**	33
Members only income	**(747)**	(738)
Members only expenses	**1,928**	1,869
Effect of mutuality	**(1,519)**	(697)
Prior year tax losses deducted	**(365)**	(153)
Non-deductible losses for tax-exempt entities	**1,988**	1,296
Other items (net)	**273**	692
Aggregate income tax (benefit)/expense	**(85)**	963
Aggregate income tax (benefit)/expense is attributable to:		
Continuing operations	**(100)**	1,160
Discontinued operations	**15**	(197)
	(85)	963

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

5 INCOME TAX (continued)

	2018	2017
	$'000	$'000
(c) Recognised deferred tax assets and liabilities		
Deferred income tax at 31 October relates to the following:		
Consolidated statement of financial position		
(i) Deferred tax liabilities		
Property held for use	**938**	713
Provisions	**42**	42
Gross deferred tax liabilities	**980**	755
(ii) Deferred tax assets		
Property, plant & equipment	**708**	475
Employee benefits	**236**	185
Deferred income	**42**	14
Accruals	**150**	138
Borrowing costs and deductible black hole expenditure	**53**	52
Property held for sale	**-**	40
Gross deferred tax assets	**1,189**	904
Consolidated statement of profit or loss and other comprehensive income		
(i) Deferred tax liabilities		
Property held for use	**225**	713
Provisions	**-**	(3)
	225	710
(ii) Deferred tax assets		
Property, plant & equipment	**(233)**	429
Employee benefits	**(51)**	(41)
Deferred income	**(28)**	5
Accruals	**(11)**	50
Borrowing costs and deductible black hole expenditure	**(2)**	(38)
Prior year tax losses	**-**	45
	(325)	450
Deferred income tax (benefit)/expense	**(100)**	1,160

(d) Tax losses

The Group has a carried forward tax losses of $9,360,000 (2017: $10,583,000). The carried forward tax losses are available indefinitely for offset against future taxable income, subject to continuing to meet relevant statutory tests.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

6 DISCONTINUED OPERATIONS AND NET ASSETS HELD FOR SALE

During the financial year ended 31 October 2017, assets held for sale, included Land held within Mulgoa Rd Land Trust No.1. An option due to be completed in 2 parts by May 2018 ($3,580,000) and October 2018 ($3,420,000) relates to a sale completed in 2017. The settlement was completed in May 2018 for $3,580,000 and the subsequent settlement (October 2018) delayed awaiting registration of the subdivision. For the financial year ended 31 October 2018 this land has been classified as assets held for sale.

During the financial year ended 31 October 2018, the club made the decision to seek an amalgamation partner to the trading venue at Wallacia Panthers. The major classes of assets and liabilities have been classified as held for sale.

During the financial year ended 31 October 2018, the club made the decision to sell its Port Macquarie service station land. This land has been classified as assets held for sale.

The results of the Group are presented on the consolidated statement of profit or loss and other comprehensive income under discontinued entities.

	2018	*2017*
	$'000	*$'000*
The results of the discontinued operations for the year until disposal are presented below:		
Revenue	**2,043**	2,232
Expenses	**(2,296)**	(2,550)
Gross loss	**(253)**	(318)
Finance costs	**(4)**	(9)
Loss before tax from discontinued operations	**(257)**	(327)
Tax (expense)/benefit	**(15)**	197
Loss for the year from discontinued operations	**(272)**	(130)

The major classes of assets for the discontinued entities as at 31 October are as follows:

	2018	*2017*
	$'000	*$'000*
Assets		
Property, plant and equipment	**1,135**	1,108
Deferred tax asset	**25**	-
Assets classified as held for sale	**1,160**	1,108
Liabilities		
Liabilities directly associated with assets classified as held for sale	-	-
Net assets directly associated with disposal group	**1,160**	1,108

The net cash flow associated with disposal group:

