



# Hawthorn Football Club Limited

Year ending 31 October 2012





**Hawthorn Football Club Limited  
and its controlled entities  
ACN 005 068 851  
Annual report  
for the year ended  
31 October 2012**

# Hawthorn Football Club Limited and its controlled entities

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# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report**

### **For the year ended 31 October 2012**

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 2012 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:

P A Newbold (President)*	J G Kennett (former President)**	G L Harris (Vice-President)***
S P Cummins	J H Dunstall	R J Garvey
B C Growcott****	A H Kaye	M K Ralston

\* Appointed President on 14 December 2011

\*\* Resigned from the board 14 December 2011

\*\*\* Appointed Vice-President on 14 December 2011

\*\*\*\* Resigned from the board 14 December 2011

#### **Principal activities**

The principal activities of the Hawthorn Football Club Limited are to compete within the Australian Football League (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 financial accounts. The Consolidated Group ("Group") comprises Hawthorn Football Club Limited, HFC CS Fixed Trust ("CSFT"), Box Hill Hawks Football Club Ltd ("BHHFC") and HFC Foundation (HFC Foundation Nominees Pty Ltd).

The Club is the sole unit holder of CSFT, which in turn, owns a 73% interest in a Caroline Springs Joint Venture (CSJV), the nominee for which is CSJV Nominees Pty Ltd.

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

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2012**

#### **Operating and financial review**

The Club is delighted to announce a net operating profit for the year ended 31 October 2012 of \$2,023,720. (Club 2011: \$1,712,428).

The consolidated net operating profit attributable to the members of the Group for the year ended 31 October 2012 is \$1,288,810 (Consolidated 2011: \$594,323).

#### **Short and long term objectives of the Club**

The Club's short and long term objectives were identified in the Club's business plan, "Five 2 Fifty". The 5 year business plan was released at the November 2007 AGM in which the primary measurables were to win two premierships and to secure 50,000 members. The business plan also identified the Club's aspirations of achieving a minimum \$2m profit per annum and to achieve a net assets position of \$20m – both these targets have been achieved.

The Board and Management is currently preparing a new strategic plan, scheduled to be finalised in late 2012 and released prior to season 2013.

#### **Performance Management**

The Club measures its performance by setting targets for its primary strategic goals including stakeholder welfare, football and financial sustainability at the start of the season. These targets are then reported and monitored in detail on a regular basis throughout the season.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2012**

#### **Operating and financial review (continued)**

##### **Football**

The 2012 year, from a football perspective, was ultimately disappointing given the heartache of Grand Final day. The team produced an extremely consistent home and away season finishing the home and away season as minor premiers. The team recorded a hard fought win in the Qualifying Final earning a well deserved week off. The Preliminary Final against Adelaide proved to be a thrilling contest, with the Hawks prevailing in a nervous final quarter. The Grand Final, saw the best two teams of the competition pitched against each other for their third battle of the season. The match followed the pattern of the two earlier contests throughout the season, with momentum swinging constantly all day. We congratulate Sydney on their victory and look forward to renewing our rivalry in the 2013 season. The Club will continue to invest in our football program and will challenge each and every individual to deliver the level of contribution required for the Club to win our 11<sup>th</sup> premiership in 2013.

The Club increased its investment in development to allow our list to reach its full potential. We congratulate the Box Hill Hawks on reaching the Semi Final in the senior division, whilst their development side narrowly failed in its quest for its fourth successive premiership.

The Club traded in AFL player Jack Gunston in 2012. In addition the Football Department continued its focus on drafting quality and talented young players through the recruitment of Bradley Hill, Jordan Kelly, Alex Woodward, Andrew Boseley and Amos Frank.

A number of players have concluded their football careers at the Club and we sincerely thank them all for their contribution and wish them well in their future endeavours. In particular we would like to thank Chance Bateman for his 13 years of service, which included 177 games and the 2008 premiership, fellow premiership teammate Clinton Young for his 8 years of service and 116 games, premiership player Stephen Gilham for his 7 years service and 98 club games and Thomas Murphy for his 8 years of service and strong leadership at the club.

##### **Tasmania**

This year was the first year of the latest 5 year agreement with the Tasmanian Government. The relationship with both the Tasmanian Government as our major naming rights partner and the Tasmanian Community continues to grow and deliver benefits to both parties. The success of this partnership throughout its tenure has been outstanding and we will continue to work closely with Tasmania to further enhance and develop this relationship in the coming years.

