Hawthorn Football Club Limited

ACN 005 068 851

Annual Financial Report

Year ending 31 October 2007

Hawthorn Football Club Limited and its controlled entities

Contents

	Page
Directors' report	3
Lead auditor's independence declaration	7
Income statements	8
Statements of changes in equity	9
Balance sheets	10
Statements of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	29
Audit report	30

Naming rights partner

discover TASMANIA

Principal partner

HSBC
The world's local bank

Major partners

PUMA

mirvac

mbf

Hawthorn Football Club Limited and its controlled entities

Directors' report

For the year ended 31 October 2007

The directors present their report together with the financial report of Hawthorn Football Club Limited ("the Company") and of the Group, being the Company and its controlled entities, for the year ended 31 October 2007 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

J G Kennett (President)	M K Ralston (Vice-President)	J S Allis	J H Dunstall
B C Growcott	G L Harris	MM McKinnon	P A Newbold
G D Cook*			

** Retired as Director during the year and we thank him for his contribution.*

Principal activities

The principal activities of the Hawthorn Football Club Limited are to compete within the AFL, by maintaining, providing, supporting and controlling a team of footballers bearing the name of the Hawthorn Football Club. There were no significant changes in the nature of the principal activities during the year.

Dividends

The Constitution of the Hawthorn Football Club Limited prohibits the Club from the payment of dividends and accordingly no dividends were paid or declared during the year.

Controlled entities

In 2007, the Club is required to present consolidated information. The Consolidated Group comprises the Box Hill Hawks Football Club Limited ("BHHFC") and the HFC CS Fixed Trust. The Club is the only member of the Trustee Company CSFT Limited, and the sole beneficiary of the Trust. Although Hawthorn Football Club does not hold an ownership interest in BHHFC, under the revised Alignment Agreement that took effect from 1 November 2006, the Club has the ability to govern the financial and operating policies of BHHFC; consequently the Club consolidates this entity. The Club's initial investment of $10, in the Trust, is included in non-current investments.

Operating and financial review

The Club is delighted to announce a consolidated operating profit for the year ended 31 October 2007 of $3,603,477 (Company 2006: $308,632). This pleasing result is due to a significant growth in all key revenue areas of the business.

However this profit was achieved with a number of extra-ordinary transactions. These included the $0.569 million profit on sale of the Clubs' Linda Crescent property, and the additional distribution of $1 million from the AFL's new 5-year TV rights deal.

This year's profit is unlikely to be repeated in the 2008 financial year.

The Club allocated an extra $1.3 million to the Football Department in 2007. For 2008 the board has allocated an additional $1.9 million to the Football Department.

The Club is now into its second season at Waverley Park whose facilities are regarded as amongst the best in AFL football.

Tasmania

The Club is thrilled to have secured the Tasmanian Government as our major naming rights partner. The success of the first-year of this five-year partnership has been outstanding and we will continue to foster and develop this relationship over the forthcoming years.

Operating and financial review (continued)
Football Department
The football team's improved performance continues with the Club's on field results securing 14 wins in 2007 (including one final) compared to nine in 2006 and five in 2005. The Club has continued its focus on securing quality youth with strong character through the recruitment of Mitch Thorp, Brent Renouf, Josh Kennedy, Jarryd Morton, and Garry Moss in the 2006 National Draft. The Clubs' successful recruiting strategy over the past 3 years is now seeing the benefits on the field. Our alignment with Box Hill continues to strengthen with the extension of our partnership until the end of the 2011 season.

We salute and thank our senior players who announced their retirement at the end of the year - our Captain, Richard Vandenberg, Ben Dixon, and Joel Smith, for their outstanding contribution.

Commercial Operations
All Commercial areas of the business have had strong growth.

Membership and Marketing have experienced solid growth. Membership has grown from 28,003 in 2006 to 31,064 in season 2007 and continues to be a critical income stream for the Club. The Club will continue to provide the resources to focus on our goal of increased growth in membership around the country including our home away from home in Tasmania.

Sponsorship has increased with our major and most recognised property, the Hawthorn guernsey, being shared between Tasmania and HSBC.

The Club sold the Linda Crescent property during the season and will use the proceeds to substantially assist with the freehold purchase of the public gymnasium on the ground level at Waverley Park. In addition, the opening of the Hawks Museum at Waverley Park later this year will continue to realise the ongoing project of "Hawthorn-ising" our new home.

The Board would like to thank Management and staff for their contributions throughout the 2007 season.

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 company that occurred during the financial year under review.

