Hawthorn Football Club Limited

ACN 005 068 851

Annual Financial Report

Year ending 31 October 2008

Hawthorn Football Club Limited and its controlled entities

Contents

Hawthorn Football Club Limited and its controlled entities
Directors' report
For the year ended 31 October 2008

The Directors present their report together with the financial report of Hawthorn Football Club Limited ("the Club") and of the Group, being the Club and its controlled entities, for the year ended 31 October 2008 and the auditor's report thereon.

Directors

The Directors of the Club 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	M M McKinnon	P A Newbold

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

The Club is required to present consolidated information which includes the Box Hill Hawks Football Club limited ("BHHFC") and the HFC fixed trust. The Club is the sole beneficiary of the trust and the only member of the trustee company CSFT limited. While the Club does not hold an ownership interest in BHHFC, the Club has the ability to govern the financial and operating policies of BHHFC and consequently the Club consolidates this entity.

During the year the Club established the Hawthorn Football Club Foundation ("Foundation") as a division within the Club. HFC Foundation Nominees Proprietary Limited ("Nominees") acts as nominee for the Foundation and is primarily responsible for its operation and governance. The Club owns all of the shares in Nominees and 3 of its 5 directors are currently directors of the Club. Nominees' relationship with the Club and its responsibilities are governed by both a charter and nominee agreement. The Foundation's financial operations and position are included within the Club's financial statements. The aim of the Foundation is to receive funds to ensure the Club remains viable for the long term and has the capital resources to achieve both its on field and off field objectives.

Operating and financial review

The Club is delighted to announce a net operating profit for the year ended 31 October 2008 of $4,054,367 (consolidated 2007: $3,603,477). This pleasing result of a 12.5% increase in profit is due to significant growth in many key revenue areas of the business and also the positive impact of winning the 2008 AFL Premiership.

The Club settled on the freehold for the Waverley Park public gymnasium in November 2007. The proceeds from the settlement of the Linda Crescent Social Club together with financial resources from within the Club were used to fund this acquisition debt free, which is now producing a sound rental return for the Club.

The Club was excited to launch the Hawks Forever museum in December 2007 which has been established on Level 1 at Waverley Park. In addition further expansion works are near completion for the Clubs Multi-media studio and the expanded Membership area. The Club will continue to develop the Waverley Park headquarters with foresight to provide the most modern facilities and technology available to maximise our players and coaches potential in securing future Premierships and to facilitate the highest level of professionalism from our Administration team.

We must not and will not become complacent. We will continually look to ways to improve, on and off the field.

Hawthorn Football Club Limited and its controlled entities
Directors' report (continued)
For the year ended 31 October 2008

Operating and financial review continued

Tasmania
The relationship with both the Tasmanian Government as our major naming rights partner and the Tasmanian Community continues to grow and deliver benefits to all parties. The success of the second year of this five-year partnership has been outstanding, and we will continue to work closely with Tasmania to further enhance and develop this relationship in forthcoming years.

Football Department
The Club is thrilled to have secured our 10th Premiership in season 2008 under the guidance of Coach Alastair Clarkson and Captain Sam Mitchell. The significant increased investment in the Football Department over the past 2 seasons of $3.4m (2008 - $2.1 million and 2007 - $1.3 million) has assisted in delivering the ultimate dividend with our 2008 Premiership success. A particular focus has been placed on increasing resources in Coaching, Recruiting, List Management, Player Welfare and Development to allow our young playing list to reach its full potential.

The Board re-appointed Alastair during the 2008 season for a further 3 seasons to the end of the 2011 season. The Club continued its focus on quality and talented players through the recruitment of the players of the calibre of Cyril Rioli, Stuart Dew, Brendan Whitecross and Cameron Stokes.

To maximise the opportunities of future success the Board will continue to invest in our core business, football.

On behalf of the Board we congratulate Shane Crawford on becoming the 6th Hawthorn player to reach the 300 game mile-stone. Shane Crawford has retired after a stellar career with Hawthorn. A player for 17 years, club captain, four times best and fairest, Brownlow medallist and now Premiership player. An extra-ordinary contribution and his example and spirit will drive those who continue to serve and we wish him good fortune in his next career.

