Western Suburbs (N'cle) Leagues Club Limited

ACN 000 973 919

Annual financial report for the year ended 31 January 2022

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Contents

Directors' report

The directors present their report on the consolidated entity (the "Group") consisting of Western Suburbs (N'cle) Leagues Club Limited (the "Company" or "Club") and the entities it controlled at the end of, and during, the year ended 31 January 2022.

The Club is incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the Constitution of the Company, every member of the Company undertakes to contribute an amount limited to $1 per member in the event of the winding up of the Company during the time they are a member or within one year thereafter.

Directors

The following persons held office as directors of Western Suburbs (N'cle) Leagues Club Limited during the financial year, and up to the date of this report;

Owen Kilpatrick
Wayne Hore
John McLaughlin
Geoff Coburn
Robert Darcy
Katie Brassil
John Campion

Principal activities

During the year the principal continuing activities of the Group consisted of:

(a) the provision of hospitality, tourism and leisure facilities and services,
(b) the fostering and promotion of the game of Rugby League Football,
(c) motel operations providing superior accommodation facilities, and
(d) the provision of Health & Fitness centres and services to members.

Membership

The Club is a company limited by guarantee without share capital. The number of Club members as at 31 January 2022 and the comparison with the last financial year is as follows:

	2022	2021
Members	**131,102**	177,575

Dividends

The Company is a not for profit organisation and is prevented by its constitution from paying dividends.

Review of operations

All segments of the business have posted a revenue and net profit result for the Group as below:

	Segment revenues ($'000)		**Segment results ($'000)**	
	2022	2021	**2022**	2021
Licensed Club and gym	**95,327**	108,082	**6,205**	10,682
Hotel	**19,861**	20,420	**3,229**	3,935
Football operations*	**36,856**	28,685	**9,962**	6,537
	152,044	157,187	**19,396**	21,154
Profit from ordinary activities before related income tax expense			**19,396**	21,154
Income tax benefit			**583**	977
Net profit			**19,979**	22,131

*The Football operations result for 2022 includes $6,000,000 (2021: $4,000,000) of grant funding from the NSW Office of Sport in relation to the development of the Centre of Excellence together with $1,200,000 (2021: $1,816,500) in relation to JobKeeper/Jobsaver wage subsidies.

Review of operations (continued)

The continued impact of COVID-19 had an effect on every aspect of the Group's operations. On 6 August 2021, following a directive from the NSW government, all Club, Hotel and Gym operations were closed and when they re-opened on 11 October 2021, every business activity conducted was subject to numerous restrictions impacting trade.The NRL competition was relocated to Queensland in July 2021 to ensure continuation of the season, protecting the players, coaches and officials from the outbreak that occurred in New South Wales. We were able to manage our way through the COVID-19 pandemic through the loyalty of our members and sponsors, our eligibility to receive the JobKeeper/JobSaver subsidy and the leadership of our management team.

Consolidated revenue for the past year was $152,044,732 (2021: $157,187,108) reflecting a decrease of $5,142,376 or 3.2% from 2021. The Group received JobKeeper/Jobsaver payments of $3,094,356 (2021: $15,861,000) and the Government grant of $6,000,000 (2021: $4,000,000) which was offset by a $14,236,732 reduction in revenue from operations due to the COVID-19 shutdown and restrictions. The consolidated results from ordinary activities post tax for the period amounted to $19,979,000 compared to $22,131,000 for the prior year. This was a result of the reduced revenue as noted above, that was more than offset by a reduction in expenses.

The Knights Rugby League Pty Limited recorded a net profit for the year ended 31 October 2021 of $3,891,107 (2021: $2,015,307) in their financial statements.

Core and non-core property

Pursuant to Section 41J(2) of the Registered Clubs Act for the financial year ended 31 January 2022, the following land and buildings are considered to be non-core property with all other land and buildings being core property:

- 6 Bavin Road, Broadmeadow
- 73 Hobart Road, New Lambton
- 79 Hobart Road, New Lambton
- 80 Hobart Road, New Lambton
- 82 Hobart Road, New Lambton
- 84 Hobart Road, New Lambton
- 98 Hobart Road, New Lambton
- 94 Hobart Road, New Lambton
- 92 Hobart Road, New Lambton
- 7 Rugby Road, New Lambton
- 9 Rugby Road, New Lambton
- 10 Rugby Road, New Lambton
- 41 Thalaba Road, New Lambton
- 1A Tauranga Road, New Lambton
- 286 Lambton Road New Lambton
- 70 Shoal Bay Road, Nelson Bay
- 72 Shoal Bay Road, Nelson Bay
- 76 Shoal Bay Road, Nelson Bay
- 90 Shoal Bay Road, Nelson Bay
- 71 Achilles Street, Nelson Bay
- 73 Achilles Street, Nelson Bay
- 91 Achilles Street, Nelson Bay
- 26 Corlette Road, Corlette
- 11 Merewether Street, Cardiff
- 16 Merewether Street, Cardiff
- 14 Munibung Road, Cardiff
- 16 Munibung Road, Cardiff
- 18 Munibung Road, Cardiff
- 27 Lachlan Road, Cardiff
- 309 King Street, Newcastle
- 36 Union Street, Newcastle
- 42 Union Street, Newcastle
- 32 Industrial Drive, Mayfield

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the year under review or are expected to occur subsequent to year end.