	2018	*2017*
	$'000	*$'000*
Investing	**3,580**	-
Net cash inflow	**3,580**	**-**

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

7 CASH

	2018 $'000	2017 $'000
Cash	**10,731**	12,314

8 TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Current		
Trade debtors	**1,451**	1,318
Provision for doubtful debts	**(13)**	(2)
	1,438	1,316

As at 31 October 2018, trade receivables with an initial carrying value of $13,000 (2017: $2,000) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables:

	Collectively impaired $'000
At 1 November 2017	**2**
Charge for the year	**11**
At 31 October 2018	**13**

9 INVENTORIES

	2018 $'000	2017 $'000
Raw materials and stores at cost	**806**	787
Total inventory at the lower of cost and net realisable value	**806**	787

10 OTHER ASSETS

	2018 $'000	2017 $'000
Current		
Prepayments	**1,422**	1,027
Sundry debtors	**483**	557
	1,905	1,584

Sundry debtors include returnable deposits, loans to players and staff loans.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

11 PROPERTY, PLANT AND EQUIPMENT

	Land $'000	Buildings $'000	Plant and equipment $'000	Leasehold improvement $'000	Capital works in progress $'000	Plant and equipment under finance lease $'000	Freehold improvements $'000	Total $'000
Cost								
1 November 2017	78,735	170,198	34,899	16,198	9,158	39,617	2,449	**351,254**
Additions	-	-	9,148	-	15,550	97	-	**24,795**
Disposals	(5,403)	-	(2,679)	(36)	-	(5,096)	-	**(13,214)**
Transfers	-	21,117	(5,241)	56	(22,382)	6,450	-	**-**
Assets held for sale (Note 6)	(960)	-	(111)	(34)	-	(30)	-	**(1,135)**
31 October 2018	**72,372**	**191,315**	**36,016**	**16,184**	**2,326**	**41,038**	**2,449**	**361,700**
Accumulated depreciation								
1 November 2017	-	74,882	21,592	8,130	-	30,976	197	**135,777**
Depreciation for the year	-	9,589	3,096	812	-	4,058	123	**17,678**
Disposals	-	-	(1,362)	(36)	-	(4,994)	-	**(6,392)**
31 October 2018	**-**	**84,471**	**23,326**	**8,906**	**-**	**30,040**	**320**	**147,063**
Net book value								
31 October 2018	**72,372**	**106,844**	**12,690**	**7,278**	**2,326**	**10,998**	**2,129**	**214,637**
31 October 2017	78,735	95,316	13,307	8,068	9,158	8,641	2,252	215,477

Finance leases

The carrying value of plant and equipment held under finance leases at 31 October 2018 was $10,998,000 (2017: $8,641,000). Additions during the year include $97,000 (2017: $nil) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

12 INTANGIBLE ASSET

	2018 $'000	2017 $'000
Balance at beginning of year	**279**	279
Disposals	**(279)**	-
Balance at end of year	**-**	279

13 TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current		
Trade creditors	**7,035**	4,052

14 EMPLOYEE BENEFIT LIABILITIES

	2018 $'000	2017 $'000
Current		
Employee entitlements	**3,999**	3,739
Non-current		
Employee entitlements	**500**	504

	Employee entitlements $'000
At 1 November 2017	**4,243**
Arising during the year	3,385
Utilised during the year	(3,129)
At 31 October 2018	**4,499**
Current	3,999
Non-current	500

15 LOANS AND BORROWINGS

	2018 $'000	2017 $'000
Current		
Borrowings (i)	**5,000**	7,760
Asset finance facility (i)	**617**	803
Other lease liability (ii)	**188**	-
TGS sale & leaseback agreement (iii)	**1,815**	1,380
	7,620	9,943
Non-current		
Borrowings (i)	**38,990**	34,096
Asset finance facility (i)	**644**	527
Other lease liability (ii)	**554**	-
TGS sale & leaseback agreement (iii)	**15,170**	16,030
	55,358	50,653

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

15 LOANS AND BORROWINGS (continued)

(i) The Group has the following loan facilities with ANZ Limited:
- ● Loan Facility Floating Rate (1) of $44.0m reaches maturity on 2 August 2020. ($5.0m classified as current, $39.0m as non-current). The Group may draw a further $2.65m from this facility.
- ● Asset finance facility (1) of $1.5m. The Group may draw a further $0.2m from this facility.
- ● Electrictronic Payaway Facility of $2m. The Group did not have any exposure on this facility at year-end.
- ● Commercial card facility of $0.2m. The Group did not have any exposure on this credit card at year-end.