In addition Lance Franklin's tremendous season of 113 goals earned him the 2008 Coleman Medal joining Peter Hudson and Jason Dunstall as our Club's centurion goal kickers. We also acknowledge Lance as the 2008 Peter Crimmins medallist.

Danny Jacobs, Tim Clarke, Zac Dawson, Luke McEntee and Garry Moss have concluded their football careers at the Club and we thank them all for their contribution to our success. A special thanks to Tim Clarke a member of our player leadership group whose contribution to the development of our club culture cannot be underestimated. We congratulate the playing list for their contribution to the 2008 Premiership and particularly the 22 players led by Sam Mitchell and Luke Hodge who achieved the ultimate success.

Other Departments
All Commercial areas of the business reached record levels in the 2008 season.

Membership has increased from 2007 by 34% for the season resulting in a record level of 41,686 members (2007 – 31,064). The Club is now seeking to reach 50,000 members as per our "Five 2 Fifty" Business Plan.

Merchandise has had a record year which has seen sales increase by 131% on 2007. This was an outstanding result coming on the back of the introduction of the new logo and the importance of team performance which extended late into the financial year with the Premiership success.

Marketing and Fundraising saw a 15% net improvement in the bottom line of this area of the business.

Match day revenue increased as a result of the outstanding on-field performances during the season, and the Club reported a strong growth of 91% on 2007.

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 Club that occurred during the financial year under review.

Environmental regulation
The Club's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the Board believes that the club 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 club. The Club is about to implement a self-sufficient water solution for maintaining the Waverley Park Oval. In addition the Club is also undertaking a carbon emission audit of our operations.

Likely Developments
Future developments in operations have been referred to in the review of operations 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, there is no item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the club, to affect significantly the operations of the club, the results of those operations, or the state of affairs of the club, in future years.

Indemnification and insurance of officers and auditors
Since the end of the previous financial year the club has paid insurance premiums of $5,495 (2007: $5,550) in respect of the directors' liability policy.

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 club 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 club 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		Premier of Victoria 1992-1999, Chairman of beyondblue – The National Depression Initiative, Chairman/Director of various private and public 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 2007

Information on directors continued

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

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

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

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 meet monthly prior to Board meetings, and is primarily responsible for reviewing the Club's financial position and providing recommendations to the Board.

The Board would like to acknowledge and thank Management and Staff of the Hawthorn Football Club for their professional and tireless contributions throughout the 2008 season. Without their endeavour our coaches and players would not have won this year's Premiership.

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 2008.

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

J G Kennett, Director

B C Growcott, Director

Dated at Melbourne 10 November 2008

Hawthorn Football Club Limited and its controlled entities
Directors' report (continued)
For the year ended 31 October 2008

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 2008 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

KPMG

B W Szentirmay
Partner

Date at Melbourne this 10th day of November 2008

Hawthorn Football Club Limited and its controlled entities
Income statement

For the year ended 31 October 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Club 2008 $	The Club 2007 $
Revenue	3	39,394,711	31,781,938	38,931,642	31,330,905
Other income	3	995,333	634,998	939,757	643,156
		40,390,044	32,416,936	39,871,399	31,974,061
Change in inventories of finished goods		442,310	(11,880)	445,195	(18,348)
Raw material and consumables used		(2,427,392)	(995,705)	(2,408,824)	(971,004)
Sponsorship, membership & fundraising expenses		(8,314,545)	(6,422,371)	(8,276,403)	(6,379,124)
Employee and player expenses		(17,853,750)	(15,264,985)	(17,464,419)	(14,983,464)
Marketing expenses		(917,977)	(789,902)	(917,977)	(789,902)
Depreciation and amortisation		(461,434)	(387,207)	(446,447)	(369,839)
Waverley Gardens admin & management fees		(425,000)	(562,161)	(425,000)	(562,161)
Other football operation expenses		(2,424,993)	(1,981,909)	(2,443,232)	(1,920,965)
Other expenses in respect to ordinary activities		(3,221,901)	(2,853,966)	(3,169,267)	(2,801,066)
		(35,604,682)	(29,270,086)	(35,106,374)	(28,795,873)
Profit from operating activities		4,785,362	3,146,850	4,765,025	3,178,188
Finance income		367,534	539,549	365,515	539,549
Finance expenses		(1,098,529)	(82,922)	(1,098,192)	(82,828)
Net finance expense	4	(730,995)	456,627	(732,677)	456,721
Profit before income tax	1(q)	4,054,367	3,603,477	4,032,348	3,634,909
Income tax expense		-	-	-	-
Profit for the year		4,054,367	3,603,477	4,032,348	3,634,909

The income statements are to be read in conjunction with the notes of the financial statements set out on pages 12 to 33.