Environmental regulation
The company's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the Board believes that the company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.
The Club is developing a self sufficient water solution for maintaining the Waverley Park ground.

Likely Developments
Future developments in operations have been referred to in the review of operating entities above.

Events subsequent to Balance Date
Other than the matters discussed above no matters or circumstances have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future years.

Indemnification and insurance of officers and auditors

Since the end of the previous financial year the company has paid insurance premiums of $5,550 (2006: $9,485) in respect of the directors' liability.

The directors have not included details of the nature of the liability covered in respect of the directors' liability insurance contracts; as such disclosure is prohibited under the terms of the contract.

The company has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred for the costs or expenses to defend legal proceedings.

Information on directors

Name	Qualifications	Experience	Special Responsibilities	Date appointed as director
J G Kennett AC		23 years experience in Victorian Parliament, including Premier of Victoria, Chairman of Beyondblue - The National Depression Initiative, Director of various Companies	President - since 14 December 2005	22 August 2005
M K Ralston	Bachelor of Economics	Consultant	Vice-President – since 14 December 2005	22 August 2005
J S Allis		Founding Director – Boost Juice		21 February 2006
J H Dunstall		Former HFC player - 269 VFL/AFL games Media commentator		20 April 2004
B C Growcott	Bachelor of Commerce FCA	Partner – PKF		27 October 1998
G L Harris		Founding Director – Flight Centre		21 June 2004
M M McKinnon	Member of Chartered Institute of Transport	Company Director		29 March 2006
P A Newbold	Bachelor of Economics Bachelor of Laws	Company Director		16 June 2003
G D Cook	Diploma of Travel & Tourism	National Events Manager – HRG Australia		17 December 2001*

** Retired as director during the year*

Hawthorn Football Club Limited and its controlled entities

Directors' report (continued)

For the year ended 31 October 2007

Meeting of Directors

The number of directors' meetings and number of meetings attended by each of the directors of the company during the financial year were:

Name of director	Directors' meetings	
	A	**B**
J G Kennett AC (President)	13	13
M K Ralston (Vice-President)	13	11
J S Allis	13	9
J H Dunstall	13	12
B C Growcott	13	10
G L Harris	13	13
M M McKinnon	13	10
P A Newbold	13	11
G D Cook	9	8

A Reflects the number of meetings held during the time the director held office during the year

B Number of meetings attended

Finance Committee

The Club's finance committee comprises: B Growcott, M Ralston, (Directors) I Robson, T Dillon, G Thornton, T Silvers, (Executives), J Hatherley (Independent Advisor) and meets monthly prior to the board meetings, and is primarily responsible for reviewing the Club's financial position and providing recommendations to the board.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the year ended 31 October 2007.

Signed in accordance with a resolution of the board of directors.

J G Kennett
Director

B C Growcott
Director

Dated at Melbourne this 9th day of November 2007.

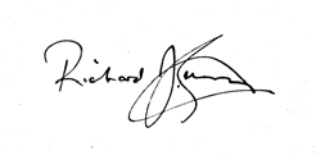
Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Hawthorn Football Club Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 October 2007 there have been:

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

KPMG



Richard J Garvey
Partner

Date at Melbourne this 9th day of November 2007

Hawthorn Football Club Limited and its controlled entities
Income statements

For the year ended 31 October 2007

	Note	Consolidated* 2007 $	The Company 2007 $	The Company 2006 $
Revenue	2	31,781,938	31,330,905	26,277,789
Other income	3	1,174,547	1,182,705	765,398
		32,956,485	32,513,610	27,043,187
Change in inventories of finished goods		(11,880)	(18,348)	(51,180)
Raw material and consumables used		(995,705)	(971,004)	(756,036)
Sponsorship, membership & fundraising expenses		(6,422,371)	(6,379,124)	(5,347,789)
Employee and player expenses		(15,264,985)	(14,983,464)	(13,463,158)
Marketing expenses		(789,902)	(789,902)	(284,997)
Depreciation and amortisation		(387,207)	(369,839)	(360,647)
Impairment losses on leasehold improvements	10	-	-	(870,685)
Borrowing costs		(82,922)	(82,828)	(55,955)
Waverley Gardens administration and management costs		(562,161)	(562,161)	(1,207,500)
Sundry football operations expenses		(1,981,909)	(1,920,965)	(1,561,828)
Other expenses in respect to ordinary activities		(2,853,966)	(2,801,066)	(2,774,780)
		(29,353,008)	(28,878,701)	(26,734,555)
Profit from ordinary activities before related income tax expense		3,603,477	3,634,909	308,632
Income tax expense	1(p)	-	-	-
Profit for the year		3,603,477	3,634,909	308,632

*This is the first year that the Club has been required to consolidate the operations of the Box Hill Hawks Football Club Limited, whose results do not materially effect the Club's stand-alone result.