The loan is secured by a fixed and floating charge on all assets. Interest rate for 2018 as at reporting date is 3.68% p.a. (2017: 4.41%).

(ii) As at reporting date, the Group had finance leases with an average lease term of 3 to 5 years. The average discount rate implicit in the leases is 5.26% (2017: 5.41%). The lease liability is secured by a charge over the leased assets to which the liability relates.

(iii) In 2017, PRLC entered into a sale and leaseback agreement with TabCorp. As part of this agreement, poker machines are supplied to TabCorp by PRLC in exchange of a lump sum. PRLC also pays a service fee to TabCorp for using the poker machines in exchange. In line with Panthers accounting policy choice as the risks and rewards of the machines remain with Panthers, they have not been 'sold' under the agreement from an accounting standards perspective but rather the amount received from Tabcorp is accounted for as a collateralised borrowing, with gaming machines as security. Borrowings are accounted for at amortised cost under AASB 139.47 using the EIR method. The estimated nominal annual interest rate is 11.56% (2017: 11.56%).

The carrying amounts of the Group's current and non-current borrowings approximate their fair value.

16 OTHER LIABILITIES

	2018	*2017*
	$'000	*$'000*
Current		
Deferred income	**2,536**	2,371
Gaming machine tax	**2,819**	2,849
Accrued wages/salaries	**659**	958
Other creditors and accruals	**2,330**	4,135
GST Payable	**1,336**	752
Subscriptions received in advance	**223**	208
NRL grant in advance	**600**	600
	10,503	11,873
Non-current		
Interest rate swaps - at fair value	**530**	748
Rent received in advance	**385**	417
Permanent members	**75**	87
NRL grant in advance	**1,800**	2,400
	2,790	3,652

17 FAIR VALUE MEASUREMENT

	Date of valuation	***$'000***
Liabilities measured at fair value:		
Interest rate swaps	**31 Oct 2018**	**530**
	31 Oct 2017	748

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

18 TOTAL MINIMUM LEASE PAYMENTS UNDER HIRE PURCHASE

The total minimum lease payments under hire purchase are as follows:

	2018	*2017*
	$'000	*$'000*
Not later than one year	**845**	866
Later than one year but not more than five years	**1,233**	528
Total minimum lease payments	**2,078**	1,394
Future finance charges	**(75)**	(64)
Lease liability	**2,003**	1,330
Current liability (Note 15)	**805**	803
Non-current liability (Note 15)	**1,198**	527
	2,003	1,330

(i) The majority of the above represents payments due for leased property, plant and equipment under non-cancellable lease agreements and have been recognised as a liability.

(ii) Finance leases have an average lease term of 3 years.

(iii) Interest rate is disclosed at Note 15 (ii).

19 OPERATING LEASE COMMITMENTS PAYABLE

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

	2018	*2017*
	$'000	*$'000*
Within one year	**91**	90
After one year but not more than five years	**365**	358
After more than five years	**563**	552
Total minimum lease payments	**1,019**	1,000

Penrith District Rugby League Football Club Limited (PDRLFC) has entered into a non-cancellable lease with Penrith City Council over Pepper Stadium, located at Mulgoa Road, Penrith. The non-cancellable lease has a remaining term of 10 years and 2 months. The lease includes a clause to enable upward revision of the rental charge on an annual basis according to the Consumer Price Index, and turnover rent, equal to 10% of the net profit of PDRLFC.