Hawthorn Football Club Limited and its controlled entities

Statement of changes in equity

For the year ended 31 October 2008

Consolidated	***Note***	**Retained earnings $**	**Fair value reserve $**	**Total members' equity $**
Opening balance 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
Closing balance at 31 October 2007		10,140,385	670,327	10,810,712
Opening balance at 1 November 2007		10,140,385	670,327	10,810,712
Fair value movement of available for sale financial assets transferred to profit and loss		-	(692,860)	(692,860)
Net change in value of available for sale financial assets		-	(547,545)	(547,545)
Profit for the period		4,054,367	-	4,054,367
Closing balance at 31 October 2008		14,194,752	(570 078)	13,624,674

For the year ended 31 October 2008

Club	***Note***	**Retained earnings $**	**Fair value reserve $**	**Total members' equity $**
Opening balance 1 November 2006		6,505,476	62,779	6,568,255
Contribution of Equity		10	-	10
Fair value movement of available for sale financial assets		-	607,548	607,548
Profit for the period		3,634,909	-	3,634,909
Closing balance at 31 October 2007		10,140,395	670,327	10,810,722
Opening balance at 1 November 2007		10,140,395	670,327	10,810,722
Fair value movement of available for sale financial assets transferred to profit and loss		-	(692,860)	(692,860)
Net change in value of available for sale financial assets		-	(547,545)	(547,545)
Profit for the period		4,032,348	-	4,032,348
Closing balance at 31 October 2008		14,172,743	(570,078)	13,602,666

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 33.

Hawthorn Football Club Limited and its controlled entities

Balance sheet

As at 31 October 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Club 2008 $	The Club 2007 $
Current Assets					
Cash and cash equivalents	*6*	4,637,162	2,275,456	4,527,687	2,232,154
Trade and other receivables	*7*	818,018	674,617	758,453	592,359
Inventories	*8*	620,788	178,478	617,205	172,010
Other	*10*	1,449,312	1,841,979	1,447,652	1,838,568
Total current assets		7,525,280	4,970,530	7,350,997	4,835,091
Non Current Assets					
Trade and other receivables	*7*	-	-	130,993	140,320
Investments	*9*	3,194,847	7,318,470	3,194,857	7,318,480
Investment property	*11*	4,258,847	-	4,258,847	-
Property, plant and equipment	*12*	6,004,229	5,010,110	5,948,344	4,939,965
Total non-current assets		13,457,923	12,328,580	13,533,041	12,398,765
Total assets		20,983,203	17,299,110	20,884,038	17,233,856
Current Liabilities					
Payables	*13*	3,589,429	2,983,321	3,537,898	2,939,391
Interest bearing loans and borrowings	*14*	195,876	441,626	195,876	441,626
Employee entitlements	*15*	509,720	399,331	484,094	377,997
Other	*16*	1,732,680	912,299	1,732,680	912,299
Total current liabilities		6,027,705	4,736,577	5,950,548	4,671,313
Non Current Liabilities					
Interest bearing loans and borrowings	*14*	305,060	464,083	305,060	464,083
Employee entitlements	*15*	50,764	7,738	50,764	7,738
Other	*16*	975,000	1,280,000	975,000	1,280,000
Total non-current liabilities		1,330,824	1,751,821	1,330,824	1,751,821
Total liabilities		7,358,529	6,488,398	7,281,372	6,423,134
Net assets		13,624,674	10,810,712	13,602,666	10,810,722
Members' Equity					
Contributed equity	*21*	-	-	10	10
Reserves		(570,078)	670,327	(570,078)	670,327
Retained profits		14,194,752	10,140,385	14,172,734	10,140,385
Total members' equity		13,624,674	10,810,712	13,602,666	10,810,722

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 12 to 33.