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 12 to 28.

Hawthorn Football Club Limited and its controlled entities
Statements of changes in equity

For the year ended 31 October 2007

Consolidated	*Note*	Retained earnings $	Fair value reserve $	Total members' equity $
Opening balance at 1 November 2006		6,536,908	62,779	6,599,687
Fair value movement of available for sale financial assets		-	607,548	607,548
Profit for the period		3,603,477	-	3,603,477
Total recognised income and expense for the period		3,603,477	607,548	4,211,025
Closing balance at 31 October 2007		10,140,385	670,327	10,810,712

For the year ended 31 October 2007

Company	*Note*	Retained earnings $	Fair value reserve $	Total members' equity $
Opening balance 1 November 2005		6,196,844	8,625	6,205,469
Fair value movement of available for sale financial assets		-	54,154	54,154
Net profit for the period		308,632	-	308,632
Total recognised income and expense for the period		308,632	54,154	362,786
Closing balance at 31 October 2006		6,505,476	62,779	6,568,255
Opening balance at 1 November 2006		6,505,476	62,779	6,568,255
Contribution of Equity		-	-	10
Fair value movement of available for sale financial assets		-	607,548	607,548
Net profit for the profit		3,634,909	-	3,634,909
Total recognised income and expense for the period		3,634,909	607,548	4,242,457
Closing balance at 31 October 2007		10,140,385	670,327	10,810,722

The Statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 12 to 28.

Hawthorn Football Club Limited and its controlled entities
Balance sheets

As at 31 October 2007

	Note	Consolidated 2007 $	The Company 2007 $	The Company 2006 $
Current Assets				
Cash and cash equivalents	5	2,275,456	2,232,154	2,498,695
Trade and other receivables	6	674,617	592,359	1,215,000
Inventories	7	178,478	172,010	190,358
Other	9	1,841,979	1,838,568	716,891
Total current assets		4,970,530	4,835,091	4,620,944
Non Current Assets				
Trade and other receivables	6	-	140,320	74,247
Investments	8	7,318,470	7,318,480	2,704,375
Property, plant and equipment	10	5,010,110	4,939,965	6,165,260
Total non-current assets		12,328,580	12,398,765	8,943,882
Total assets		17,299,110	17,233,856	13,564,826
Current Liabilities				
Payables	11	2,983,321	2,939,391	2,527,836
Interest bearing loans and borrowings	12	441,626	441,626	396,037
Employee entitlements	13	399,331	377,997	324,639
Other	14	912,299	912,299	1,282,920
Total current liabilities		4,736,577	4,671,313	4,531,432
Non Current Liabilities				
Interest bearing loans and borrowings	12	464,083	464,083	834,146
Employee entitlements	13	7,738	7,738	55,993
Other	14	1,280,000	1,280,000	1,575,000
Total non-current liabilities		1,751,821	1,751,821	2,465,139
Total liabilities		6,488,398	6,423,134	6,996,571
Net assets		10,810,712	10,810,722	6,568,255
Members' Equity				
Contributed equity	20	-	10	-
Reserves		670,327	670,327	62,779
Retained profits		10,140,385	10,140,385	6,505,476
Total members' equity		10,810,712	10,810,722	6,568,255

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 12 to 28.

Hawthorn Football Club Limited and its controlled entities
Statements of cash flows

For the year ended 31 October 2007

	Note	Consolidated 2007 $	The Company 2007 $	The Company 2006 $
Cash flows from operating activities				
Cash receipts in the course of operations		35,313,317	34,916,638	30,094,957
Cash payments in the course of operations		(32,723,185)	(32,401,610)	(29,536,649)
Net cash from operating activities	18	2,590,132	2,515,028	558,308
Cash flows from investing activities				
Interest received	3	78,561	78,561	70,960
Dividends received	3	412,509	412,509	216,209
Payments for property, plant and equipment		(1,135,805)	(1,104,097)	(1,717,646)
Proceeds from sale of property plant and equipment		2,533,000	2,533,000	-
Payments for investments		(5,617,293)	(5,617,293)	(2,252,983)
Proceeds from investments		1,330,663	1,330,663	2,800,679
Net cash (used in)/from investing activities		(2,398,365)	(2,366,657)	(882,781)
Cash flows from financing activities				
Borrowing costs paid		(82,922)	(82,828)	(55,955)
Lease expenses paid		(7,610)	(7,610)	-
Proceeds from borrowings		-	-	1,575,000
Repayment of borrowings		(324,474)	(324,474)	(344,817)
Net cash (used in)/from financing activities		(415,006)	(414,912)	1,174,228
Net (decrease)/increase in cash and cash equivalents		(223,239)	(266,541)	849,755
Cash and cash equivalents at 1 November		2,498,695	2,498,695	1,648,940
Cash and cash equivalents at 31 October	5	2,275,456	2,232,154	2,498,695