Matters subsequent to the end of the financial year

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Aside from the above, in the opinion of the directors there are no significant developments or expected results of operations that have occurred or are expected to occur subsequent to year end.

Short and long term objectives

The Club has established short and long term objectives as outlined in the club's Strategic Plan which is reviewed on an annual basis. The Club's short term objective is the successful finalisation of the refurbishment programs across the Group, maintaining the relevance of the Group's offerings to members and guests. This integrates with the longer term objective of providing value to all stakeholders and to the communities in which the Group operates. These objectives are measured through both financial and non financial key performance indicators that have been determined as relevant to the club industry.

The Group is driven by the 6 key strategy areas to ensure our actions are consistent with our values and purpose. These key strategy areas are:

- World class football
- Governance and sustainability
- Stakeholder engagement
- Brand and reputation
- Grassroots
- People

Environmental regulation

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 Group.

Information on directors

Owen Kilpatrick

Experience and expertise
Director since 1972 (50 years), President since 2006.
Mr Kilpatrick also served as a director for a number of years prior to the Club's incorporation.
Retired accountant.

Special Responsibilities
President
Member of Remuneration and Nomination Sub-Committee
Member of Football Committee
Member of Community Sub-committee

Wayne Hore

Experience and expertise
Director since 1981 (41 years).
Retired police officer.

Special Responsibilities
Chair of Members Sub-Committee
Member of Audit and Risk Management Sub-Committee

Information on directors (continued)

John McLaughlin

Experience and expertise
Director since 1998 (24 years).
Retired engineering officer.

Special Responsibilities
Member of Audit and Risk Management Sub-Committee
Member of Members Sub-Committee

Geoff Coburn

Experience and expertise
Director since 1993 (29 years).
Retired school teacher.

Special Responsibilities
Member of Members Sub-Committee
Chair of Football Committee

Robert Darcy

Experience and expertise
Director since 2010 (12 years).
Real Estate principal.

Special Responsibilities
Member of Remuneration and Nomination Sub-Committee
Member of the Audit and Risk Management Sub-Committee

Katie Brassil

Experience and expertise
Director since 2018 (4 years)
Executive General Manager External Affairs - Centennial Coal Company Limited (Resigned during the year)

Special Responsibilities
Chair of Community Sub-Committee
Chair of Remuneration & Nomination Sub-Committee

John Campion

Experience and expertise
Director since 2019 (3 years)
Retired accountant

Special responsibilities
Chair of Audit and Risk Management Sub-Committee
Member of Community Sub-Committee

All of the directors also serve as directors on all subsidiaries.

Company secretary

The Company secretary is Mr Philip Gardner. Mr Gardner was appointed to the position of company secretary in September 1995.

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 31 January 2022, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees				Community Committee	
			Audit & Risk Management		Remuneration Committee			
	A	B	A	B	A	B	A	B
Geoffrey Coburn	13	13	-	-	-	-	-	-
Robert Darcy	13	13	2	2	2	2	-	-
Wayne Hore	13	13	2	2	-	-	-	-
Owen Kilpatrick	12	13	-	-	2	2	2	2
John McLaughlin	13	13	2	2	-	-	-	-
Katie Brassil	12	13	-	-	2	2	2	2
John Campion	13	13	2	2	-	-	2	2

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year.

Meetings of the Members Sub-Committee and Football Committee are conducted within the full meetings of directors. This includes 1 special meeting.

Loans to directors and executives

No loans have been advanced to directors and executives by the Group during the year and no loan amounts are outstanding from directors and executives.

Insurance of officers

During the year, the Company paid a premium for a Directors and Officers liability insurance policy. The insurance policy provides cover for the directors named in this report, the Company secretary, officers and former directors and officers of the Company. The contract prohibits the disclosure of the nature of the liabilities and the amount of the premium.

The Company also indemnifies every officer of the Company and every auditor of the Company "out of the property of the Company against any liability incurred by that person in that person's capacity as officer or auditor in defending any proceedings, whether civil or criminal in which judgement is given in favour of that person or in which that person is acquitted or in connection with any application under the Act in which relief is under the Act granted to that person by the court in respect of negligence, default, breach of any duty or trust".

Proceedings on behalf of the company

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

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

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative (Rounding in Financial/Director's Report) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001.*

This report is made in accordance with a resolution of directors.

Owen Kilpatrick
President

Geoff Coburn
Director

Newcastle
31 March 2022

Auditor's Independence Declaration

As lead auditor for the audit of Western Suburbs (N'cle) Leagues Club Limited for the year ended 31 January 2022, I declare that 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 Western Suburbs (N'cle) Leagues Club Limited and the entities it controlled during the period.

