



ANNUAL REPORT

2015





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CHAIRMAN'S REPORT

As we embark on our journey to deliver on our vision to be the most respected, inclusive and successful sporting organisation both on and off the field, it is important to reflect on our starting point in 2015.

There is no doubt the past three years have been some of the most difficult and challenging in our 144 year history.

Despite this, our members, staff and players have remained resilient and focused, and during this period, we have delivered a number of outstanding achievements including:

- the completion of the True Value Solar Centre - our industry leading training and administration facility
- record membership levels, with over 60,000 members
- record revenue, driven through strong commercial partnerships and stakeholder relationships
- an improved corporate governance framework
- a strong financial position with a manageable debt level

However, we are also aware there are several areas of our organisation that have fallen short of our expectations and consequently we have a lot of hard work ahead of us to develop a more sustainable and successful professional sporting model, capable of delivering consistent top four performances across key on and off field measures.

In recent months, we have finalised our strategic vision and plan for the next three years.

Our key objectives from the 'Our Pattern for Success' strategic document are to achieve top four results in the following key areas:

- On field performance
- Membership number and yield
- Net football related revenue
- Fan engagement - match and non match day

In order to achieve these outcomes, the Club has outlined a number of key priorities:

- Increase focus on building a great football program capable of delivering consistent top 4 performances
- Develop a list management strategy and development program aligned to the football program
- Increase member and fan engagement through greater insights & access
- Increase our community focus to re-affirm Essendon Football Club as the industry leader
- Re-establish the Essendon brand with a clearly defined brand proposition
- Increase focus on and engagement with past players
- Establish a new 'Blockbuster' game that delivers over 80,000 attendees annually



- Develop a strategy and master plan for a complete outcome of True Value Solar Centre and surrounds
- Reinvigorate Windy Hill and leverage investments

As a club, we recognise that it is imperative we continue to focus on:

- Getting our core business right - ensuring we maximise our opportunities within our existing revenue streams, and develop a football program that will deliver sustained on field success.
- Sustain and continuously drive a strong culture of excellence - underpinned by robust governance frameworks, practices and training.
- Invest in people, programs and brand - whilst we realise our goal of eradicating debt through managed investment decisions, we will continue to invest in our staff welfare and development, enhanced football and community programs and brand regeneration.
- Planning for growth - Identifying new commercial and investment opportunities compatible with the club's financial resources.

Despite the challenges we have faced, there is a great sense of optimism and excitement about the future, both long and short term.

Finally, as you know, I will be standing down as Chairman at the end of this year. It has been a privilege to be the Chairman of this great club. In my time as Chairman, the Board has worked tirelessly to clear our players' names and at the same time continue to build a stronger and more successful Essendon Football Club.

Our vision is to make our members proud by becoming the most respected, inclusive and successful club in Australian sport.

I firmly believe the foundations have been laid to achieve our aim in the coming years and although I will not be involved in a formal capacity with the club next year, I will be watching games from the grandstand and cannot wait to see our new coach and our new look team on the field. I am excited about the future for our club and am very confident success is just around the corner.

Paul Little AO
Chairman
Essendon Football Club

CEO'S REPORT

"I'M EXCITED ABOUT THE DEVELOPMENT AND COMPETITIVE MINDSET OF OUR YOUTH"

2015 was a season that failed to deliver the on-field results we were all hoping for.

Although there were a number of legitimate factors which had an impact on our performance, as an organisation we must strive to improve our football program.

While wins were few and far between, there were still a number of positives that are worth celebrating.

I'm excited about the development and competitive mindset of our youth. Zach Merrett, Joe Daniher, Orazio Fantasia, Jayden Laverde, Kyle Langford, Shaun Edwards, Marty Gleeson and Conor McKenna all stepped up and wore the Essendon guernsey with pride. What they gave away in experience, they made up in determination and youthful flair. Add to the mix four selections inside the top 25 at this year's National Draft, and our future is looking bright.

The unwavering support and passion of the Essendon family has been nothing short of amazing. To set a new membership record this season was incredible. To see the stands full of red and black supporters each week was not lost on anyone at the Club, especially our players. They love playing for you, and I ask you to continue to stand behind them in 2016. Our challenge is to make you, our fans, proud again, and we will be doing everything in our power to achieve this.

I firmly believe we have taken a number of proactive steps to ensure a positive future for our Club. The first was to conduct an honest review into our football department. This was an exhaustive and thorough process but one which was necessary if we're to build a football program that has the necessary foundations to deliver sustained success.

The review revealed we must invest in resources which will build an elite sporting environment for our players, coaches and staff to operate within. This will see the creation of new roles, procedures, and player development and education programs.

