



**BRISBANE BRONCOS LIMITED  
CHAIRMAN'S ADDRESS  
ANNUAL GENERAL MEETING  
15 MAY 2018**

The Brisbane Broncos enter an exciting new chapter in their proud 30-year history with a new facility, the Clive Berghofer Centre, at Red Hill. After more than five years of planning, development and construction phases - we mark our 30 years with this significant milestone. The project was delivered on time and on budget without the need for any external borrowings. The project was supported by all three levels of government and the local community and we are deeply grateful for that support. I would like to acknowledge the efforts of all those involved in the project including Hutchinson Builders, Populous Architects, Gilmore Advisory, our previous Chairman, Dennis Watt, our Chief Financial Officer, Shirley Moro, for her diligent work administering the project from concept to completion and Tain Drinkwater, General Manager – HR, Risk & Compliance, for her role in planning and managing the whole-of-business transition to our new home. And of course, I wish to acknowledge and congratulate our CEO, Paul White, who's vision and tireless efforts have resulted in the successful delivery of this very important project for our Club and our shareholders.

We welcome Qscan to the Broncos family, as long-term tenants at the new facility. Their commitment will ensure that the business has the ability to absorb the new operational costs of the new facility. Thank you to Clive Berghofer for his generosity and commitment to the club. A successful fundraising campaign was undertaken during the year with support of the Australian Sports Foundation and I wish to thank and acknowledge the generous support of all those who have contributed.

On 21 February 2018, the Board of Directors declared a final dividend of three quarters of one cent per share 100% franked to the holders of fully paid ordinary shares for the financial year ended 31 December 2017. The dividend was paid on 11 April 2018.

The Group recorded a 2% decrease in profits after tax for the 31 December 2017 financial year to \$2,747,519. Profits before tax for the 2017 and 2016 financial years were \$4,018,000 and \$4,113,000 respectively. The financial result reflects a strong commercial business and cash

position of the Group impacted by a reduction in interest revenue and increase in depreciation and equipment write-off costs related to the move to our new facility.

The Group recorded gross revenue for the 2017 financial year of \$46,491,485 which is a 10% increase on 2016. Operating revenue increased 10.6% whilst non-operating interest revenue fell 37%.

Revenue was boosted by the increased Club Grant and growth in sponsorship sales. Increased funding for the expanded community programs is reflected in the revenue growth and this is offset with a corresponding increase in costs. Membership sales had a modest increase, corporate hospitality and merchandise sales held steady while gate taking revenue fell slightly impacted by match scheduling.

Home game attendance was down 7% on last year, averaging 31,403. Total corporate sales revenue rose 2%, inclusive of one home final related amounts, with one home final played in both 2017 and in 2016. Total membership numbers increased to 36,298 from 36,203 in 2016 with ticketed membership numbers decreasing to 23,061 and non-ticketed membership numbers increasing to 10,719.

Sponsorship revenues strengthened with 12% growth on the prior year with both years inclusive of finals bonus amounts, website and Broncos Insider sponsorship.

Whilst merchandise sales grew 1%, the gross margin on sales fell 20%, reflecting the competitive nature of the market with our new apparel partner stocked widely across the market. However, the reduction in gross margin is offset with a 32% growth in merchandise royalties related to apparel sales. Going forward, the distribution structure of NRL merchandise royalties is subject to change with a reduction expected over the next five years.

Interest revenue decreased by 37% to \$0.37 million from \$0.58 million in 2016 due to a reduction in average interest rates and a decrease in the average principal amount invested as cash was drawn down and used to pay for this new facility.

Total Group expenditure for the 2017 year was \$42,473,485, an increase of 11% over 2016. Operating costs have increased 10.1% and non-operating costs have increased 129% reflecting accelerated depreciation charges in respect of property, plant and equipment no longer held following relocation of our base at Red Hill and depreciation for the new facility for one month. Total expenditure reflected business-as-usual including the increased spend in resourcing the expanded funded Indigenous and Community Programs.

The directors believe the Group continues to remain in a sound financial position with \$12,060,955 cash assets and \$33,457,040 net assets.

In 2017, the Broncos in the Community program has seen players from the NRL squad participating in visits in the community including to schools and hospitals. In addition, the Beyond the Broncos program continues to support Indigenous students in 25 schools across South East Queensland and Northern New South Wales to increase school attendance and to improve year 12 completions and post school career transitions. In 2017, the Broncos Girls Academy programs was recognised in the Australian Government's Indigenous Education package to celebrate the 50<sup>th</sup> anniversary of the 1967 referendum. The Brisbane Broncos received \$5 million to expand the Girls Academy from 300 to 1,300 students from 2017 to 2019. This will see the program expand west to Cunnamulla and north to Caboolture. All Beyond the Broncos Indigenous programs support the Australian Government's commitment to Closing the Gap in educational and employment outcomes between Indigenous and non-Indigenous Australians.

The Broncos continues to support the Brisbane Broncos Charity Fund and its Charity Partner Program. The program supported 12 Queensland charities in 2017 including AEIOU Foundation, Youngcare and Starlight Foundation. Each charity partner receives support in the form of player appearances, merchandise donations and an allocated home game for promotion.

The term of the current NRL Club Agreement, which was due to expire on 31 October 2018, has been extended for five years to 31 October 2023. Negotiations continue between the NRL and clubs for a proposed new perpetual licence agreement, terms of which include a commitment to transfer ownership of club intellectual property from the NRL to clubs. The NRL and clubs are working to implement the new perpetual licence during 2018.

On behalf of the Board, I wish to recognise the ongoing commitment and efforts of the executive team led by CEO, Paul White, Chief Commercial Officer, Terry Reader, Chief Financial Officer, Shirley Moro, Company Secretary & Salary Cap Manager, Louise Lanigan, General Manager - Football Operations, Scot Czulowski, General Manager – HR, Risk & Compliance, Tain Drinkwater, General Manager – Community & Government Programs, Christine Halliwell and General Manager – Communications & Digital Media, Steele Tallon.

I'd like to make special mention and thanks also to our head coach, Wayne Bennett, all the support staff (the Physios, Doctor, Nutritionists, trainers) and to all the players in the team.

As always our members, sponsors, community participants, fans and supporters are at the heart of everything we do.

In 2018, the club's ongoing focus will be on exploring opportunities to consolidate and grow our standing in the game. All stakeholders of our club can be confident that we are focused and determined to continue to strive for on and off-field success, improve our business model and to grow our reach into the community.