C. Mara

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
31 March 2022

Western Suburbs (N'cle) Leagues Club Limited ACN 000 973 919
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These financial statements are the consolidated financial statements of the Group consisting of Western Suburbs (N'cle) Leagues Club Limited and its subsidiaries. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors on 31 March 2022. The directors have the power to amend and reissue the financial statements.

Consolidated statement of comprehensive income
For the year ended 31 January 2022

	Notes	2022 $'000	2021 $'000
Revenue	1	**152,044**	157,187
Other gains/(losses)	2	**3,116**	(1,737)
Changes in inventories of finished goods and work in progress	3	**74**	(275)
Inventory purchased	3	**(9,948)**	(10,508)
Poker machine duty		**(15,138)**	(15,686)
Employee benefits expense		**(44,901)**	(47,921)
Promotional and marketing expenses		**(5,712)**	(5,151)
Repairs and maintenance expense		**(5,005)**	(3,196)
Community support		**(1,461)**	(2,242)
Electricity and fuel		**(2,678)**	(2,610)
Insurance expense		**(2,284)**	(2,077)
Security		**(2,214)**	(2,014)
Members expenses		**(343)**	(553)
Depreciation and amortisation expense	3	**(14,620)**	(14,370)
Subscriptions		**(1,608)**	(1,183)
Football administration		**(8,879)**	(7,099)
Football operations		**(10,149)**	(9,338)
Other expenses		**(10,734)**	(9,938)
Finance costs	3	**(164)**	(135)
Profit before income tax		**19,396**	21,154
Income tax benefit	4	**583**	977
Profit for the year		**19,979**	22,131
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**19,979**	22,131
Profit is attributable to:			
Owners of Western Suburbs (N'cle) Leagues Club Limited		**19,979**	22,131
Total comprehensive income for the year is attributable to:			
Owners of Western Suburbs (N'cle) Leagues Club Limited		**19,979**	22,131

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 31 January 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5(a)	**47,232**	40,898
Trade and other receivables	5(b)	**10,386**	6,818
Inventories	6(d)	**1,265**	1,191
Total current assets		**58,883**	48,907
Non-current assets			
Property, plant and equipment	6(a)	**272,745**	265,557
Intangible assets	6(c)	**17,407**	17,471
Right-of-use assets	6(b)	**3,529**	3,137
Total non-current assets		**293,681**	286,165
Total assets		**352,564**	335,072
LIABILITIES			
Current liabilities			
Trade and other payables	5(c)	**25,383**	26,855
Lease liabilities	6(b)	**472**	319
Provisions	6(f)	**3,779**	3,577
Deferred revenue	6(g)	**7,173**	6,409
Total current liabilities		**36,807**	37,160
Non-current liabilities			
Trade and other payables	5(c)	**-**	1,300
Lease liabilities	6(b)	**3,632**	3,007
Deferred revenue	6(g)	**-**	900
Deferred tax liabilities	6(e)	**1,058**	1,642
Provisions	6(f)	**956**	931
Total non-current liabilities		**5,646**	7,780
Total liabilities		**42,453**	44,940
Net assets		**310,111**	290,132
MEMBERS FUNDS			
Retained profits	7	**310,111**	290,132

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 January 2022

	Retained profits $'000	Total members funds $'000
Balance at 1 February 2020	268,001	268,001
Profit for the year	22,131	22,131
Other comprehensive income	-	-
Total comprehensive income for the year	**22,131**	**22,131**
Balance at 31 January 2021	**290,132**	**290,132**
Balance at 1 February 2021	290,132	290,132
Profit for the year	19,979	19,979
Other comprehensive income	-	-
Total comprehensive income for the year	**19,979**	**19,979**
Balance at 31 January 2022	**310,111**	**310,111**

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 January 2022

	Notes	**2022 $'000**	2021 $'000
Cash flows from operating activities			
Receipts from customers and sponsors (inclusive of GST)		**155,345**	153,767
Receipts from Government Grants and subsidies (inclusive of GST)		**7,803**	19,861
Payments to suppliers and employees (inclusive of GST)		**(137,876)**	(126,608)
		25,272	47,020
Interest received		**63**	-
Interest paid		**-**	(16)
Net cash inflow from operating activities		**25,335**	47,004
Cash flows from investing activities			
Payments for property, plant and equipment	6(a)	**(27,969)**	(11,402)
Payments for intangible assets	6(c)	**(11)**	-
Proceeds from sale of property, plant and equipment		**9,206**	317
Net cash outflow from investing activities		**(18,774)**	(11,085)
Cash flows from financing activities			
Principal element of lease payments		**(227)**	(104)
Net cash outflow from financing activities		**(227)**	(104)
Net increase in cash and cash equivalents		**6,334**	35,815
Cash and cash equivalents at the beginning of the financial year		**40,898**	5,083
Cash and cash equivalents at the end of the financial year	5(a)	**47,232**	40,898

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

Contents of the notes to the consolidated financial statements

1 Revenue

	2022 $'000	2021 $'000
Revenue from contracts from customers (a)	**141,026**	136,990
Other revenue (b)	**11,018**	20,197
	152,044	157,187