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

For the year ended 31 October 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	The Club 2008 $	The Club 2007 $
Cash flows from operating activities					
Cash receipts in the course of operations		44,093,548	35,313,317	43,523,039	34,916,638
Cash payments in the course of operations		(38,432,894)	(32,723,185)	(37,960,812)	(32,401,610)
Net cash from operating activities	*20*	5,660,654	2,590,132	5,562,227	2,515,028
Cash flows from investing activities					
Interest received	*4*	130,344	78,561	128,325	78,561
Dividends received	*4*	237,190	412,509	237,190	412,509
Payments for property, plant and equipment		(1,380,779)	(1,135,805)	(1,380,052)	(1,104,097)
Proceeds from sale of property and equipment		-	2,533,000	-	2,533,000
Payments for investments and property		(5,371,187)	(5,617,293)	(5,337,978)	(5,617,293)
Proceeds from investments		3,557,837	1,330,663	3,557,837	1,330,663
Net cash (used in) from investing activities		(2,826,595)	(2,398,365)	(2,794,678)	(2,366,657)
Cash flows from financing activities					
Borrowing costs paid		(54,535)	(82,922)	(54,198)	(82,828)
Lease expenses paid		(13,045)	(7,610)	(13,045)	(7,610)
Repayment of borrowings		(404,773)	(324,474)	(404,773)	(324,474)
Net cash from financing activities		(472,353)	(415,006)	(472,016)	(414,912)
Net (decrease)/increase in cash and cash equivalents		2,361,706	(223,239)	2,295,533	(266,541)
Cash and cash equivalents at 1 November		2,275,456	2,498,695	2,232,154	2,498,695
Cash and cash equivalents at 31 October	*6*	4,637,162	2,275,456	4,527,687	2,232,154

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 12 to 33.

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 ‘club’) is a company domiciled in Australia.

The financial report was authorised for issue by the directors on 10th November 2008.

The significant policies which have been adopted in the preparation of this financial report are set out below.

(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 club 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 2008. No changes to the current accounting policies are anticipated on application of these issued or revised standards.

Revised AASB 123 Borrowing costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, or construction of a qualifying asset as part of the cost of that asset.

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 Club'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 (j)).

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 club 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 (p).

Subsequent costs

The club 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.

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 for each class of asset in the current and comparative period are as follows:

	2008	2007	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.

1. Statement of significant accounting policies (continued)

(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 club 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 club on the date it commits to purchase / sell the investments.

(f) Investment property

Investment property is held to earn rental income and for capital appreciation, however not for sale in the ordinary course of business, or for administrative purposes. Investment property is measured at cost and subsequent measurement is consistent with the principles for other property plant and equipment held by the Club, outlined in Note 1(d)

(g) Trade and other receivables

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

(h) 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.

(i) Cash

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

1. Statement of significant accounting policies (continued)

(j) Impairment

The carrying amounts of the club's assets other, than inventories (see accounting policy 1 (h)) 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 club'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.

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

1. Statement of significant accounting policies (continued)

(j) 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.

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.

(k) 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.

(l) 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 in respect of players.

1. Statement of significant accounting policies (continued)

(l) Employee Entitlements (continued)

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 club 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 club 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 club.

(m) Provisions

A provision is recognised in the balance sheet when the club 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.

(n) 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.

(o) 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.

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.

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

1. Statement of significant accounting policies (continued)

(o) Revenue (continued)

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

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

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.

(p) 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.

(q) Income Tax

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

(r) 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.

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

1. Statement of significant accounting policies (continued)

(s) Segment reporting

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

2. Financial risk management

The Club and Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Club's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Governance Remuneration and Legal ("GRL") and the Finance Committees, which are responsible for developing and monitoring risk management policies. The Committees report regularly to the Board of Directors on their activities.

Risk management policies are established to identify and analyse the risks faced by the Club and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Club's and Group's activities. The Club and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The GRL and the Finance Committees oversee how management monitors compliance with the Club's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Club and Group. On a three year cycle the Club engages external advisers to undertake both reviews of risk management controls and procedures, the results of which are reported to the GRL and Finance Committees.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities and cash deposits.