We have also identified a need for a number of structural changes. The most notable is streamlining the GM Football Performance and GM Football Operations roles into a single General Manager of Football to ensure more effective communication and streamlined reporting. The GM of Football will be responsible for holding the department accountable to the short and long term strategic vision of the football Club. Current GM Football Operations, Rob Kerr, has been appointed to the role of GM of Football role for the 2016 season. If you want to read about the football review in detail, please head to essendonfc.com.au.

I believe the appointment of John Worsfold as our Senior Coach for



the next three seasons is also a crucial step in our journey towards creating the next period of success for the Essendon Football Club. John brings a wealth of experience to the Club, including the ability to build a list capable of achieving premiership success.

We had a really strong field of candidates apply for the senior coaching position, and after a thorough and exhaustive process the sub-committee chose John as their preferred candidate.

John's philosophy and passion across a range of key elements including the football program and broader operations of the Club, best aligned with our selection criteria and the current position of our list. Importantly John has a long term vision for the Football Club. His 'whole of Club' approach is focused on building a culture of sustained success amongst the players and administration. We look forward to seeing his coaching style and philosophy rub off on our players over the coming summer months.

The changes we have made will not guarantee finals success next season. We are investing in a long term solution. Essendon is a great Club, and to ensure it can achieve greatness again, we must remain united. We don't deserve to be successful, we must earn that right.

Thank you for your support in 2015, and I look forward to seeing you at the football very soon.

Xavier Campbell
CEO
Essendon Football Club

FINANCE DIRECTOR'S REPORT

On behalf of the Board I have pleasure in presenting the Financial Report of the Club for the year ended 31 October 2015.

TRADING RESULTS

The Club has reported a net loss of \$1,336,354 compared to a profit of \$721,517 in the previous year.

This is indicative of a difficult year in which the combination of tough economic conditions, the ongoing WADA saga and disappointing on-field performance have had a negative impact upon many of our major revenue items.

Even in these circumstances, the Club has continued to generate strong cash flows, as evidenced by our Earnings before Depreciation and Amortisation. This is critical as we move to eliminate our debt over the next few years.

	2015	2014
	\$	\$
Net (Loss)/Profit for the year per Statement of Comprehensive Income	(1,336,354)	721,517
Add Depreciation and Amortisation	<u>3,294,891</u>	<u>3,254,466</u>
Earnings before Depreciation and Amortisation	<u>1,958,537</u>	<u>3,975,983</u>

Some of the key factors which affected the Club's result for 2015 were:

- Our members continued to be hugely supportive, with the record membership of 60,819 producing an increase in net membership revenue of \$186,000.
- Unfortunately, the decline in our on field performance saw our match receipts and merchandise sales reduce by a total of \$670,000.
- Donations and grants reduced by \$366,000.
- Net legal and other expenses relating to the ASADA/WADA investigations amounted to \$461,000, in addition to which we incurred \$200,000 to field top-up players for the pre-season competition.
- Other Football Department expenses increased by \$1,610,000.
- The AFL Equalisation Levy amounted to \$270,000
- The Windy Hill and Melton venues and the Windy Hill Fitness Centre increased their net revenues by \$420,000.
- The difficult economic conditions resulted in an increase of \$117,000 in the amount charged to the provision for doubtful debts.



FINANCIAL POSITION

At 31 October 2015, the net assets of the Club were \$37,278,974 (2014 \$38,415,328).

Gross borrowings in relation to the True Value Solar Centre were \$5 million, offsetting which was cash at bank of \$848,000. We continue to have access to further undrawn facilities of \$2,935,000.

LOOKING AHEAD

Despite the disappointing result in 2015, the Club remains in a strong financial position.

The last three years have seen very significant one-off costs and pressure on our revenues directly or indirectly related to the ASADA investigation. With the end of the saga now in sight and with some very positive developments on the football front, we are entitled to be optimistic about our financial results going forward. Our objective continues to be to repay borrowings within a reasonable timeframe.

On behalf of the Board, I would like to thank all of our members, sponsors and other stakeholders for their support during 2015. In particular I would like to acknowledge our staff, who have not only performed their roles with distinction, but have also been committed to achieving tight financial discipline.

Paul Brasher
Finance Director



DIRECTORS' REPORT

Your directors submit their report on Essendon Football Club (the 'Company') for the financial year ended 31 October 2015.