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time for the following services:

2022	**Sale of goods - food and beverage $'000**	**Rendering of services $'000**	**Total $'000**
Timing of revenue recognition			
At a point in time	**27,058**	**84,031**	**111,089**
Over time	**-**	**29,937**	**29,937**
	27,058	**113,968**	**141,026**

2021	Sale of goods - food and beverage $'000	Provision of services $'000	Total $'000
Timing of revenue recognition			
At a point in time	26,965	83,548	110,513
Over time	-	26,477	26,477
	26,965	110,025	136,990

(b) Other revenue

	2022 $'000	2021 $'000
Interest	**62**	54
Jobkeeper/Jobsaver	**3,094**	15,861
Royalties	**260**	86
Government Grant	**6,000**	4,000
Other	**1,602**	196
	11,018	20,197

(c) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2022 $'000	2021 $'000
Current contract assets	**6,164**	3,370
Total contract assets	**6,164**	3,370
Contract liabilities (Deposits in advance)	**983**	482
Contract liabilities (Gym memberships in advance)	**20**	72
Contract liabilities (Sponsorship & football membership in advance)	**7,173**	7,309
Total contract liabilities	**8,176**	7,863

2 Other gains/(losses)

	2022 $'000	2021 $'000
Net gains/(losses) on disposal of assets	**3,116**	(1,737)
	3,116	(1,737)

During the year, the Group sold the Balance Gym Building and leased it back for 2 years on market terms and recognised a gain of $3,509,168 on the sale and lease back transaction. This is offset by net loss on disposal of other assets of $393,124.

3 Other income and expense items

Expenses

	2022 $'000	2021 $'000
Cost of goods sold	**9,874**	10,783
Depreciation of:		
Buildings	**7,034**	6,762
Plant and equipment	**7,397**	7,488
Right-of-use Asset	**114**	58
	14,545	14,308
Amortisation	**75**	62
	14,620	14,370

	2022 $'000	2021 $'000
Finance costs - interest and finance charges	**164**	135

4 Income tax benefit

(a) Income tax benefit

	2022 $'000	2021 $'000
Deferred tax	**(583)**	(977)
Income tax benefit	**(583)**	(977)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

The *Income Tax Assessment Act 1936* (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. The amount set aside for income tax in the consolidated statement of comprehensive income has been provided on a taxable income calculated as follows:

	2022 $'000	2021 $'000
Profit before income tax benefit	**19,396**	21,154
Tax at the Australian tax rate of 30.0% (2021 - 30.0%)	**5,819**	6,346
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Permanent differences - non-deductible expenses	**17**	1
Effect of mutuality	**(6,419)**	(7,324)
Income tax benefit	**(583)**	(977)

Tax consolidation

The Company is part of a tax consolidated group for which Western Suburbs (N'cle) Leagues Club Limited is the parent. Tax Funding and Tax Sharing agreements have been executed and the group measures and accounts for its tax using an allocation method under UIG 1052 in order to measure and account for each members tax contributions.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities of all members of the Tax Consolidated Group.

(c) Unrecognised tax losses

There are no gross unrecognised tax losses in the current year (2021: $nil).

5 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2022 $'000	2021 $'000
Current assets		
Cash at bank	**17,232**	20,898
Term deposit	**30,000**	20,000
	47,232	40,898

(i) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the consolidated statement of cash flows at the end of the financial year as follows:

	2022 $'000	2021 $'000
Balances as above	**47,232**	40,898

(a) Cash and cash equivalents (continued)

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. See note 17(g) for the Group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

Cash at bank includes amounts of $47,673 (2021: $2,039,169) restricted in use. $47,673 (2021: $2,039,169) is restricted under the NSW Government funding agreement and only available for expenditure on the Center of Excellence Project. $50,000 is secured against a bank guarantee required under the NSW Government funding agreement. Further details on the grant is included in note 10(b).

(b) Trade and other receivables

	2022 $'000	2021 $'000
Current assets		
Other receivables	**7,721**	4,510
Provision for impairment of receivables	**(11)**	(11)
	7,710	4,499
Prepayments	**2,676**	2,319
	10,386	6,818

(i) Impaired trade receivables

For the year ended 31 January 2022, $18,757 (2021: $166,893) of impairment losses on trade receivables has been recognised in consolidated statement of comprehensive income.

(c) Trade and other payables

	2022			2021		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**13,520**	**-**	**13,520**	16,364	-	16,364
Deferred liabilities	**5,978**	**-**	**5,978**	6,866	1,300	8,166
Members subscription in advance	**256**	**-**	**256**	561	-	561
Other payables	**5,629**	**-**	**5,629**	3,064	-	3,064
	25,383	**-**	**25,383**	26,855	1,300	28,155

Trade payables are unsecured and are usually paid within 30 days of recognition. Based on past experience, it is expected all amounts recognised will be settled within the next 12 months. The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

In the 2021 financial year, the Australian government specifically agreed tax payment timelines with the Group. Deferred liabilities represents the amounts payable to Australian Taxation Office (ATO) in relation to gaming machine tax, payroll tax and Pay as you go (PAYG) withholding tax.