The Club and Group seek to only deal with counter parties with acceptable credit rating/credit worthiness. Management has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. At balance date the Club and Group's receivables primarily relate to entities that provide sponsorship or services to the Club under established contractual arrangements. The maximum exposure to credit risk is represented by the carrying amount of each asset in the balance sheet.

The Club has established a credit policy under which each new sponsor or customer is analysed individually for credit worthiness before the Club's standard payment terms and conditions are offered. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis.

The Club and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that fall within the investment charter.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Club and Group will not be able to meet its financial obligations as they fall due. The Club's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Club's reputation.

Typically the Club ensures that it has sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. In addition, the Group maintains the following lines of credit:

- $150,000 business card facility with the ANZ
- $651,526 loan facility with HSBC (of which $447,590 has been drawn down as at 31 October 2008)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Club's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Equity price risk arises from available for sale equity securities held as part of the Club's investment strategy. Management of the Club monitor the returns on investments within the portfolio based on various market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by an Investment Committee, through the Club's Investment Managers.

Interest rate risk

The Club manages interest rate risk by ensuring interest rates applicable to any borrowing are acceptable given the form and tenure of the particular borrowings, and are reflective of market rates. Interest rates are also fixed where appropriate.

Foreign exchange risk

The Club and Group are not exposed to significant foreign exchange risk as trading is conducted in Australian dollars.

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

3. Revenue

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
AFL distribution and prize money	7,485,752	6,703,256	7,485,752	6,703,256
Membership and match day income	9,541,916	6,804,244	9,486,119	6,758,100
Marketing and merchandise income	17,257,360	13,149,248	16,900,349	12,768,804
Gaming, bar and bistro revenue	4,543,754	4,824,891	4,518,508	4,800,461
Donations and special fundraising efforts	255,394	300,299	230,379	300,284
Rental income from investment property	310,535	-	310,535	-
Total Revenue	39,394,711	31,781,938	38,931,642	31,330,905
Sundry income	95,333	65,694	39,757	73,852
Government Grant income	900,000	-	900,000	-
Net gain/(loss) on sale of non-current assets held for sale	-	569,304	-	569,304
Total revenue and other income	40,390,044	32,416,936	39,871,399	31,974,061

4. Finance income and expense

Interest income on bank deposits	130,344	78,561	128,325	78,561
Net gain/(loss) on sale of non-current assets including investments	-	48,479	-	48,479
Dividend income on available for sale investments	237,190	412,509	237,190	412,509
Finance income	367,534	539,549	365,515	539,549
Interest expense	(54,535)	(82,922)	(54,198)	(82,828)
Impairment loss on available for sale investments	(692,861)	-	(692,861)	-
Net loss on disposal of available for sale investments	(351,133)	-	(351,133)	-
Finance expense	(1,098,529)	(82,922)	(1,098,192)	(82,828)
Net finance income and expense	(730,995)	456,627	(732,677)	456,721

5. Auditor's remuneration

Audit services:				
Auditors of the Club – KPMG	63,025	48,150	63,025	48,150
Other Services				
Auditors of the Club – KPMG	21,000	14,500	21,000	14,500

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$

6. Cash assets

Cash on hand	502,475	523,257	501,854	522,637
Cash at bank	732,008	507,094	658,899	495,486
Short term deposit	2,928,881	810,731	2,893.136	779,657
Cash management - UBS	473,798	434,374	473,798	434,374
	4,637,162	2,275,456	4,527,687	2,232,154

Short-term deposits of the Club include $1 million which has been set a side for the Hawthorn Foundation. Refer Note 23.

7. Trade and other receivables

Current				
Trade receivables	581,490	428,832	524,151	401,837
Other debtors	236,528	245,785	234,302	190,522
	818,018	674,617	758,453	592,359
Non-current				
Amount receivable from related parties:				
Box Hill Hawks Ltd	-	-	172,087	172,087
Less : Allowance for impairment	-	-	(41,094)	(31,767)
	-	-	130,993	140,320

Trade, other debtors and receivables from related parties are non interest bearing. The Club's exposure to credit and impairment losses related to trade and other receivables are disclosed in Note 19.