##### **Facilities**

During the year, the Club reached an agreement with Ricoh to formally adopt the name Ricoh Centre for our training base at Waverley Park.



# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2012**

#### **Operating and financial review (continued)**

##### **Commercial Ventures / Investments**

This year was the first full year of operations for the West Waters entertainment complex, which opened in late 2010. The business continues to grow and is a key investment of the Club. The Club's Vegas at Waverley Gardens venue continues to perform strongly, and is also an important investment of the Club.

##### **Commercial Operations**

Hawthorn has been fortunate to have many long term commercial partners over the years, however there are two sponsors who end their journey with us this year, HSBC and Puma.

Both have been prominent brands on our guernsey, HSBC on the back and Puma centrally on the front. We end our partnerships on great terms, sincerely thank them for all they have contributed to the Club and wish them both every success in the future.

##### **Membership & Merchandise**

Membership has again continued the recent trend of the past few years, by continuing to grow at an outstanding rate of 7.4% to 60,841 (2011 – 56,643). This is a very pleasing result, and comfortably achieving the 50,000 target as per our Five 2 Fifty Business Plan objective. Our membership support continues to grow each year in Tasmania with membership reaching 8,731.

Merchandise gross sales again increased in 2012, to \$2.7m in gross sales, which included 47% online.

##### **Match Day Attendances**

Average attendances at Melbourne home games in 2012 were 44,612, with the highlights of the season being the season opener against Collingwood (78,464) and the Round 19 fixture against Geelong (65,287). The average in Tasmania was 15,687, with the highlight being the Round 5 fixture against Sydney (19,217).

##### **Corporate and Fundraising**

The fundraising highlight of the year was the Club's major fundraiser which was held at the Myer Mural Hall Ballroom in June. The Club also launched a new website during the year, [www.hfccorporatehospitality.com.au](http://www.hfccorporatehospitality.com.au) in order to promote the array of entertainment options that the Club can source.

##### **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, other than those disclosed in this report.



# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2012**

#### **Operating and financial review (continued)**

##### **Community**

The Club recognises we have a Social Responsibility to engage in Community activities and are involved in a variety of activities throughout Melbourne, Tasmania and the Northern Territory.

An Indigenous Partnerships Program with the region of Katherine in the Northern Territory continued to grow, with players and staff visiting the area three times a year to engage with local children and schools to deliver healthy and active lifestyle messages. The Club also welcomed six children and carers from Lajamanu (a remote community outside Katherine) to Melbourne for a five day cultural exchange experience in conjunction with Hawthorn Auskick.

The Club has enjoyed relationships with a variety of charitable organisations in 2012, providing match-day experiences, fundraising initiatives and awareness campaigns to help spread their messages. This year's charities included; beyondblue, Zaidee's Rainbow Foundation, The Beacon Foundation, The Kokoda Track Foundation, My Room, The Salvation Army, Starlight Children's Foundation, Mirabel, RSL, Give Me 5 For Kids and the Variety Club of Australia.

Youthbeyondblue continue as the Club's Major Partner and the Club continues to foster a strong relationship, working together on awareness campaigns which help reduce the stigma associated with anxiety and depression in young people.

Hawthorn also continued to grow a relationship with the Eastern Football League, further committing to the development of football in the area. The partnership has players involved in a variety of activities, most notably the Eastlink EFL Road Safety Program which has Roadsafes Victoria present to a different EFL Club each week with the assistance of a specially filmed DVD featuring Hawks players.

This year the Hawks launched a Victorian schools program, allowing the Club and players to deliver healthy lifestyle messages in schools in the municipality of Monash. Through a partnership with Monash University, the program allows the Club to engage grade 3 students in our backyard to try and help educate students on the importance of healthy eating and physical activity.

Our Community programs in Tasmania are growing, with the Club working closely with the Tasmanian Government to deliver meaningful and effective programs across the State including the Tassie Hawks Cup and Netball Shield, Tassie Hawks in Schools program and Community Camp.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2012**

#### **Operating and financial review (continued)**

##### **Foundation**

The HFC Foundation continues to build its funds to provide the Club with a solid financial base. The major objective of the Foundation is to enable the Club to carry out specific projects which may not otherwise be funded from normal profits and generally to secure the Club's long term future.

In 2012 the HFC Foundation launched a Paver Program, where personalised pavers can be acquired, and will be ultimately laid surrounding the statue of John Kennedy Senior in 2013.