1. DIRECTORS

The names of the directors in office at any time during or since the end of the year are:

P. Little (Chairman)	J. Albert (resigned 15 December 2014)	P. Brasher	G. Brown (resigned 4 March 2015)	P. Cousins (appointed 15 December 2014)
K. Egan (resigned 15 December 2014)	C. Heffernan	D. Jackson (resigned 5 October 2015)	C. Lio (appointed 15 December 2014)	S. Madden
A. Muir (appointed 10 March 2015)	P. Pryor (resigned 5 March 2015)	L. Tanner (appointed 10 March 2015)		

All of these directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

2. PRINCIPAL ACTIVITY

The principal activity of the Company during the course of the financial year was to conduct the Essendon Football Club and manage its affairs and to promote the Australian game of football, and there was no significant change in the nature of that activity during the financial year.

3. OBJECTIVES AND STRATEGIES OF THE COMPANY

Our objective is to establish a sustainable professional sporting club model that will deliver consistent top 4 performance in all key on and off field measures.

The Company's short term (2016) objectives are to:

- continue to focus on building a strong football program capable of delivering top 4 performance
- implement a list management strategy and development program aligned to football program
- increase member and fan engagement through greater insights and unique access
- increase our community focus to re-affirm ourselves as the industry leader
- re-establish our brand with a clearly defined brand proposition
- increase our focus and engagement with past players and officials
- establish a new 'Blockbuster' game that delivers over 80,000 attendees annually.

The Company's medium term (2017-2019) objectives are to:

- enhance our fabric and embed a consistent, enduring and widely respected culture
- achieve top 4 results in on-field performance, membership, net football related revenue and fan engagement
- drive increased returns from football related revenue to fund a well managed and progressive football program
- eradicate debt through increased returns on current investment and identify new income streams
- develop a strategy and master plan for a complete outcome of the True Value Solar Centre and surrounds
- determine the next growth strategy to underpin 2020 and beyond.

Our long term vision is to be the most successful, inclusive and respected club in Australian sport – the benchmark club both on and off field.

4. OPERATING RESULT

For the year ended 31 October 2015 the Company had an operating loss of \$1,336,354 (2014: profit \$721,517).

5. MEETINGS OF DIRECTORS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year are:

NAME OF DIRECTOR	DIRECTORS' MEETINGS		AUDIT, RISK & INTEGRITY COMMITTEE MEETINGS	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
J. Albert	2	2	1	1
P. Brasher	16	15	4	4
G. Brown	5	-	-	-
P. Cousins	14	14	3	3
K. Egan	2	2	-	-
C. Heffernan	16	14	-	-
D. Jackson	15	14	-	-
K. Lio	14	14	-	-
P. Little	16	16	-	-
S. Madden	15	15	-	-
A. Muir	10	10	-	-
P. Pryor	5	4	1	1
L. Tanner	10	10	3	3

6. INFORMATION ON CURRENT DIRECTORS

PAUL LITTLE AO – CHAIRMAN
FAICD, FCIT

Paul joined the Board in 2011 and became Chairman in 2013. Paul was Managing Director of Toll Holdings from 1986 to 2011. He is Chairman and Founder of the Little Group, a Director of The Little Foundation, Little Projects, Little Real Estate and Property Exchange Australia (PEXA). Paul won the inaugural Trans-Tasman Business Leader Award in 2005, the CA/ Zurich Business Leader Award in 2002 and in 2008 he was awarded the Doctor of Business (Honoris Causa) by RMIT University. In 2010 Paul received an Officer of the Order of Australia for service to the transport and logistics industries and to the community.

PAUL BRASHER – FINANCE DIRECTOR & DEPUTY CHAIRMAN
Bachelor of Economics (Hons), FCA, FAICD

Paul was appointed to the Board in October 2011 and is Deputy Chairman and Finance Director of the Club, Chairman of the Audit, Risk & Integrity Committee, and a member of the Nominations Committee. Paul was a Partner in the accounting and professional services firm PricewaterhouseCoopers from 1982 to 2009. He chaired the Australian firm and was Chairman of the global Board of PwC from 2005 to 2009. Paul is Chairman of Incitec Pivot Limited and a Director of Amcor Limited. He was previously Chairman of the Reach Foundation and a number of other philanthropic organisations and a Board member of the Victorian Arts Centre Trust.

PAUL COUSINS

Paul was elected to the Board in December 2014. Following a successful stint in hospitality management, Paul spent several years in IT management and business development with an accounting and financial services firm, before starting the small digital agency, Web Initiatives, in 2004. Managing a diverse client base ranging from small to large business and government agencies, Paul has spent the past 10 years growing his business by building strong client relationships while focussing primarily on the areas of the website design and development, social media, marketing and web hosting.