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 12 to 28.

Hawthorn Football Club Limited and its controlled entities
Notes to the consolidated financial statements

1. Statement of significant accounting policies

The Hawthorn Football Club Limited (the 'company') is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 9 November 2007.

The significant policies which have been adopted in the preparation of this financial report are :

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian Generally Accepted Accounting Principles ('AGAAP'). The financial report of the company also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial report is presented in Australian dollars. It is prepared on the historical cost basis, except for financial instruments that are available for sale which are stated at fair value.

The preparation of this financial report in conformity with AIFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may different from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

Other than as noted below, accounting standards that have recently been issued or amended but are not yet effective have not been adopted for the annual report ending 31 October 2007. No changes to the current accounting policies are anticipated on application of these issued or revised standards.

The entity has elected to early adopt the following accounting standards and amendments.

- AASB 101 Presentation of Financial Statements (October 2006).

In the prior year, the Club adopted AASB 132 Financial Instruments : Disclosure and Registration, and AASB 139 : Financial Instruments : Recognition and Measurement in accordance with the transitional rules of AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards. This change has been accounted for by adjusting the opening balance of retained earnings and reserves at 1 November 2005, as disclosed in the Statement of Changes in Equity.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

1. Statement of significant accounting policies (continued)

(c) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exits when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated statements.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(d) Property, plant and equipment

Owned Assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1 (i)).

Certain items of property, plant and equipment are measured on the basis of deemed cost, being the revalued amount at the date of revaluation.

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

Leased Assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases and are consequently included as property, plant and equipment with a corresponding liability for future payments. Lease payments are accounted for as described in accounting policy 1 (o).

Subsequent costs

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

1. Statement of significant accounting policies (continued)

(d) Property, plant and equipment (cont)

Depreciation

With the exception of freehold land depreciation is charged to the income statement using a combination of the straight-line and diminishing value methods over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives of each class of asset and comparative period are as follows:

	2007	2006	Method of depreciation
Buildings	25 – 40	25 – 40	Straight line
Building improvements	5 – 40	5 – 40	Straight line
Plant and equipment	3 – 20	3 – 20	Straight line/Reducing balance
Building leasehold improvements	5 – 40	5 – 40	Straight line

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

(e) Investments

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Other financial instruments held by the company are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are sold, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the company on the date it commits to purchase / sell the investments.

(f) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 1 (i)).

(g) Inventories

Inventories comprise clothing, Club merchandise, and food and beverage. All inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated costs of completion and selling expenses. Cost of inventory is based on average cost and incorporates expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(h) Cash

Cash assets are carried at face value of the amounts deposited.

1. Statement of significant accounting policies (continued)

(i) Impairment

The carrying amounts of the company's assets other, than inventories (see accounting policy 1 (g)) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss.

Calculation of impairment loss

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

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

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. As the Club is a not for profit entity, value in use is determined with reference to the depreciated replacement cost of the asset.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

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

1. Statement of significant accounting policies (continued)

(i) Impairment (continued)

Reversals of impairment (continued)

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

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

(j) Interest-bearing borrowings

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

(k) Employee Entitlements

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Long Service Leave

The provision for employee benefits for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as a long service leave expense.

As a result of a federally certified long service leave agreement between the players and the Australian Football League ("AFL"), the Hawthorn Football Club has no obligation for long service leave for players.

Liabilities for wages, salaries and annual leave

Employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date. The provisions are calculated at undiscounted amounts based on remuneration rates the company expects to pay including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the company as the benefits are taken by the employees.

The provisions for employee benefits for wages, salaries and annual leave are treated the same for players and other employees of the company.

1. Statement of significant accounting policies (continued)

(l) Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

(n) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO). No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Sales Revenue

Sales revenue from football activities comprises revenue earned from the sales of memberships, corporate marketing, sponsorships, the sale of merchandise, gate receipts and AFL distributions.