6 Non-financial assets and liabilities

(a) Property, plant and equipment

	Land and Buildings $'000	Plant and Equipment $'000	Centre of Excellence $'000	Capital works in progress $'000	Total $'000
At 1 February 2021					
Cost	275,039	112,280	1,961	7,163	396,443
Accumulated depreciation	(57,434)	(73,452)	-	-	(130,886)
Net book amount	217,605	38,828	1,961	7,163	265,557
Year ended 31 January 2022					
Opening net book amount	217,605	38,828	1,961	7,163	265,557
Additions	1,550	3,864	18,931	3,624	27,969
Disposals	(6,008)	(342)	-	-	(6,350)
Transfers	3,593	3,216	-	(6,809)	-
Depreciation charge	(7,034)	(7,397)	-	-	(14,431)
Closing net book amount	209,706	38,169	20,892	3,978	272,745
At 31 January 2022					
Cost	272,958	99,029	20,892	3,978	396,857
Accumulated depreciation	(63,252)	(60,860)	-	-	(124,112)
Net book amount	209,706	38,169	20,892	3,978	272,745

Valuations of land and buildings

An independent valuation of the Group's land and buildings was carried out in December 2021 by Mr Ivo Kafka and Michael Lim, Registered Valuer from AON Valuation Services on the basis of the current market values of the properties concerned in their existing use. The combined valuation of all properties was $238,335,000

This valuation was in accordance with the Group's policy of obtaining an independent valuation of land and buildings every 3-5 years. The valuation has not been booked as property is carried at cost.

(b) Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Right-of-use assets		
Land and improvements	**3,529**	3,137
	3,529	3,137
Lease liabilities		
Current	**472**	319
Non-current	**3,632**	3,007
	4,104	3,326

Additions to the right-of-use assets during the 2022 financial year were $488,854 (2021: $1,403,582).

(b) Leases (continued)

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2022 $'000	2021 $'000
Depreciation charge of right-of-use assets		
Land and improvements	**114**	58
	114	58
Interest expense (included in finance cost)	**164**	119
Expense relating to short-term leases	**17**	17
Expense relating to leases of low-value assets that are not shown above as short-term leases	**91**	82

The total cash outflow for leases in 2022 was $226,106 (2021: $204,132).

(c) Intangible assets

	Goodwill $'000	Trademarks & licences $'000	Software $'000	Gaming Machine Licences $'000	Total $'000
At 31 January 2021					
Cost	407	6,577	330	10,235	17,549
Accumulated amortisation and impairment	-	-	(78)	-	(78)
Net book amount	407	6,577	252	10,235	17,471
Year ended 31 January 2022					
Opening net book amount	407	6,577	252	10,235	17,471
Additions	-	-	11	-	11
Amortisation charge	-	-	(75)	-	(75)
Closing net book amount	407	6,577	188	10,235	17,407
At 31 January 2022					
Cost	407	6,577	341	10,235	17,560
Accumulated amortisation and impairment	-	-	(153)	-	(153)
Net book amount	407	6,577	188	10,235	17,407

(d) Inventories

	2022 $'000	2021 $'000
Current assets		
Trading stock - at cost	**1,256**	1,182
Motel stock - at cost	**9**	9
	1,265	1,191

Assigning costs to inventories

The costs of individual items of inventory are determined using FIFO. The company's other accounting policies for inventory are outlined in the note 17(i).

(d) Inventories (continued)

Inventories recognised as an expense during the year ended 31 January 2022 amounted to $9,876,555 (2021: $10,783,074).

(e) Deferred tax balances

(i) Deferred tax assets

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**12,054**	12,286
Employee benefits	**1,067**	569
Accruals expenses	**15**	15
Sundry	**563**	258
Lease liability	**572**	580
	14,271	13,708
Set-off of deferred tax liabilities pursuant to set-off provisions (note 6(e)(ii))	**(14,271)**	(13,708)
Net deferred tax assets	**-**	-

(ii) Deferred tax liabilities

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**14,526**	14,771
Borrowing costs	**2**	2
Intangible assets	**262**	106
Prepayments	**19**	2
Right-of-use asset	**520**	469
	15,329	15,350
Set-off of deferred tax liabilities pursuant to set-off provisions (note 6(e)(i))	**(14,271)**	(13,708)
Net deferred tax liabilities	**1,058**	1,642

(f) Provisions

		2022			2021	
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	**3,779**	**956**	**4,735**	3,577	794	4,371
Community football	**-**	**-**	**-**	-	137	137
Total	**3,779**	**956**	**4,735**	3,577	931	4,508

(g) Deferred revenue

	2022 Current $'000	2022 Non-current $'000	2022 Total $'000	2021 Current $'000	2021 Non-current $'000	2021 Total $'000
Deferred revenue	**7,173**	**-**	**7,173**	6,409	900	7,309

Deferred revenue comprises sponsorship revenue, membership revenue and corporate hospitality. Sponsorship and membership revenue is recognised equally throughout the year. Corporate hospitality is recognised across games conducted throughout the year.