CHRIS HEFFERNAN

Bachelor of Business (Admin), Master of Applied Finance

Chris joined the Board in October 2011, and is the Club's Football Director and a member of the Nominations Committee. He played 170 senior AFL matches and was a member of the Club's 2000 premiership team. After retiring from football in 2007, Chris worked with Deutsche Bank's funds management business in New York for three years, before returning to Melbourne in 2011 to join Ernst & Young. Currently an Associate Director in the Mergers and Acquisitions team at Ernst & Young, Chris provides advice to large private and ASX listed companies on acquisitions, mergers, capital raisings and business divestments.

CATHERINE (KATIE) LIO

Diploma of Business, Bachelor of Communications

Katie was elected to the Board in December 2014. She has spent the last nine years working in digital media for Telstra Media. She has spent her career managing external and internal stakeholders, participating in and chairing steering committees, managing digital products and executing large scale campaigns. Her present role entails being on the cusp of emerging technologies and harnessing them to enhance every aspect of customer experience.

SIMON MADDEN

Diploma of Teaching, Grad Dip. Special Ed.

Simon was elected to the Board in 2013. He played 378 games for the Club and played in the 1984-85 premiership teams. He is a Life Member of the Essendon Football Club, AFL and AFL Players Association. He is also a member of the Essendon Hall of Fame and the AFL Hall of Fame. Originally a teacher, Simon has worked in business for 19 years. He runs his own business-coaching consultancy, Winning Pty Ltd, working in high performance, leadership development, team development and cultural improvement. He has previously been the President and a Director of the AFL Players Association.

ANDREW MUIR

Andrew joined the Board in 2015. He is a successful business leader, thought leader and philanthropist who has served as Executive Chairman of The Good Guys since 2005 after serving as CEO of The Good Guys from 1993. Andrew is also the Chairman of The Good Foundation - promoting good health and nutrition, including operating Jamie's Ministry of Food Australia. Andrew is a lifelong Essendon supporter with over 25 years of retail experience.

LINDSAY TANNER

Bachelor of Laws, Master of Arts

Lindsay joined the Board in 2015. He was MP for Melbourne in the Australian Parliament from 1993 to 2010 and Finance Minister from 2007 to 2010. Currently, he works as a special advisor to Lazard, a financial advisory and asset management firm and is also a Board member for Virgin International Australia and chairs the Mitchell Institute for Health and Education Research. Lindsay was previously the Club's Number One Ticket Holder from 2009-2010.

7. AUDITOR INDEPENDENCE

The Board of Directors, in accordance with advice from the Audit, Risk & Integrity Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of all non-audit services is reviewed and approved by the Audit, Risk & Integrity Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 October 2015:

	\$
Taxation services	21,080
Other assurance services	32,500
	<u>53,580</u>

AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration has been provided by the Company's auditor, Grant Thornton Audit Pty Ltd. This is set out on page 8 of this financial report.

8. MEMBERS' GUARANTEE

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$20 towards meeting any outstanding obligations of the Company. At 31 October 2015 the number of members was 60,819 (2014: 60,716).

Signed in accordance with a resolution of the Board of Directors.



P. Little
Director



P. Brasher
Director

Signed this 10th day of November, 2015.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (1) the financial statements and notes, as set out on pages 9 to 15, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 October 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements in Australia (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (2) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the Board of Directors.



P. Little
Director



P. Brasher
Director

Signed this 10th day of November, 2015.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ESSENDON FOOTBALL CLUB

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of the Essendon Football Club for the year ended 31 October 2015, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor's 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.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A. J. PITITTO
Partner - Audit & Assurance

Melbourne, 10 November 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Essendon Football Club,

We have audited the accompanying financial report of the Essendon Football Club (the "Company"), which comprises the statement of financial position as at 31 October 2015, the statement of profit or loss and other comprehensive income, statement of changes in member funds and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001. The Directors' responsibility also includes 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to 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 Company's preparation of the financial report that gives a true and fair view 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 Company'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

AUDITOR'S OPINION

In our opinion the financial report of the Essendon Football Club is in accordance with the Corporations Act 2001, including:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A. J. PITITTO
Partner - Audit & Assurance

Melbourne, 10 November 2015

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ESSENDON FOOTBALL CLUB ABN 22 004 286 373
**STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2015**

	Note	2015 \$	2014 \$
Revenues from operations	3(a)	58,202,992	60,909,921
Expenses from operations	3(b)	(59,539,346)	(60,188,404)
NET (LOSS)/PROFIT FROM OPERATIONS		<u>(1,336,354)</u>	<u>721,517</u>
OTHER COMPREHENSIVE INCOME			
Item that cannot be reclassified to profit or loss: Gains on property revaluation	7	200,000	-
OTHER COMPREHENSIVE INCOME FOR YEAR		<u>200,000</u>	<u>-</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(1,136,354)</u>	<u>721,517</u>

STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2015

	Note	2015 \$	2014 \$
CURRENT ASSETS			
Cash and cash equivalents	14(a)	1,176,789	1,771,706
Trade and other receivables	4	1,856,906	2,677,321
Inventories	5	447,136	595,374
Other assets	6	741,971	1,044,720
TOTAL CURRENT ASSETS		<u>4,222,802</u>	<u>6,089,121</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	42,735,103	44,256,115
Intangibles	8	2,495,098	2,862,402
TOTAL NON-CURRENT ASSETS		<u>45,230,201</u>	<u>47,118,517</u>
TOTAL ASSETS		<u>49,453,003</u>	<u>53,207,638</u>
CURRENT LIABILITIES			
Trade and other payables	9	4,265,632	5,076,961
Employee benefits	10	1,315,097	1,265,704
Income in advance	11	100,146	192,609
Other financial liabilities	12	666,761	618,609
TOTAL CURRENT LIABILITIES		<u>6,347,636</u>	<u>7,153,883</u>
NON-CURRENT LIABILITIES			
Trade and other payables	9	-	1,100,000
Employee benefits	10	122,684	164,506
Other financial liabilities	12	703,709	1,373,921
Borrowings	13	5,000,000	5,000,000
TOTAL NON-CURRENT LIABILITIES		<u>5,826,393</u>	<u>7,638,427</u>
TOTAL LIABILITIES		<u>12,174,029</u>	<u>14,792,310</u>
NET ASSETS		<u>37,278,974</u>	<u>38,415,328</u>
MEMBERS' FUNDS			
Accumulated funds		33,645,912	34,982,266
Asset revaluation reserve		3,633,062	3,433,062
TOTAL MEMBERS' FUNDS		<u>37,278,974</u>	<u>38,415,328</u>

**STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR
ENDED 31 OCTOBER 2015**

	Asset Revaluation Reserve	Accumulated Funds	Members' Funds
	\$	\$	\$
BALANCE AT 31 OCTOBER 2013	<u>3,433,062</u>	<u>34,260,749</u>	<u>37,693,811</u>
Profit for the year	-	721,517	721,517
Other comprehensive income	-	-	-
Total comprehensive income	-	721,517	721,517
BALANCE AT 31 OCTOBER 2014	<u>3,433,062</u>	<u>34,982,266</u>	<u>38,415,328</u>
Loss for the year	-	(1,336,354)	(1,336,354)
Other comprehensive income	200,000	-	200,000
Total comprehensive (loss)/income	200,000	(1,336,354)	(1,136,354)
BALANCE AT 31 OCTOBER 2015	<u>3,633,062</u>	<u>33,645,912</u>	<u>37,278,974</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2015

	Note	2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, sponsors, supporters and other operations		56,868,940	59,015,276
Receipts from grants and donations		1,694,746	2,060,504
Payments to suppliers, employees and players		(57,223,461)	(58,093,455)
Finance costs		(185,160)	(246,368)
Interest received		208,829	241,589
NET CASH FLOWS FROM OPERATING ACTIVITIES	14(b)	<u>1,363,894</u>	<u>2,977,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(1,213,368)	(2,480,138)
Payments for gaming entitlements		(745,443)	(844,228)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(1,958,811)</u>	<u>(3,324,366)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents		(594,917)	(346,820)
Cash and cash equivalents at beginning of the financial year		1,771,706	2,118,526
CASH AT END OF THE FINANCIAL YEAR	14(a)	<u>1,176,789</u>	<u>1,771,706</u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2015

1. ESSENDON FOOTBALL CLUB

Essendon Football Club (the "Company") is an unlisted public company limited by guarantee, incorporated in Australia, with a registered office and principal place of business at 275 Melrose Drive, Melbourne Airport, Victoria 3045. The liability of each member of the Company is limited to \$20.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Essendon Football Club (the "Company") is an unlisted public company limited by guarantee and incorporated and domiciled in Australia. The Financial Report of the Company was authorised for issue by the Directors on 10 November 2015. The Company is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. Actual results may differ from these estimates.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Going concern basis of accounting

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

At 31 October 2015 the Company had incurred an operating loss of \$1,336,354 and had net current liabilities, being current assets less current liabilities, of \$2,124,834 (2014: \$1,064,762).

The Directors have considered the position of the Company and consider that the going concern basis is appropriate for the preparation of the financial report due to the following factors:

- i) 2016 forecast which shows positive contributions and cashflows;
- ii) continued support of the Company's bankers which the Company expects to continue to receive; and
- iii) unused finance facilities available to the Company.