Sales revenue from Waverley Gardens comprises revenue earned (net of returns, discounts and allowances) from gaming machines and provisions of food and beverages.

AFL distribution and prize money

AFL distribution and prize money income is recognised as it is received.

Membership and match day income

Membership income is recognised throughout the duration of the AFL Home and Away season. Match day income is recognised at the conclusion of each AFL home game.

Sponsorship income

Sponsorship income is recognised in the income statement in proportion to the state of completion of the transaction at balance date in accordance with the terms and conditions of the sponsorship contract.

Gaming, bar and bistro revenue

Gaming, bar and bistro revenue is recognised as it is earned.

Donations

Donation income is recognised when an agreement has been signed between the donor and the Club, whereby the donor pledges to contribute cash.

Grant revenue

Grant revenue, including contributions of assets, is recognised when the Club controls the contribution or right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Club; and the amount of the contribution can be measured reliably.

1. Statement of significant accounting policies (continued)

(o) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance lease payments

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

(p) Income Tax

No income tax is payable as the company is an exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act 1997.

(q) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

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

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

(r) Segment note

The Club operates as a constituent member of the Australian Football League.

2. Revenue

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
AFL distribution and prize money	6,703,256	6,703,256	5,467,316
Membership and match day income	6,804,244	6,758,100	6,101,691
Marketing and merchandise income	13,149,248	12,768,804	9,744,043
Gaming, bar and bistro revenue	4,824,891	4,800,461	4,688,451
Donations and special fundraising efforts	300,299	300,284	276,288
Total Revenue	31,781,938	31,330,905	26,277,789

3. Other income

		Consolidated	The Company	
		2007	2007	2006
		$	$	$
Sundry income		65,694	73,852	37,721
Interest income		78,561	78,561	70,960
Dividend income		412,509	412,509	216,209
Net gain/(loss) on sale of non-current assets				
Including investments		48,479	48,479	440,508
Net gain on sale of non-current assets held for sale*		569,304	*569,304	-
Total other income		1,174,547	1,182,705	765,398
Total Revenue	2	31,781,938	31,330,905	26,277,789
Total Revenue and other income		32,956,485	32,513,610	27,043,187

*During the period, the company sold the Linda Crescent Property for $2.5 million for a gain of $569,304.

4. Auditor's remuneration

Audit services:			
Audit Company – KMPG	48,150	48,150	42,000
Audit of AIFRS opening balance sheet	-	-	5,000
Auditors of the company - KPMG	48,150	48,150	47,000
Other Services			
Auditors of the company - KPMG	14,500	14,500	13,000

5. Cash assets

Cash on hand	523,257	522,637	510,055
Cash at bank	507,094	495,486	490,634
Short term deposit	810,731	779,657	30,525
Cash management - UBS	434,374	434,374	1,467,481
	2,275,456	2,232,154	2,498,695

6. Trade and other receivables

Current			
Trade receivables	428,832	401,837	773,505
Other debtors	245,785	190,522	441,495
	674,617	592,359	1,215,000
Non-current			
Amount receivable from related parties:			
Box Hill Hawks Football Club Ltd	-	172,087	172,087
Less : Allowance for impairment	-	(31,766)	(97,840)
	-	140,321	74,247

Trade, other debtors and receivables from related parties are non interest bearing.

7. Inventories

	Consolidated 2007 $	The Company 2007 $	2006 $
Current			
Finished goods	178,478	172,010	190,358

8. Investments

Non-current			
Units in Fixed Trust	-	10	-
Listed equity securities available for sale	7,318,470	7,318,470	2,704,375
	7,318,470	7,318,480	2,704,375

The carrying value of listed equity securities available for sale include a fair value increment of $670,327 (2006:$62,779).