##### **Environmental regulation**

The Club's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Club should be environmentally responsible and with an objective to be a leader within the AFL and Sporting Community generally.

##### **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, including any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future years.

##### **Indemnification and insurance of Officers and Auditors**

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

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

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as auditor, 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 as auditor incurred for the costs or expenses to defend legal proceedings.

# Hawthorn Football Club Limited and its controlled entities

## Directors' report (continued)

### For the year ended 31 October 2012

#### Operating and financial review (continued)

#### Information on Directors / Company Secretary

Name	Qualifications / Club Portfolio	Experience	Date appointed / Resigned
<b>Directors:</b>			
P A Newbold (President Since 14 Dec'11)	Chairperson of the Board Bachelor of Economics Bachelor of Laws	Company Director	16 June 2003
J G Kennett AC (former President)	Chairperson of the Board	Premier of Victoria 1992-1999, Chairman of beyondblue – The National Depression Initiative, Chairman / Director of various Private and Public Companies	14 December 2011 (Resigned)
G L Harris (Vice President - Since 14 Dec'11)	Chairperson of the CSJV	Founder and former Director Flight Centre	22 June 2004
S P Cummins	Chairperson of the Marketing Sub-Committee, Ba LLb (Law), BA (Journalism), Dip Ed.	Company Director	19 October 2009
J H Dunstall	Chairperson of the Football Sub- Committee	Former HFC player – 269 AFL games, Media Commentator	20 April 2004
R J Garvey	Chairperson FRMC, Bachelor of Commerce, FCA, MBA	Chartered Accountant Company Director / Consultant	18 October 2010
B C Growcott	Chairperson of the Finance /, Investment Committee, Bachelor of Commerce, FCA	Partner – PKF – Business Advisors	14 December 2011 (Resigned)
A H Kaye AM	MB BS MD FRACS	Neurosurgeon Professor of Surgery Head, Dept of Surgery The University of Melbourne Director, Dept of Neurosurgery The Royal Melbourne Hospital	21 February 2011
M K Ralston	Chairperson of HFC Foundation Committee, Director BHHFC, Bachelor of Economics	Consultant	22 August 2005
<b>Company Secretary:</b>			
T Silvers	Bachelor of Commerce, Grad Dip (Acc), CPA	8 seasons of AFL industry experience	19 October 2011

# Hawthorn Football Club Limited and its controlled entities

## Directors' report (continued)

### For the year ended 31 October 2012

#### Operating and financial review (continued)

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

Name of Director	Directors' meetings	
	A	B
P A Newbold (President)	12	12
J G Kennett (former President)	2	2
G L Harris (Vice President)	12	12
S P Cummins	12	9
J H Dunstall	12	11
R J Garvey	12	11
B C Growcott	2	2
A H Kaye	12	11
M K Ralston	12	10

- A Reflects the number of meetings held during the time the Director held office during the year  
 B Number of meetings attended

#### Governance

##### Finance and Risk Management Committee

The Club's Finance Risk Management Committee comprises: R Garvey, M Ralston (Directors), S Fox, T Silvers, B Dunlop, A Singh (Executives) and P Nankivell (independent advisor) which meets monthly prior to the Board meetings, and is primarily responsible for reviewing the Club's financial position and providing recommendations to the Board.

##### West Waters Joint Venture

The board of directors of CSJV Nominees Pty Ltd (the JV manager) comprises G.Harris (Chairman), R.Garvey, B.Growcott, E.Gauci, J.Gauci (Directors), S Fox, T Silvers, A Singh (Executives) meet monthly to review and assess the operations of West Waters entertainment complex.

#### Other

The Club has management sub-committees which are responsible for Football, Marketing, Player Welfare and the HFC Foundation. Individual club directors chair meetings of these sub-committees.

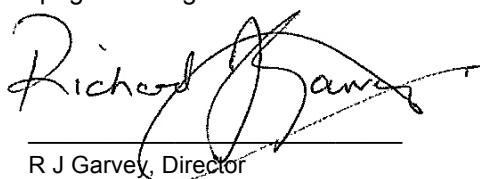
#### Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 11. Signed in accordance with a resolution of the Board of Directors.