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

(a) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for

the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the Company.

No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Annually, the Directors assess inventory balances for impairment.

(c) Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets. Trade and other receivables of the Company fall into this category.

Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables of the Company fall into this category.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Profit or Loss.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in Profit or Loss.

(d) Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent or Directors' valuation, less, where applicable, any accumulated depreciation or amortisation and impairment losses.

Land

Freehold land is shown at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on an annual valuation by external independent valuers. Land is not depreciated.

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and decreases to the extent such decreases relate to an increase on the same asset previously recognised in equity.

Plant and equipment/Leasehold improvements

Plant and equipment and leasehold improvements are measured at cost less depreciation and impairment losses.

The depreciable amounts of all fixed assets including leasehold improvements, but excluding freehold land, are depreciated on a straight line basis over their useful lives to the Company, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate
Leasehold improvements	3% - 20%
Plant & equipment	10% - 33.3%

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.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and 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 values.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to Profit or Loss.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year (benefits arising from wages and salaries and annual leave) have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Probabilities have been applied in the calculation of long service leave entitlements in order to estimate the likelihood of an employee remaining with the Company until they are entitled to long service leave. These probabilities are based on historical trends and patterns. Employees with service in excess of 7 years have their long service leave liability included as a current liability as the Company does not have an unconditional right of deferral at balance date.

Contributions are made by the Company to complying superannuation funds and are charged as expenses when incurred.

(h) Income received in advance

Income is brought to account in the period to which it relates. Income received prior to 31 October 2015 which relates to future periods has been recorded as income received in advance.

(i) Income tax

Income Tax has not been provided for in the accounts of the Company, as the Company is an exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act.

(j) Football expenses

Football expenses include football department related costs including total player payments, coaching and support staff remuneration, recruiting costs and costs in respect of our standalone VFL team.

(k) Revenue

Revenue is measured as the fair value of the consideration received/receivable. All amounts are net of returns, discounts, allowances and rebates.

Revenue is recognised when the amount can be reliably measured and it is probable that the future economic benefits will flow to the Company and the following additional criteria have been met:

- Revenue from the sale of goods is recognised upon the delivery of goods to customers which is the date of the transfer of risks.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
- Fundraising donations which have been directly received by the Club are recognised on receipt.
- Grant income from the Australian Sports Foundation is recognised when the approved grant has been received by the Company.
- Grant income from government and AFL special distributions are recognised where there is a reasonable assurance that the grant will be received and all the applicable conditions will be complied with.
- Any costs reimbursed are netted off against direct costs incurred and are not shown as revenue.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

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

(m) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases.

Payments made under operating leases are recognised in Profit or Loss on a straight line basis over the term of the lease.

(n) Intangible assets

Gaming entitlements

Gaming entitlements acquired are recorded at cost less accumulated amortisation and impairment.

Gaming entitlements have a finite useful life of 10 years commencing 16 August 2012. The gaming entitlements are amortised, on a straight line basis, over a 10 year period.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Financial Liabilities

Gaming liabilities

Gaming liabilities relate to instalment payments for the acquisition of gaming entitlements for the Windy Hill Venue and Melton Country Club. Gaming liabilities are included as non-current liabilities except those with maturities less than 12 months from the reporting date, which are classified as current.

Gaming liabilities are measured at amortised cost, using the effective interest method.

(p) Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

(q) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below.

Actual results may differ.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them.

Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Uncertainty exists as actual useful lives may differ from that estimated.

Liabilities arising from legal matters

Liabilities arising from legal matters are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably.

Such liabilities are estimated based on either objective evidence or where objective evidence is not available, management's best estimate.

Timing or the amount of the outflow may still be uncertain.

Trade and other receivables

Trade and other receivables from external parties are carried at the amount expected to be received on settlement.

Where the amount of the inflow is uncertain, the amount is recognised based on either objective evidence or where objective evidence is not available, management's best estimate.

Timing or the amount of the inflow may still be uncertain.



**NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31 OCTOBER 2015**

3. RESULTS FROM OPERATIONS

	2015	2014
	\$	\$
(a) Revenue from ordinary activities		
(i) Operating revenue		
AFL annual distribution	9,090,840	8,714,004
AFL prize monies	-	65,000
Marketing revenues	15,118,311	16,776,678
Membership revenues	10,828,157	10,877,022
Merchandise - sale of goods	2,551,636	3,196,779
Match receipts	905,628	1,281,342
Windy Hill Fitness Centre	4,135,826	4,060,579
Venues revenue - sales of food and liquor	5,048,029	4,972,313
Venues revenue - other	8,538,875	8,588,240
Total operating revenue	<u>56,217,302</u>	<u>58,531,957</u>
(ii) Non-operating revenue		
Australian Sports Foundation grants	904,899	1,266,732
Donations received	789,847	693,772
Government grants	-	100,000
Interest received	208,829	241,589
Rental income	82,115	75,871
Total non-operating revenue	<u>1,985,690</u>	<u>2,377,964</u>
Total revenue from Operations	<u>58,202,992</u>	<u>60,909,921</u>
(b) Expenses from operations		
AFL Equalisation Levy	270,000	-
Administration	2,716,939	2,146,601
AFL/ASADA/WADA related legal and consulting	460,618	1,071,438
Football expenses	23,030,232	21,220,483
IT expenses	706,439	621,130
Marketing expenses	9,506,720	11,354,608
Membership expenses	3,831,265	4,066,261
Merchandise - cost of sales	1,026,795	1,376,813
Rental expenses	281,040	274,747
Site expenses	3,163,952	3,127,121
Loss on disposal of assets	6,793	-
Windy Hill Fitness Centre	3,085,939	3,168,179
Venue expenses	11,144,071	11,379,473
Financing costs	308,543	381,550
Total expenses from Operations	<u>59,539,346</u>	<u>60,188,404</u>
(Loss)/Profit from Operations	<u>(1,336,354)</u>	<u>721,517</u>
(c) Results from operations above has been determined after:		
Charging/(crediting) as expenses:		
Depreciation of:		
- Plant and equipment	1,282,653	1,225,093
Amortisation of:		
- Leasehold improvements	1,644,934	1,662,069
- Intangibles	367,304	367,304
Doubtful debts provided for or written off	241,090	93,918
Doubtful debts recovered	(49,318)	(109,696)
Venue cost of sales - food and liquor	1,541,274	1,610,007
Employee expenses	19,576,374	17,727,576

4. TRADE AND OTHER RECEIVABLES

	2015	2014
	\$	\$
Current		
Trade and sundry debtors	2,097,996	2,801,239
Less allowance for impairments	(241,090)	(123,918)
	<u>1,856,906</u>	<u>2,677,321</u>

Allowance for impairment of receivables

An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in administration expenses. A reconciliation of the movement in the allowance for impairment of trade receivables is shown below.

	2015	2014
	\$	\$
Opening balance	123,918	252,484
Additional allowance	241,090	93,918
Amounts used or recovered	(123,918)	(222,484)
Closing balance	<u>241,090</u>	<u>123,918</u>

5. INVENTORIES

	2015	2014
	\$	\$
Merchandise - at cost	323,489	625,577
Less provision for obsolescence	(53,829)	(180,115)
Food and liquor - at cost	177,476	149,912
	<u>447,136</u>	<u>595,374</u>

6. OTHER ASSETS

	2015	2014
	\$	\$
Prepaid expenses	<u>741,971</u>	<u>1,044,720</u>

7. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	\$	\$
Land - at independent valuation (a)	5,550,000	5,350,000
Plant and equipment - at cost	11,566,126	11,044,379
Accumulation depreciation	(5,193,357)	(3,973,258)
	<u>6,372,769</u>	<u>7,071,121</u>
Leasehold improvements - at cost	40,110,924	39,922,979
Accumulation amortisation	(9,298,590)	(8,087,985)
	<u>30,812,334</u>	<u>31,834,994</u>
Total property, plant and equipment	<u>42,735,103</u>	<u>44,256,115</u>

(a) An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 12 October 2015 by P.W. Stokes CEA FAPI FREI. This valuation was based on the current market value of the land.

7. PROPERTY, PLANT AND EQUIPMENT (cont.)

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year:

2015	Land	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Beginning of the year	5,350,000	7,071,121	31,834,994	44,256,115
Additions	-	584,301	629,067	1,213,368
Disposals	-	-	(6,793)	(6,793)
Revaluations	200,000	-	-	200,000
Depreciation expense	-	(1,282,653)	(1,644,934)	(2,927,587)
End of financial year	<u>5,550,000</u>	<u>6,372,769</u>	<u>30,812,334</u>	<u>42,735,103</u>

2014	Land	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Beginning of the year	5,350,000	2,682,903	36,630,236	44,663,139
Additions	-	784,973	1,695,165	2,480,138
Transfers in/(out)	-	4,828,338	(4,828,338)	-
Depreciation expense	-	(1,225,093)	(1,662,069)	(2,887,162)
End of financial year	<u>5,350,000</u>	<u>7,071,121</u>	<u>31,834,994</u>	<u>44,256,115</u>

Included in leasehold improvements is approximately \$1.2m (2014: \$1.3m) in respect of vacated space at Windy Hill which were previously used by the football and administrative departments. The Company is currently in discussion with external parties regarding the future use of this space for commercial purposes. The carrying value of these assets is less than their estimated recoverable amount (value in use) determined on the basis that these assets are planned to be used for commercial purposes.