9 Other assets

Current			
Deposit – 5/2 Stadium Circuit	410,000	410,000	-
Prepayments	1,431,979	1,428,568	716,891
	1,841,979	1,838,568	716,891

10. Property, plant and equipment

Consolidated reconciliation	Land buildings & building improvements $	Plant and equipment $	Building leasehold improvements $	Total $
Cost				
Balance at 1 November 2006	4,732,901	3,490,821	32,023	8,255,745
Acquisitions	219,509	765,599	23,816	1,008,924
Disposals	(1,878,352)	(1,124,210)	-	(3,002,562)
Balance at 31 October 2007	3,074,058	3,132,210	55,839	6,262,107
Depreciation				
Balance at 1 November 2006	(122,606)	(1,897,901)	(14,173)	(2,034,680)
Depreciation/amortisation charge for the year	(72,322)	(310,927)	(3,959)	(387,208)
Disposals	114,140	1,055,751	-	1,169,891
Balance at 31 October 2007	(80,788)	(1,153,077)	(18,132)	(1,251,997)
Carrying amounts				
At 1 November 2006	4,610,295	1,592,920	17,850	6,221,065
At 31 October 2007	2,993,270	1,979,133	37,707	5,010,110

10. Property, plant and equipment (continued)

Company reconciliation	**Land buildings & building improvements**	**Plant and equipment**	**Building leasehold improvements**	**Total**
	$	**$**	**$**	**$**
Cost				
Balance at 1 November 2005	1,821,367	2,435,153	1,767,910	6,024,430
Acquisitions	*2,863,312	1,254,335	-	4,117,647
Disposals	(2,738)	(245,098)	(1,745,424)	(1,993,260)
Transfers	50,960	(28,474)	(22,486)	-
Balance at 31 October 2006	4,732,901	3,415,916	-	8,148,817
Balance at 1 November 2006	4,732,901	3,415,916	-	8,148,817
Acquisitions	219,509	757,707		977,216
Disposals	(1,878,352)	(1,124,210)		(3,002,562)
Balance at 31 October 2007	3,074,058	3,049,413		6,123,471
Depreciation and impairment losses				
Balance at 1 November 2005	(81,859)	(1,761,392)	(872,746)	(2,715,997)
Depreciation/amortisation charge for the year	(20,942)	(326,438)	(13,267)	(360,647)
Transfers	(19,822)	8,549	11,273	-
Impairment losses	-	-	**(870,685)	(870,685)
Disposals	17	218,330	1,745,425	1,963,772
Balance at 31 October 2006	(122,606)	(1,860,951)	-	(1,983,557)
Balance at 1 November 2006	(122,606)	(1,860,951)	-	(1,983,557)
Depreciation/amortisation charge for the year	(72,322)	(297,518)	-	(369,840)
Disposals	114,140	1,055,751	-	1,169,891
Balance at 31 October 2007	(80,788)	(1,102,718)	-	(1,183,506)
Carrying amounts				
At 1 November 2005	1,739,508	673,761	895,164	3,308,433
At 31 October 2006	4,610,295	1,554,965	-	6,165,260
At 1 November 2006	4,610,295	1,554,965	-	6,165,260
At 31 October 2007	2,993,270	1,946,695	-	4,939,965

***Acquisitions**

The Waverley Park land, buildings and oval are subject to certain usage restrictions during the term of the redevelopment of the adjacent property.

**** Impairment loss**

In the prior year the Club relocated its operations from Glenferrie Oval to Waverley Park which caused the company to assess the recoverable amount of the leasehold improvement at the Glenferrie site. Based on this assessment, the carrying amount of the leasehold improvements was written off. An impairment loss of $870,685 was included in the income statement.

11. Payables

	Consolidated	The Company	
	2007	2007	2006
Current	$	$	$
Trade payables	1,785,479	1,762,147	1,065,793
Other creditors and accruals	1,197,842	1,177,244	1,462,043
	2,983,321	2,939,391	2,527,836

12. Interest-bearing liabilities

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
Current			
Bank loans	441,626	441,626	396,037
Non-current			
Bank loans	464,083	464,083	834,146

Financing arrangements

The bank loans are secured by a guarantee from the AFL and a fixed charge over specific Waverley Park plant and equipment. Interest is charged on the loans at fixed and variable rates.

13. Employee entitlements

	Consolidated	The Company	
	2007	2007	2006
Current	$	$	$
Liability for annual leave	312,606	301,691	281,007
Liability for long service leave	86,725	76,306	43,632
	399,331	377,997	324,639
Non-current			
Liability for long service leave	7,738	7,738	55,993

13. Employee benefits (continued)

Defined contribution superannuation funds

The company makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $726,980 for the financial year ended 31 October 2007 (2006: $640,832).

14. Other liabilities

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
Current			
Unearned revenue	912,299	912,299	1,282,920
Non-current			
Unearned revenue	1,280,000	1,280,000	1,575,000

Multi-year non-cash sponsorship agreements

The Club entered into an 8 year sponsorship agreement in 2006 as part of the acquisition of the Waverley Park premises. The asset relating to the sponsorship has been recognised based on the undiscounted fair value of the sponsorship benefits provided by the Club under the agreement. Revenue relating to the expired portion of the sponsorship is recognised within the income statement as detailed in note 1(n) on an annual basis, with the unexpired income included above.