7 Members funds

Retained profits

Movements in retained profits were as follows:

	2022 $'000	2021 $'000
Retained profits at the beginning of the year	**290,132**	268,001
Net profit for the year	**19,979**	22,131
Retained profits at the end of the year	**310,111**	290,132

8 Interests in other entities

Material subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 17(b):

Name of entity	Country of incorporation	Class of shares	Equity holding ** 2022 %	2021 %
The Executive Inn Pty Limited	Australia	Ordinary	**100%**	100%
Knights Rugby League Pty Limited	Australia	Ordinary	**100%**	100%

** The proportion of ownership interest is equal to the proportion of voting power held.

9 Contingent liabilities and contingent assets

(a) Contingent liabilities

The Group has guaranteed the following amounts:

- $3,000 (2021: $3,000) in respect of potential amounts owing to NSW Lotteries;
- $19,000 (2021: $19,000) in respect of potential amounts owing to TAB Limited;
- $75,000 (2021: $75,000) in respect of potential amounts owing to Venues NSW.
- $19,674 (2021: $19,674) in respect of potential amounts owing to Port Stephens Council.
- $550,000 (2021: $550,000) in respect of potential amounts owing to NSW Government in relation the Centre of Excellence

(b) Contingent assets

The Group had no contingent assets at 31 January 2022 (2021: $nil).

10 Commitments

(a) Football commitments

Commitments for football operations in existence at the reporting date but not recognised as liabilities are:

	2022 $'000	2021 $'000
Within one year	**11,098**	11,816
After one year but not more than five years	**24,611**	14,292
	35,709	26,108

(b) Capital expenditure commitments

The Company's wholly owned subsidiary, Knights Rugby League Pty Limited is entitled to $10 million in funding from the NSW Office of Sport relating to the development of the Centre of Excellence, under the NSW NRL Centre of Excellence Program. The Government has paid $8 million of this as at 31 January 2022. Management has determined that the Key Milestone Performance Measures listed in the funding agreement are the contractual obligations and has recognised the grant as income since these are met and the full $10 million has been recognised as revenue since inception of the grant.

As at 31 January 2022, $20,892,356 (2021: $1,960,831) of expenditure has been incurred in relation to the Centre of Excellence.

11 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

12 Related party transactions

Transactions between related parties are on normal commercial terms and conditions, and are no more favourable than those available to other parties unless otherwise stated.

(a) Subsidiary entity

Material consolidated subsidiary entities are disclosed within Note 8. The below entities are also controlled by the Company but are not material to the Group.

- Wests Knights Foundation Limited, a company incorporated in New South Wales
- Wests Group Foundation Limited, a company incorporated in New South Wales (currently in the process of deregisteration)

As at 31 January 2022, the Company owned 100% (2021: 100%) shares of Wests Knights Foundation Limited and 100% (2021: 100%) shares of the Wests Group Foundation Limited.

During the prior year Western Suburbs (N'cle) Leagues Club Limited and The Executive Inn Pty Limited entered into a deed of cross guarantee under which each company guarantees the debts of the others.

(b) Transactions with subsidiary entities

The Company has provided an at call interest free loan to The Executive Inn Pty Limited. At 31 January 2022 the Company was owed $20,435,880 (2021: $25,792,555). The Company has formally agreed to provide financial support to The Executive Inn Pty Limited as and when required.

As at 31 January 2022, the Company provided an at call interest free loan to Knights Rugby League Pty Limited of $6,173,951 (2021: $nil). In the previous year, the Company owed $2,973,446 (2021: $nil) to Knights Rugby League Pty Limited.

The Company has formally agreed to provide financial support to Knights Rugby League Pty Limited as and when required.

(b) Transactions with subsidiary entities (continued)

During the year, the Company recorded expenses of $171,930 (2021: $829,458) payable to Wests Knights Foundation Limited in relation to community support. As at 31 January 2022 the Company owed $1,001,388 (2021: $829,458) to Wests Knights Foundation Limited in relation to community support.

(c) Key management personnel compensation

	2022 **$**	2021 $
Total key management personnel benefits	**3,349,082**	3,185,216

13 Deed of cross guarantee

During the prior year Western Suburbs (N'cle) Leagues Club Limited and The Executive Inn Pty Limited entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly- owned entities have been relieved from the requirement to prepare a financial report and directors' report under *ASIC Corporations (Wholly- owned Companies) Instrument 2016/785.*

The above companies represent a 'closed group' for the purposes of the instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Western Suburbs (N'cle) Leagues Club Limited, they also represent the 'extended closed group'. Set out below is a consolidated statement of comprehensive income and a consolidated balance sheet for the year ended 31 January 2022 of the closed group consisting of Western Suburbs (N'cle) Leagues Club Limited and The Executive Inn Pty Limited.