20 OPERATING LEASE COMMITMENTS RECEIVABLE

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

	2018	*2017*
	$'000	*$'000*
Within one year	**1,861**	1,360
After one year but not more than five years	**4,275**	2,434
More than five years	**1,831**	2,096
Total minimum lease payments	**7,967**	5,890

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

20 OPERATING LEASE COMMITMENTS RECEIVABLE (continued)

A subsidiary, Mulgoa Land Trust (No.1), has entered into commercial property leases over land and buildings held by the Trust at Mulgoa Road, Penrith.

These non-cancellable leases have remaining terms of between 1 year and 25 years. The leases include clauses to enable upward revision of the rental charge on an annual basis, either at a fixed rate or in accordance with prevailing market conditions.

21 CAPITAL COMMITMENTS

The Group has no commitments for capital expenditure (2017: $10.9m) for renovations to be carried out at the trading venue.

22 SUPERANNUATION COMMITMENTS

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Group of 9.5% of employees' wages and salaries are legally enforceable. PRLC contributions for the year ended 31 October 2018 amounted to $3,676,000 (2017: $3,533,000).

23 CONTINGENCIES

(a) Full members of the Company with continuous membership since 1 April 1975 are entitled to a mortality benefit of $200. At 31 October 2018 the maximum contingent liability was $387,800 (2017: $395,000).

(b) Permanent members purchase membership that runs until the time of their passing. At this time, they are entitled to a refund of their membership fees less goods and services tax, provided a claim is made by the deceased's estate. At 31 October 2018 the maximum contingent liability was $2,175,000 (2017: $2,187,000).

24 RELATED PARTY DISCLOSURES

a) The directors of Penrith Rugby League Club Limited during the financial period were:

D O'Neill - Chairman
G Alexander - Deputy Chairman
P Graham
I Hicks
D Merrick FCPA/JP
M Mulock
D Mayne (Resigned 28 February 2018)
R Wearn (Appointed 28 April 2018)

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

24 RELATED PARTY DISCLOSURES (continued)

b) Transactions with related parties

During the year, the Group transacted with ABCOE Distributions Pty Limited through purchase of stock. These transactions represented arm’s length transactions under normal commercial trading terms. The transaction was completed in an open and transparent tender. David O’Neill (Chairman) is regarded as having an interest. Transactions with ABCOE Distributions Pty Limited in the year ended 31 October 2018 totalled $235,734. Outstanding Payments owing to ABCOE Distributions Pty Limited as at 31 October 2018 were $55,950. No provisions have been accounted for related to ABCOE Distributions Pty Limited during the financial year.

During the year, the Group transacted with Hix Electrical through sponsorship and services. These transactions represented arm’s length transactions under normal commercial trading terms. The commercial agreement was completed in an open and transparent tender. Ian Hicks (Director) is regarded as having an interest. Transactions with Hix Electrical in the year ended 31 October 2018 totalled $662,912. Outstanding payments owing to Hix Electrical at 31 October 2018 were $441,898. No provisions have been accounted for related to Hix Electrical during the financial year.

25 KEY MANAGEMENT PERSONNEL

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

	2018	*2017*
	$	*$*
Total key management personnel compensation	**3,327,000**	3,421,000

26 EVENTS AFTER REPORTING PERIOD

At an Extraordinary General Meeting of Penrith Rugby League Club Limited, held on the 21st January 2019, the members voted in favour of the de amalgation of Wallacia Panthers from Penrith Rugby League Club Limited to St Johns Park Bowling Club Limited. The Extraordinary General Meeting of St Johns Park Bowling Club Limited is scheduled for 31st January 2019. The Group anticipates that regulatory approval will take between 1-3 months. Further information is disclosed in Note 6.

The Group sold its Port Macquarie service station non-core land. The sale price of $2.05m was accepted on 26 November 2018.

On the 4th January 2019, the second and final contracted payment of $2.25m was received from Tulich Project Management Pty Ltd relating to "The Royce @Panthers Penrith".