P A Newbold, Director

Dated at Melbourne 9 November 2012



R J Garvey, Director



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of the Hawthorn Football Club Limited and its controlled entities

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 October 2012 there have been:

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

KPMG

KPMG

B W Szentirmay  
*Partner*

Melbourne

9 November 2012

# Hawthorn Football Club Limited and its controlled entities

## Statements of comprehensive income

For the year ended 31 October 2012

	Note	Consolidated		The Club	
		2012	2011	2012	2011
<b>Continuing operations</b>					
Revenue	4	57,277,620	48,872,326	45,907,626	42,035,270
Cost of sales		(3,966,313)	(3,256,909)	(2,116,210)	(1,885,342)
Gross Profit		53,311,307	45,615,417	43,791,416	40,149,928
Other Income	4	276,420	278,683	26,319	19,206
Sponsorship, membership & fundraising expenses		(10,520,973)	(9,864,531)	(10,415,932)	(9,841,765)
Employee and player expenses		(26,532,525)	(24,221,381)	(22,240,905)	(20,914,304)
Marketing expenses		(2,078,620)	(1,126,802)	(1,625,989)	(856,875)
Depreciation & amortisation		(1,580,834)	(1,166,313)	(936,576)	(763,934)
Venue management fees		(825,000)	(748,077)	(425,000)	(425,000)
Other football operations expenses		(2,378,471)	(2,316,797)	(2,545,516)	(2,301,798)
Other expenses in respect to ordinary activities		(7,830,371)	(6,153,251)	(3,665,604)	(3,599,160)
		(51,470,374)	(45,318,469)	(41,829,203)	(38,683,630)
<b>Results from operating activities</b>		1,840,933	296,948	1,962,213	1,466,298
Finance income		112,977	255,543	106,201	250,042
Finance expenses		(975,701)	(371,714)	(44,694)	(3,912)
<b>Net finance income</b>	5	(862,724)	(116,171)	61,507	246,130
<b>Profit before income tax</b>		978,209	180,777	2,023,720	1,712,428
Income tax expense	3(p)	-	-	-	-
<b>Net profit for the year</b>		<b>978,209</b>	<b>180,777</b>	<b>2,023,720</b>	<b>1,712,428</b>
<b>Other comprehensive income</b>					
Net change in fair value of available for sale investments		43,053	(185,697)	43,053	(185,697)
Total comprehensive income for the year		1,021,262	(4,920)	2,066,773	1,526,731
<b>Total profit attributable to:</b>					
Members of Hawthorn Football Club		1,288,810	594,323	-	-
Minority Interests		(310,601)	(413,546)	-	-
		<u>978,209</u>	<u>180,777</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income attributable to:</b>					
Members of Hawthorn Football Club		1,331,863	408,626	-	-
Minority Interests		(310,601)	(413,546)	-	-
		<u>1,021,262</u>	<u>(4,920)</u>	<u>-</u>	<u>-</u>

The income statements are to be read in conjunction with the notes of the financial statements set out in pages 16 to 32

## Hawthorn Football Club Limited and its controlled entities

### Statements of changes in equity

#### For the year ended 31 October 2012 Consolidated

	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2010	124,504	25,484,543	305,540	25,914,587
Fair value movement of available for sale financial assets	-	-	(185,697)	(185,697)
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	(89,043)	(89,043)
Profit for the period	(413,546)	594,323	-	180,777
Acquisition of Minority Interest without a change in control	(24,916)	(452,351)	-	(477,267)
Closing balance at 31 October 2011	(313,958)	25,626,515	30,800	25,343,357
Opening balance at 1 November 2011	(313,958)	25,626,515	30,800	25,343,357
Fair value movement of available for sale financial assets	-	-	43,053	43,053
Net change in value of available for sale Financial assets Transferred to statement of comprehensive income	-	-	-	-
Profit/(Loss) for the period	(310,601)	1,288,810	-	978,209
Closing balance at 31 October 2012	(624,559)	26,915,325	73,853	26,364,619

#### For the year ended 31 October 2012 Club

	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2010	-	19,245,536	305,540	19,551,076
Fair value movement of available for sale financial assets	-	-	(185,697)	(185,697)
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	(89,043)	(89,043)
Profit for the period	-	1,712,428	-	1,712,428
Closing balance at 31 October 2011	-	20,957,964	30,800	20,988,764
Opening balance at 1 November 2011	-	20,957,964	30,800	20,988,764
Fair value movement of available for sale financial assets	-	-	43,053	43,053
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	-	-
Profit for the period	-	2,023,720	-	2,023,720
Closing balance at 31 October 2012	-	22,981,684	73,853	23,055,537