15. Commitments

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
(a) Operating lease commitments			
Non-cancellable operating lease rentals are payable:			
Within one year	804,816	804,876	421,070
Between one and five years	1,829,021	1,829,021	850,891
More than five years	7,111,514	7,111,514	5,179,543
	9,745,351	9,745,411	6,451,504

During the year $801,595 was recognised as an expense in the income statement in respect of operating leases (2006: $652,838). Long term operating lease commitments relate to retail rental agreements in place relating to the Waverley Gardens venue.

15. Commitments (continued)

(b) Player commitments

Due to the contract terms varying considerably amongst players it is not practical to reliably measure the future commitments under player contracts.

(c) Capital Commitments

On 26 September 2007, the Club purchased the gymnasium at 5/2 Stadium Circuit, Mulgrave at auction for $4,100,000 (exclusive of GST). A deposit of $410,000 was paid; settlement of the remaining balance of $3,690,000 will be paid on 26 November 2007. Only the deposit has been recorded in the financial statements and is included in other assets (Note 9)

(d) City Oval Redevelopment

During the year the Hawthorn Board resolved to contribute $150,000 to the re-development of City Oval, the home ground of the Box Hill Hawks Football Club Limited. The contribution is part of a joint funding agreement between the Box Hill Hawks Football Club Limited, Hawthorn Football Club, Football Victoria, Victorian State Government, and the City of Whitehorse. In addition to the Club's contribution, Box Hill Hawks have committed to $250,000. The consolidated entities contribution of $400,000 is conditional on finalisation of a satisfactory lease arrangement with the City of Whitehorse, the timing of which is expected to occur within the next twelve months.

16. Related parties

Transactions with directors

During the year the directors purchased Club membership packages, finals tickets, attended Club functions, made donations and contributed towards fundraising auctions. The terms and conditions of the transactions with the directors and their director related entities were no more favourable than those available, or which might be reasonably expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Transactions with key management personnel

In additional to their salaries, the company also provides non-cash benefits to key management personnel and contributes to a post-employment defined contribution superannuation fund on their behalf.

Key management personnel compensation

The key management personnel compensation included in 'employee and player expenses' in the income statement are as follows:

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
Short term employee benefits	1,454,575	1,454,575	1,340,762
Post employment benefits	-	-	86,812
	1,454,575	1,454,575	1,427,574

Other related parties

Amounts receivable from other related parties are shown in note 6 of the Company financial statements.

During the year, the Club made operating payments totalling $169,000 to the Box Hill Hawks Football Club Limited. These payments are made in accordance with the Alignment Agreement, and have been eliminated in the consolidated financial statements.

17. Financial instruments

Exposure to interest rate and credit risks arise in the normal course of the company's business.

(a) Interest rate risk

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice:

2007

	Note	Weighted average Interest rate	Floating interest rate	1 year or less	1 – 5 years	More than 5 yrs	Non interest bearing	Total
			$	$	$	$	$	$
Financial assets								
Cash and cash equivalents	5	4.90%	1,709,517	-	-	-	522,637	2,232,154
Investments	8		-	-	-	-	7,318,470	7,318,470
			1,709,517	-	-	-	7,841,107	9,550,624
Financial liabilities								
Interest bearing loans and borrowings	12	6.67%	-	441,626	464,083	-	-	905,709
			-	441,626	464,083	-	-	905,709

2006

	Note	Weighted average interest rate	Floating interest rate	1 year or less	1 – 5 years	More than 5 yrs	Non interest bearing	Total
Financial assets			$	$	$	$	$	$
Cash and cash equivalents	5	4.90%	1,988,640	-	-	-	510,055	2,498,695
Investments	8		-	-	-	-	2,704,375	2,704,375
			1,988,640	-	-	-	3,214,430	5,203,070
Financial liabilities								
Interest bearing loans and borrowings	12	6.69%	-	396,037	834,146	-	-	1,230,183
			-	396,037	834,146	-	-	1,230,183

On a consolidated basis, cash and cash equivalents in the current year would have been $43,302 higher, investments and financial liabilities remain unchanged.

(b) Credit risk exposures

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

17. Financial instruments (continued)

(c) Fair values

Estimation of fair values

The directors consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities with standard terms and conditions on active liquid markets are determined with reference to quoted market prices.