(a) Consolidated statement of comprehensive income

	2022 **$'000**	2021 $'000
Revenue from continuing operations	**115,024**	128,279
Other expenses from ordinary activities	**(105,667)**	(113,590)
Finance costs	**(103)**	(111)
Profit before income tax	**9,254**	14,578
Income tax benefit	**583**	977
Profit for the year	**9,837**	15,555

(b) Consolidated balance sheet

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	**46,741**	36,049
Trade receivables	**8,924**	2,495
Inventories	**1,093**	1,091
Total current assets	**56,758**	39,635
Non-current assets		
Property, plant and equipment	**251,327**	262,992
Right-of-use assets	**2,182**	1,754
Intangible assets	**17,222**	17,474
Total-non-current assets	**270,731**	282,220
Total assets	**327,489**	321,855
Current liabilities		
Trade and other payables	**22,411**	26,732
Lease liabilities	**11**	10
Provisions	**4,261**	3,577
Total current liabilities	**26,683**	30,319
Non-current liabilities		
Trade and other payables	**-**	836
Lease liabilities	**2,702**	1,888
Deferred tax liabilities	**1,058**	1,641
Provisions	**955**	915
Total non-current liabilities	**4,715**	5,280
Total liabilities	**31,398**	35,599
Net assets	**296,091**	286,256
MEMBERS FUNDS		
Retained profits	**296,091**	286,256

14 Parent entity financial information

Summary financial information

The individual financial statements for the parent entity, Western Suburbs (N'cle) Leagues Club Limited, show the following aggregate amounts:

	2022 $'000	2021 $'000
Balance sheet		
Current assets	**70,960**	57,018
Total assets	**279,939**	273,715
Current liabilities	**22,979**	23,260
Total liabilities	**24,479**	24,762
Members' funds		
Retained profits	**255,460**	248,953
Profit for the year	**7,338**	11,492
Total comprehensive income	**7,338**	11,492

15 Financial risk management

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of each reporting period:

	Consolidated	
	2022 $'000	2021 $'000
Floating rate		
Expiring within one year (bank overdraft)	**15,000**	15,000
Corporate market loan facility	**5,000**	5,000

The bank overdraft and the capital market loan facility may be drawn at any time before 31 May 2022.

Interest rate risk

The Group's interest-rate risk arises from cash investments in term deposits and borrowing facilities. Cash balances invested at fixed rates expose the Group to fair value interest-rate risk. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk.

Credit risk

Trade receivables and contract assets
The Group applies the AASB 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

16 Critical accounting estimates and judgements

Management is required to make judgements, estimates and assumptions about reported amounts of assets, liabilities, income and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next period are disclosed where applicable, in the relevant notes to the financial statements.

(a) Estimated impairment of goodwill and indefinite lived intangible assets

The Group tests annually whether goodwill and indefinite lived intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 17(f). The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of assumptions regarding gross margin, growth rates and discount rates applicable to each CGU.

Management have determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

(b) Property, plant and equipment residual values and useful lives

The Group determines the estimated useful lives and related depreciation and amortisation changes for it's property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(c) Calculation of mutuality

The Western Suburbs (N'cle) Leagues Club Limited (the Club) has previously received a ruling from the ATO that confirms it can adopt a methodology, other than the normal member/non-member head count mutuality formula, for certain types of its income that can be applied to determine the taxable income of the Club.

This ruling allows the Club to apply a percentage, calculated annually, based on actual poker machine payouts paid to members and non-members to its profits from poker machines. Profits from poker machines make up a significant portion of the Club's profits.

17 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated group consisting of Western Suburbs (N'cle) Leagues Club Limited and its subsidiaries (the "Group").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. For the purposes of preparing the financial statements, Western Suburbs (N'cle) Leagues Club Limited is a not for-profit entity.

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial statements of the Group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(a) Basis of preparation (continued)

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment and investment properties.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Western Suburbs (N'cle) Leagues Club Limited ('Company' or ' Club') as at 31 January 2022 and the results of all subsidiaries for the year then ended. Western Suburbs (N'cle) Leagues Club Limited and its subsidiaries together are referred to in these financial statements as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for the business combination of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Revenue recognition

(i) Provision of Services - Accommodation

The Group operates motels providing accommodation services. Revenue from the sale of rooms is recognised when the service is provided to the customer as the Group's obligation to the customer is fulfilled upon completion of the customer's stay at the motel.

(ii) Sale of Goods - Food and Beverage

The Group sells a range of food and beverages across its sites. Revenue from the sale of goods is recognised when the Group sells a product to the customer as the obligation of the company is satisfied upon delivery of the product to the customer.

(iii) Provision of Services – Gym

The Group operates gyms providing services to customers. Revenue is recognised over the term of the contract for membership of the customer as this reflects the period of the services being provided. The Group satisfies its performance obligation over the period of the customer's membership as services are rendered.

Gym services are also provided to individuals through fitness programs where the performance obligation of the Group is satisfied upon completion of the customer's visit. Revenue for these visits is recognised at the time of the visit as there are no further performance obligations to satisfy and the service has been performed.