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 16 to 32



## Hawthorn Football Club Limited and its controlled entities

### Statement of financial position

As at 31 October 2012

	Note	Consolidated		The Club	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	6	6,454,430	7,775,422	5,590,752	5,219,757
Trade & other receivables	7	2,452,021	1,411,805	2,312,220	1,353,086
Inventory	8	785,501	1,108,595	672,557	994,001
Other	10	833,300	1,311,752	750,420	958,278
<b>Total current assets</b>		<b>10,525,252</b>	<b>11,607,574</b>	<b>9,325,949</b>	<b>8,525,122</b>
<b>Non Current Assets</b>					
Trade & other receivables	7	180,000	240,000	4,471,084	4,480,296
Investments	9	1,847,923	1,744,600	1,847,923	1,744,600
Investment property	11	3,958,863	4,033,859	3,958,863	4,033,859
Property, plant & equipment	12	14,588,054	13,542,716	10,427,795	9,784,647
Intangible assets	13	19,690,333	17,277,437	344,590	-
<b>Total non-current assets</b>		<b>40,265,173</b>	<b>36,838,612</b>	<b>21,050,255</b>	<b>20,043,402</b>
<b>Total assets</b>		<b>50,790,425</b>	<b>48,446,186</b>	<b>30,376,204</b>	<b>28,568,524</b>
<b>Current Liabilities</b>					
Payables	14	5,594,745	6,949,317	3,899,146	3,779,617
Interest bearing loans & borrowings	15	1,809,955	618,130	363,450	18,130
Employee entitlements	16	1,040,227	831,337	914,398	736,099
Other liabilities	17	1,546,430	2,943,437	1,502,548	2,812,376
<b>Total current liabilities</b>		<b>9,991,357</b>	<b>11,342,221</b>	<b>6,679,542</b>	<b>7,346,222</b>
<b>Non Current Liabilities</b>					
Interest bearing loans & borrowings	15	14,315,309	11,581,531	521,985	54,461
Employee entitlements	16	119,140	179,077	119,140	179,077
Other liabilities	17	-	-	-	-
<b>Total non-current liabilities</b>		<b>14,434,449</b>	<b>11,760,608</b>	<b>641,125</b>	<b>233,538</b>
<b>Total liabilities</b>		<b>24,425,806</b>	<b>23,102,829</b>	<b>7,320,667</b>	<b>7,597,760</b>
<b>Net assets</b>		<b>26,364,619</b>	<b>25,343,357</b>	<b>23,055,537</b>	<b>20,988,764</b>
<b>Members' Equity</b>					
Reserves		73,853	30,800	73,853	30,800
Minority interest (CSJV)		(624,559)	(313,958)	-	-
Retained profits		26,915,325	25,626,515	22,981,684	20,957,964
<b>Total members' equity</b>		<b>26,364,619</b>	<b>25,343,357</b>	<b>23,055,537</b>	<b>20,988,764</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 32

## Hawthorn Football Club Limited and its controlled entities

### Statements of cash flows

For the year ended 31 October 2012

	Note	Consolidated		The Club	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		63,391,235	53,495,856	50,552,245	45,724,141
Cash payments in the course of operations		(62,720,689)	(51,222,062)	(48,836,879)	(42,983,510)
<b>Net cash from operating activities</b>		<b>670,546</b>	<b>2,273,794</b>	<b>1,715,366</b>	<b>2,740,631</b>
<b>Cash flows from investing activities</b>					
Interest received	5	69,246	60,794	62,470	55,293
Dividends received	5	62,244	105,706	62,244	105,706
Payments for property, plant & equipment		(2,532,676)	(2,522,140)	(1,692,784)	(1,601,323)
Payments for intangible assets		(287,425)	-	(20,625)	-
Advance to controlled entity		-	-	(194,764)	(1,733,726)
Acquisition of minority interest		-	(477,267)	-	-
Proceeds from disposal of property, plant & equipment		23,678	-	23,678	-
Proceeds from sale of investments		-	1,457,470	-	1,457,470
<b>Net cash (used in) from investing activities</b>		<b>(2,664,933)</b>	<b>(1,357,437)</b>	<b>(1,759,781)</b>	<b>(1,716,580)</b>
<b>Cash flows from financing activities</b>					
Borrowing costs paid		(272,498)	(57,144)	(44,694)	(3,912)
Lease expenses paid		(5,416)	(6,856)	(5,416)	(6,856)
Proceeds from borrowings		1,600,200	2,662,500	650,000	-
Repayment of borrowings		(648,891)	(138,956)	(184,480)	(138,956)
<b>Net cash (used in) financing activities</b>		<b>673,395</b>	<b>2,459,544</b>	<b>415,410</b>	<b>(149,724)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>		<b>(1,320,992)</b>	<b>3,357,901</b>	<b>370,995</b>	<b>874,327)</b>
<b>Cash &amp; cash equivalents at 1 November 2011</b>		<b>7,775,422</b>	<b>4,417,521</b>	<b>5,219,757</b>	<b>4,345,430</b>
<b>Cash &amp; cash equivalents at 31 October 2012</b>	6	<b>6,454,430</b>	<b>7,775,422</b>	<b>5,590,752</b>	<b>5,219,757</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 16 to 32.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **1. Reporting entity**