18. Notes to the statement of cash flows

	Consolidated	The Company	
	2007	2007	2006
	$	$	$
Reconciliation of net cash provided by operating activities to operating profit after income tax			
Operating profit after income tax	3,603,477	3,634,909	308,632
Add/(less) non cash items:			
Depreciation	387,207	369,839	347,380
Amortisation	-	-	13,267
Impairment losses	-	-	870,685
Non cash revenue	(334,212)	(334,212)	(96,667)
Add/(less) items classified as investing/ financing activities			
Profit on sale of fixed assets including investments	(644,783)	(644,783)	(440,508)
Non cash revenue included in plant and equipment	-	-	(540,000)
Change in assets and liabilities:			
Decrease/(increase) in trade debtors	597,469	556,567	501,991
Decrease/(increase) in other assets	(1,124,369)	(1,121,677)	(339,071)
Decrease/(increase) in inventory	11,880	18,348	51,180
Increase/(decrease) in trade creditors & accruals	455,385	411,555	(84,947)
Increase/(decrease) in employee provisions	18,699	5,103	96,623
Increase/(decrease) in other liabilities	(380,621)	(380,621)	(130,257)
Net cash provided by/(used in) operating activities	2,590,132	2,515,028	558,308

19. Contingencies

(a) Contingent receivables

AFL distribution from sale of Waverley Park

Following the sale of the original Waverley Park property to Mirvac, the AFL advised the company that it will distribute the final sale proceeds of $250,000 on 15 October 2008. The Club has been advised that this payment is conditional upon, and subject to certain conditions, accordingly the $250,000 has not been brought to account as revenue as the Club has not gained control of the remaining proceeds and the right to receive the proceeds does not exist until each condition is met at the payment dates. This is in accordance with Accounting Standard AASB 1004 Contributions.

On 15 October 2007 the company received the sixth and penultimate instalment of $250,000 (2006: $300,000). This amount has been treated as revenue in the 2007 year.

20. Contributed equity

Hawthorn Football Club Limited is a company limited by guarantee only and therefore does not have share capital. The amount capable of being called up only in the event of, and for the purpose of, the winding up of the Club is limited to $2 per member, subject to the provisions of the company's constitution.

21. Group entities

Hawthorn Football Club is the parent entity of the Group, which comprises Box Hill Hawks Football Club Limited ("BHHFC") (a company limited by guarantee), and the HFC CS Fixed Trust ("HFCFT"). The Club is the only member of the Trustee Company, CSFT Limited, and the sole unitholder of the Trust. Both BHHFC and the CSFT Limited were incorporated in Australia.

Although Hawthorn Football Club does not hold an ownership interest in Box Hill Hawks Football Club Limited, under the revised Alignment Agreement that took effect from 1 November 2006, the Club has the ability to govern the financial and operating policies of the BHHFC; consequently, the Club consolidates this entity.

As the Box Hill Hawks Football Club Limited, and HF CS Fixed Trust only became group entities during the 2007 year financial year, prior year consolidated financial information has not been presented.

The Club's initial investment of $10 capital in the Trust is carried at cost and is included in non-current investments.

22. Subsequent events

Other than the matters referred to above or elsewhere in this financial report, no matters or circumstances have arisen since 31 October 2007 that will significantly affect, or may significantly affect, the operations of the company, the results of the operations, or the state of affairs of the company in subsequent years.

23. Other information

Registered office

3/2 Stadium Circuit
Mulgrave, Victoria, Australia 3170

Hawthorn Football Club Limited, incorporated and domiciled in Australia, is a company limited by guarantee.

Directors' declaration

1. In the opinion of the directors of Hawthorn Football Club Limited ("the Company") and its controlled entities:

    (a) the financial statements and notes, set out on pages 10 to 28, are in accordance with the Corporations Act 2001, including:

        (i) giving a true and fair view of the financial position of the Company and the Group as at 31 October 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

        (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

    (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.

Dated at Melbourne this 9th day of November 2007.

Signed in accordance with a resolution of the directors:

J G Kennett
Director

B C Growcott
Director

Independent Audit report to the members of the Hawthorn Football Club Limited and its controlled entities

Scope

We have audited the accompanying financial report of Hawthorn Football Club (the Company), which comprises the balance sheets as at 31 October 2007 and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration set out on pages 12 to 29 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Auditor's opinion

In our opinion:

(a) the financial report of Hawthorn Football Club is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 October 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

KPMG

Richard J Garvey,
Dated at Melbourne, on 9th November 2007