ESQ stage 3 is expected to be settled for $3.4m upon completion of LPI registration.

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

27 MEMBERS' GUARANTEES

Pursuant to the Memorandum of Association, every member has undertaken, in the event of a deficiency on winding up, to contribute an amount not exceeding $4 (2017: $4). At 31 October 2018, such guarantees totalled $551,936 (2017: $540,872).

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

28 PARENT ENTITY INFORMATION

Information about the subsidiaries
The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2018	% equity interest 2017
Penrith District Rugby League Football Club Limited	Advertising and promotion activities, provision of facilities for sport and recreation, sponsorship activities and promotion of the game of rugby league football	Australia	**100**	100
Mulgoa Land Trust (No.1)	Acquire and hold land and buildings for lease rental income	Australia	**100**	100
Mulgoa Land Trust (No.1) Pty Ltd	Trustee of Mulgoa Land Trust (No.1) Pty Ltd	Australia	**100**	100
Panthers Catering Pty Ltd	Catering and banqueting services	Australia	**100**	100

There has been no trading activity in Mulgoa Land Trust (No.1) Pty Ltd or Panthers Catering Pty Ltd in the financial year ended 31 October 2018.

The salient financial information in relation to the parent company, Penrith Rugby League Club Limited, is as follows:

	2018 $'000	*2017 $'000*
Current assets	**14,889**	13,915
Non-current assets	**153,024**	148,094
Total assets	**167,913**	162,009
Current liabilities	**24,435**	75,883
Non-current liabilities	**109,340**	52,648
Total liabilities	**133,775**	128,531
Net assets	**34,138**	33,478
Retained earnings	**34,138**	33,478
Total equity	**34,138**	33,478
Net profit/(loss) from continuing operations	**931**	(1,343)
Other comprehensive income	**-**	-
Total comprehensive income/(loss) from continuing operations	**931**	(1,343)
Net loss from discontinued operations	**(272)**	(130)
Other comprehensive income	**-**	-
Total comprehensive loss from discontinued operations	**(272)**	(130)

Notes to the consolidated financial statements (continued)

For the year ended 31 October 2018

28 PARENT ENTITY INFORMATION (continued)

Contingent liabilities of the Parent entity
The Company did not have any contingent liabilities as at 31 October 2018 (2017: $nil).

Contractual commitments of the Parent entity
The Company did not have any contractual commitments as at 31 October 2018 (2017: $nil).

29 CORE PROPERTY AND NON-CORE PROPERTY OF THE CLUB

Core property
Pursuant to clause 41J of the Registered Clubs Act 1976, the core property of the club is the defined premises of the following property:

Penrith (Mulgoa)	Lot 2 DP1216321 (formally 151/863625)

Non-core properties
The non-core properties of the Group are the following properties which do not constitute the defined premises or any facility provided by the Group for the use of its members and their guests, and all other properties owned by the Group.

1	Port Macquarie RSL	109/1083464
2	Bathurst RLC	1/881588
3	North Richmond	101/873170
4	Glenbrook	357/704602
		321/751662
5	Mulgoa Road	Lot 10 DP 1223020
		Lot 2 DP 1154043
		Lot 1 DP 1043008

Directors' declaration

In accordance with a resolution of the directors of Penrith Rugby League Club Limited and its controlled entities, I state that:

In the opinion of the directors:

(a) The consolidated financial statements and notes of Penrith Rugby League Club Limited and its controlled entities for the financial year ended 31 October 2018 are in accordance with the *Corporations Act 2001,* including:

   (i) giving a true and fair view of its consolidated financial position as at 31 October 2018 and performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

David O'Neill
Chairman
Panther Group

Penrith, 30 January 2019

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

Opinion

We have audited the financial report of Penrith Rugby League Club Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 October 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 October 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

Daniel Cunningham

Daniel Cunningham
Partner
Sydney
30 January 2019