8. INTANGIBLES

	2015	2014
	\$	\$
Gaming entitlements	3,673,038	3,673,038
Accumulated amortisation	(1,177,940)	(810,636)
	<u>2,495,098</u>	<u>2,862,402</u>
Opening balance	2,862,402	3,229,706
Amortisation	(367,304)	(367,304)
Closing balance	<u>2,495,098</u>	<u>2,862,402</u>

9. TRADE AND OTHER PAYABLES

	2015	2014
	\$	\$
Current		
Trade creditors	1,277,667	544,485
Accruals and other liabilities	2,987,965	4,532,476
	<u>4,265,632</u>	<u>5,076,961</u>
Non-current		
Other liabilities	-	1,100,000

10. EMPLOYEE BENEFITS

	2015	2014
	\$	\$
Current		
Annual leave	734,806	811,792
Long service leave	580,291	453,912
	<u>1,315,097</u>	<u>1,265,704</u>
Non-current		
Long service leave	122,684	164,506

11. INCOME RECEIVED IN ADVANCE

	2015	2014
	\$	\$
Trading income received in advance	<u>100,146</u>	<u>192,609</u>

12. OTHER FINANCIAL LIABILITIES

	2015	2014
	\$	\$
Current		
Gaming entitlement instalments	<u>666,761</u>	<u>618,609</u>
Non-current		
Gaming entitlement instalments	<u>703,709</u>	<u>1,373,921</u>

13. BORROWINGS

	2015	2014
	\$	\$
Non-current		
Borrowings	<u>5,000,000</u>	<u>5,000,000</u>
Unused limits/facilities	Amount of facility	Unused
	\$	\$
Westpac finance facility	5,000,000	-
Bendigo Bank finance facility	2,935,000	2,935,000
	<u>7,935,000</u>	<u>2,935,000</u>

Covenants

The Bendigo Bank facility requires the Company to maintain specific financial covenants and is secured by the freehold land assets of the Company.

14. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, the Company considers cash to include cash on hand, cash in banks and short-term investments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

	2015	2014
	\$	\$
Cash on hand	328,711	370,751
Cash at bank	848,078	1,400,955
Total cash	<u>1,176,789</u>	<u>1,771,706</u>

b) Reconciliation of net cash from operating activities to net (loss)/profit

	2015	2014
	\$	\$
(Loss)/Profit for the year	(1,336,354)	721,517
Adjustments for:		
Loss from disposal of fixed assets	6,793	-
Non-cash financing costs of investing activities	123,383	135,182
Depreciation and amortisation	3,294,891	3,254,466
Changes in assets and liabilities:		
Decrease in receivables and other assets	1,005,992	262,186
Increase/(decrease) in provision for doubtful debts	117,172	(128,566)
Decrease in inventory	274,524	144,576
(Decrease)/increase in provision for obsolete stock	(126,286)	151,554
(Decrease) in payables and income in advance	(2,003,792)	(1,775,621)
Increase in provision for employee entitlements	7,571	212,252
	<u>1,363,894</u>	<u>2,977,546</u>



15. CAPITAL AND LEASING COMMITMENTS

	2015	2014
	\$	\$
(a) Operating lease commitments		
Payable:		
- not later than one year	529,165	519,143
- later than one year but not later than 5 years	2,197,233	1,339,536
- later than 5 years	4,228,579	4,827,625
	<u>6,954,977</u>	<u>6,686,304</u>

Operating commitments relate to the lease of Windy Hill precinct, Melton Country Club and True Value Solar Centre, along with an annual distribution to EFCSC Limited.

16. CONTINGENT LIABILITIES

The Company is in discussions with external and internal stakeholders in relation to claims or disputes arising in the course of business. At this point in time, the amount of liability, if any, cannot be reliably quantified.

17. KEY MANAGEMENT PERSONNEL

Transactions with key management personnel

	2015	2014
	\$	\$
Short term employee benefits	1,977,775	2,341,657
Post employment benefits	133,775	119,872
The key management personnel compensation included in employee expenses is:	<u>2,111,550</u>	<u>2,461,529</u>

18. SUBSEQUENT EVENTS

No matters or circumstances have arisen between the end of the financial year and the date of this report which have, or may significantly affect the operations of the Company or the state of affairs of the Company in subsequent financial years.



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