8. Inventories

Current				
Finished goods	620,788	178,478	617,205	172,010

9. Investments

Non-current				
Units in fixed trust	-	-	10	10
Listed equity securities available for sale at fair value.	3,194,847	7,318,470	3,194,847	7,318,470
	3,194,847	7,318,470	3,194,857	7,318,480

10. Other assets

Current				
Deposit – 5/2 Stadium Circuit	-	410,000	-	410,000
Prepayments	1,449,312	1,431,979	1,447,652	1,428,568
	1,449,312	1,841,979	1,447,652	1,838,568

11. Investment Property

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
Balance at 1 November 2007	-	-	-	-
Acquisitions	4,328,721		4,328,721	
Depreciation	(69,874)	-	(69,874)	-
Balance at 31 October 2008	4,258,847		4,258,847	

Investment property comprises the gymnasium at Waverley Park that is leased to a third party under commercial leasing terms and conditions.

12. 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
Balance at 1 November 2007	3,074,058	3,132,210	55,839	6,262,107
Acquisitions	2,817	1,377,278	684	1,380,779
Balance at 31 October 2008	3,076,875	4,509,488	56,523	7,642,886
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)
Balance at 1 November 2007	(80,788)	(1,153,077)	(18,132)	(1,251,997)
Depreciation/amortisation charge for the year	(54,579)	(327,558)	(4,523)	(386,660)
Balance at 31 October 2008	(135,367)	(1,480,635)	(22,655)	(1,638,657)
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
At 1 November 2007	2,993,270	1,979,133	37,707	5,010,110
At 31 October 2008	2,941,508	3,028,853	33,868	6,004,229

12. Property, plant and equipment (continued)

Club reconciliation	**Land buildings & building improvements $**	**Plant and equipment $**	**Total $**
Cost			
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
Balance at 1 November 2007	3,074,058	3,049,413	6,123,471
Acquisitions	2,817	1,377,235	1,380,052
Balance at 31 October 2008	3,076,875	4,426,648	7,503,523
Depreciation			
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)
Balance at 1 November 2007	(80,788)	(1,102,718)	(1,183,506)
Depreciation/amortisation charge for the year	(54,579)	(317,094)	(371,673)
Balance at 31 October 2008	(135,367)	(1,419,812)	(1,555,179)
Carrying amounts			
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
At 1 November 2007	2,993,270	1,946,695	4,939,965
At 31 October 2008	2,941,508	3,006,836	5,948,344

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

13. Payables

	Consolidated		The Club	
	2008	2007	2008	2007
Current	$	$	$	$
Trade payables	2,122,545	1,785,479	2,108,440	1,762,147
Other creditors and accruals	1,466,884	1,197,842	1,429,458	1,177,244
	3,589,429	2,983,321	3,537,898	2,939,391

14. Interest-bearing liabilities

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
Current				
Bank loans	195,876	441,626	195,876	441,626
Non-current				
Bank loans	305,060	464,083	305,060	464,083

The Group's exposure to liquidity risk related to trade and other payables is set out in Note 19.

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.

15. Employee entitlements

	Consolidated		The Club	
	2008	2007	2008	2007
Current	$	$	$	$
Liability for annual leave	433,391	312,606	421,380	301,691
Liability for long service leave	76,329	86,725	62,714	76,306
	509,720	399,331	484,094	377,997
Non-current				
Liability for long service leave	50,764	7,738	50,764	7,738

15. Employee benefits (continued)

Defined contribution superannuation funds

The club makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was $928,867 for the financial year ended 31 October 2008 (2007: $726,980).

16. Other liabilities

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
Current				
Unearned revenue	1,732,680	912,299	1,732,680	912,299
Non-current				
Unearned revenue	975,000	1,280,000	975,000	1,280,000

Multi-year non-cash sponsorship agreements

In 2006, the Club entered into an 8 year sponsorship agreement 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 sponsorship is recognised within the income statement as detailed in note 1(o) on an annual basis.