(iv) Provision of Services - Gaming

The Group provides gaming services. Revenue is recognised when the service event has been provided with the performance obligation of the Group satisfied at the completion of the event.

(v) Provision of Services - Sponsorship

The Group generates sponsorship income which is recognised over the period that the sponsorship services are provided. The Group satisfies its performance obligations by performing services in accordance with the customers sponsorship agreement. Payment terms are specific to individual agreements with instalment payments paid at agreed times over the period of time that the performance obligation is being satisfied.

(vi) Government Grants

The Group accounts for grant income in accordance with AASB 1058 Income for Not-for-profit entities. Where the grant income is a cash grant or contribution it is recognised up front, except if it is to construct or acquire an asset. Where it is to construct an asset it is deferred & recognised when the contractual obligations are fulfilled. The Company recognises JobKeeper/Job Saver payments when the payments are received.

(c) Revenue recognition (continued)

(vii) Provision of Services - Football Operations

The Group generates revenue from individual ticket sales to attend football games. Revenue is recognised at a point in time when the game occurs with the performance obligation satisfied upon completion of the game.

Revenue from annual football memberships is recognised over the period of membership (usually 1 November to 31 October) as that is the period to which the performance obligation is satisfied and games are completed.

Income from merchandise sales is recognised at the point in time when the Group sells and delivers the product to the customer as there are no further performance obligations associated with the sale.

(d) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences 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 or loss.

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Western Suburbs (N'cle) Leagues Club Limited and its Australian wholly-owned controlled entity, The Executive Inn Pty Limited is part of a tax consolidated group. The head entity, Western Suburbs (N'cle) Leagues Club Limited, and the controlled entity in the Tax Consolidated Group continue to account for their own deferred tax amounts in relation to temporary differences. These tax amounts are measured as if each entity in the Tax Consolidated Group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Western Suburbs (N'cle) Leagues Club Limited 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 proposed tax funding agreements will be recognised as amounts receivable from or payable to other entities in the Tax Consolidated Group.

The wholly-owned controlled entity, Knights Rugby League Pty Limited is exempt from income tax per section 50-45 of the *Income Tax Assessment Act 1997.*

(e) Leases

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees

The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of photocopiers and small items of office furniture.

(f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(g) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(h) Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method.

Policies for impairment of trade receivables are described at note 17(j)(iv).

(i) Inventories

Trading and accommodation stores are stated at the lower of cost and net realisable value. Cost comprises direct materials cost. Costs are assigned to individual items of inventory on the basis of FIFO. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business.

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the follow measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income [OCI], or through profit or loss), and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI (FVOCI). For investments in debt instruments, this will depend on the business model in which the investment is held.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of comprehensive income.

(j) Investments and other financial assets (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses). Impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iv) Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group bases expected losses on historical credit losses experienced. The Group has experienced no losses with customers and has not observed other indicators of impairment to the receivables. Accordingly, credit losses are estimated to be immaterial and included in note 4(b).

(k) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land owned by the Group and held under long-term lease that is expected to be renewed in the normal course of business is not depreciated. The building assets held by the Group are depreciated down to their recoverable nominal amount. All costs associated with the maintenance and refurbishment of the buildings are expensed. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

The depreciation rates used for each class of asset are as follows:

- Buildings	2.5%
- Plant and equipment	5% to 40%

Depreciation is calculated using the straight-line method to allocate their cost or revalued amount, net of their residual values are their estimated useful lives or in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Building assets are depreciated down to their recoverable nominal amount. All costs associated with maintenance and refurbishments are recognised in the profit or loss.

(l) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Gaming machine licences

Gaming machine licences acquired have an indefinite useful life and those acquired are carried at cost less impairment losses.

(iii) Trademarks

Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation and impairment loss.

(iv) The NRL licence

The NRL licence has an indefinite useful life and is carried at cost less impairment losses.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition and are presented as current liabilities unless payment is not due within 12 months from the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

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

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

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

(o) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

(p) Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liability for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short term employee benefit obligation are presented as payables.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee benefits. They are 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 of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Goods and Services Tax (GST)

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

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

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

(s) Rounding of amounts

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 issued by the Australian Securities and Investments commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars.

(t) Parent entity financial information

The financial information for the parent entity, Western Suburbs (N'cle) Leagues Club Limited, disclosed in note 14 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Western Suburbs (N'cle) Leagues Club Limited.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 33 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 January 2022 and of its performance for the financial year ended on that date, and

(b) 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 directors.

Owen Kilpatrick
President

Geoff Coburn
Director

Newcastle
31 March 2022

Independent auditor's report

To the members of Western Suburbs (N'cle) Leagues Club Limited

Our opinion

In our opinion:

The accompanying financial report of Western Suburbs (N'cle) Leagues Club Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 January 2022 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 January 2022
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 January 2022, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757
Level 3, 45 Watt Street, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199

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 on the other information that we obtained prior to the date of this auditor's report, 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

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C. Mara

Caroline Mara
Partner

Newcastle
31 March 2022