17. Commitments

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
(a) Operating lease commitments				
Leases as lessee				
Non-cancellable operating lease rentals are payable:				
Within one year	649,789	804,816	649,789	804,876
Between one and five years	1,002,303	1,829,021	1,002,303	1,829,021
More than five years	4,970,543	7,111,514	4,970,543	7,111,514
	6,622,635	9,745,351	6,622,635	9,745,411

During the year $782,369 was recognised as an expense in the income statement in respect of operating leases (2007: $801,595). Long term operating lease commitments relate to retail rental agreements in place relating to the Waverley Gardens venue.

17. 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. The Club will stay within the prescribed Australian Football League's Total Player Payments limits.

(c) Capital Commitments

During the year the Board resolved to contribute $150,000 to the re-development of City Oval, the home ground of the Box Hill Hawks. The Board of the Box Hill Hawks also resolved to contribute $250,000. These contributions are part of a multi-party funding agreement including Football Victoria, State Government of Victoria, City of Whitehorse the Club, and Box Hill Hawks Football Club. The Club's and the Group's contributions are 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. No payment or provision has been made in the current year.

As at 31 October 2008, the Club and Group has contracted capital commitments for plant and equipment for the membership and multimedia studio of $177,350 (2007: $NIL). No payment or provision has been made in the current year. The Club will take delivery and pay for the equipment in November 2008.

18. Related parties

Transactions with directors

During the year a number of 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 addition to their salaries, the club 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 Club**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Short term employer benefits	1,738,872	1,454,575	1,738,872	1,454,575
Post employment benefits	-	-		-
	1,738,872	1,454,575	1,738,872	1,454,575

Other related parties

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

During the year the Club made operating payments totalling $185,000 (2007: $169,000) to the Box Hill Hawks Football Club Limited. These payments were made in accordance with the Alignment Agreement, and have been eliminated in the consolidated financial statements.

19. Financial instruments

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

(a) *Effective interest rates and repricing analysis*

In respect of interest 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:

2008 - Consolidated

	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	6	4.90%	4,134,687	-	-	-	502,475	4,637,162
Investments	9		-	-	-	-	3,194,847*	3,194,847
			4,134,687	-	-	-	3,697,322	7,832,009
Financial liabilities								
Interest bearing loans and borrowings	14	6.95%		195,876	305,060			500,936
			-	195,876	305,060	-	-	500,936

2007 - Consolidated

	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	6	4.90%	1,752,199	-	-	-	523,257	2,275,456
Investments	9		-	-	-	-	7,318,470*	7,318,470
			1,752,199	-	-	-	7,841,127	9,593,256
Interest bearing loan and borrowings	14	6.69%	-	441,626	464,083	-	-	905,709
			-	441,626	464,083	-	-	905,709

* Non interest bearing instruments includes available for sale investments – refer Note 9.

Disclosures in respect of the Club are not materially different to that of the Group shown above.

19. Financial instruments (continued)

(b) 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.

(c) Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

		Carrying amount	
In thousands of AUD	***Note***	**2008**	**2007**
Available for sale investments	9	3,194,847	7,318,470
Loans and receivables	7	818,018	674,617
Cash and cash equivalents	6	4,637,162	2,275,456
		8,650,027	10,268,543

Impairment losses

None of the consolidated entities receivables are past due or considered impaired (2007: nil).

Based on historic default rates, the Club believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

In respect of the Club an impairment loss of $ 41,094 (2007: $31,766) has been provided for in relation to an amount owing from Box Hill Hawks Football Club. This provision is based on an estimate of the receivable's recoverable amount.

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

19. Financial instruments (continued)

Consolidated

31 October 2008

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Non-derivate financial liabilities							
Secured bank loans	447,589	487,547	91,415	91,415	182,830	121,887	-
Finance leases	53,347	58,482	6,523	6,523	45,436	-	-
Trade and other payables	3,589,429	3,589,429	3,589,429	-	-	-	-
	4,090,365	4,135,458	3,687,367	97,938	228,266	121,887	-

31 October 2007

	Carrying amount $	Contractual cash flows $	6 months or less $	6-12 months $	1-2 years $	2-5 years $	More than 5 years $
Non-derivate financial liabilities							
Secured bank loans	843,783	920,378	91,415	341,415	182,830	304,718	-
Finance leases	61,927	71,527	6,523	6,523	13,046	45,435	-
Trade and other payables	2,983,321	2,983,321	2,983,321	-	-	-	-
	3,889,030	3,975,226	3,081,259	347,938	195,876	350,153	-

Liquidity risk information in respect of the Club is not materially different to that of the Group shown above.

Interest rate risk

Profile

The interest rate profile of the Club's and the Group's interest-bearing financial instruments is set out in Note 19 (a)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities approximate their carrying amount.

Market Risk Sensitivities –other market risk

The Club and Group is exposed to movements in the market price of equities traded in domestic markets in the context of its available for sale investments. The extent of sensitivity to market price movements is determined by numerous factors, including factors relevant to individual equity holdings and factors impacting the market in general.

20. Notes to the statement of cash flows

	Consolidated		The Club	
	2008	2007	2008	2007
	$	$	$	$
Reconciliation of net cash provided by operating activities to operating profit after income tax				
Operating profit after income tax	4,054,367	3,603,477	4,032,348	3,634,909
Add/(less) non cash items:				
Depreciation	461,434	387,207	446,447	369,839
Impairment losses	692,961	-	692,961	-
Non cash revenue	(569,350)	(334,212)	(569,250)	(334,212)
Add/(less) items classified as investing/ financing activities				
Loss / (Profit) on sale of fixed assets including investments	351,133	(644,783)	351,133	(644,783)
Change in assets and liabilities:				
Decrease/(increase) in trade debtors	(143,401)	597,469	(190,144)	556,567
Decrease/(increase) in other debtors	(19,084)	(1,124,369)	(19,084)	(1,121,677)
Decrease/(increase) in inventory	(442,310)	11,880	(445,195)	18,348
Increase/(decrease) in trade creditors & accruals	606,108	455,385	598,507	411,555
Increase/(decrease) in employee provisions	153,415	18,699	149,123	5,103
Increase/(decrease) in other liabilities	515,381	(380,621)	515,381	(380,621)
Net cash provided by/(used in) operating activities	5,660,654	2,590,132	5,562,227	2,515,028

21. 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 Club's constitution.

22. Group entities

The Club is required to present consolidated information which comprises the Box Hill Hawks Football Club limited ("BHHFC") and the HFC fixed trust. The Club is the sole beneficiary of the trust and the only member of the trustee company CSFT limited.

While the Club does not hold an ownership interest in BHHFC, the Club has the ability to govern the financial and operating policies of BHHFC and consequently the Club consolidates this entity.

23. Hawthorn Foundation

During the year the Club established the Hawthorn Football Club Foundation ("Foundation") as a division within the Club. HFC Foundation Nominees Proprietary Limited ("Nominees") acts as nominee for the Foundation and is primarily responsible for its operation and governance. The Club owns all of the shares in Nominees and 3 of its 5 directors are currently directors of the Club. Nominees' relationship with the Club and its responsibilities are governed by both a charter and nominee agreement. The Foundation's financial operations and position are included within the Club's financial statements. The aim of the Foundation is to receive funds to ensure the Club remains viable for the long term and has the capital resources to achieve both its on field and off field objectives.

24. Subsequent events

Other than the matters referred to above or elsewhere in this financial report, no matters or circumstances have arisen since 31 October 2008 that will significantly affect, or may significantly affect, the operations of the Club, the results of the operations, or the state of affairs of the Club in subsequent years.

25. 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 Club") and its controlled entities:

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

        (i) giving a true and fair view of the financial position of the Club and the Group as at 31 October 2008 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 Club will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this10th day of November 2008.

Signed in accordance with a resolution of the directors:

J G Kennett
Director

B C Growcott
Director

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

Scope

We have audited the accompanying financial report of Hawthorn Football Club Limited (the Club), which comprises the balance sheets as at 31 October 2008 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 25 and the directors' declaration set out on pages 12 to 34 of the Group comprising the Club 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 Club 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 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 the Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Club'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 Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Club's and the Group's financial position as at 31 October 2008 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

Bernie Szentirmay
Partner
Dated this 10th day of November 2008.

Annual financial report ends