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

The financial report was authorised for issue by the Directors on 9 November 2012.

The Club is a not for profit entity.

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

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The Group and Club has early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from reduced Disclosure Requirements* for the financial year beginning on 1 November 2009 to enable it to prepare Tier 2 general purpose financial statements, which reduce various reporting requirements not appropriate for the Club.

The consolidated financial report of the Group and the financial report of the Club are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDR's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

##### **(b) Basis of measurement**

###### **Functional Currency**

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 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 be different from these estimates.

##### **(c) Use of estimates and judgements**

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.

#### **3 Significant accounting policies**

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.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (continued)**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Key estimates and judgements in the context of the preparation of the financial report include the estimation of the fair value and recoverable amount of certain assets, and calculation of provisions.

##### **(a) Basis of Consolidation**

###### **Subsidiaries**

Subsidiaries are entities controlled by the group, such as CSJV and the Box Hill Hawks Football Club (BHHFC). Control exists when the Club 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 group's consolidated financial statements from the date that control commences until the date that control ceases.

The Club has adopted revised AASB3 Business Combinations (2008) and amended AASB127 Consolidated & Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 November 2009. All business combinations occurring on or after 1 November 2009 are accounted for by applying the acquisition method.

Under the accounting policy, acquisitions of a non controlling interest of itself are accounted for as transactions with equity holders in their capacity as equity holder by comparison to outsiders and no goodwill is recognised. To the extent an acquired interest when added to existing interests creates control, goodwill will be recognised.

Intra-group balances and any 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, unless impaired.

###### **Associates and jointly controlled entities (equity accounted investees)**

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The Club has no such investments.

##### **(b) 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 3(i)).

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.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 3. Statement of significant accounting policies (continued)

##### Leased Assets

Leases in terms of which the Club assumes substantially all the risks and rewards of ownership are classified as finance leases, by comparison to operating 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 (3(o)).

##### 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 statements of comprehensive income as an expense as incurred.

##### Depreciation

Depreciation is charged to the statements of comprehensive income over the estimated useful life 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:

	2012	2011	Method of depreciation
Buildings	25-40	25-40	Straight line
Building improvements	5-40	5-40	Straight line
Plant and equipment	5-40	3-20	Straight line / Reducing balance
Building leasehold improvements	5-40	5-40	Straight line

#### (c) Intangible assets

##### Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

##### Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

##### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### Amortisation

Amortisation is based on the cost of an asset less its residual value.

## **Hawthorn Football Club Limited and its controlled entities**

### **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (continued)**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Lease premium	40yrs
Gaming entitlements	10yrs

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### **(d) 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 statements of comprehensive income.

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 statements of comprehensive income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statements of comprehensive income.

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

#### **(e) Investment property**

Investment property is held to earn rental income and for capital appreciation, however is not for sale in the ordinary course of business, or used for administrative purposes. Investment property is measured at cost on initial recognition and depreciated over the asset's useful life being 40 years.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### **(f) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 3(i)).

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (continued)**

##### **(g) Inventories**

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

##### **(h) Cash**

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

##### **(i) Impairment**

The carrying amounts of the Club's assets other, than inventories (see accounting policy 3(g)) are reviewed at each statement of financial position 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 statements of comprehensive income, 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 the statements of comprehensive income.

Impairment losses recognised in respect of cash generating units (CGU's) are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU's) 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 then objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is then recognised in the statements of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statements of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statements of comprehensive income.

##### **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 statement of financial position date.



# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (continued)**

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, unless the asset generates independent cash flows.

##### **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.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statements of comprehensive income.

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.

An impairment loss in respect of goodwill is not reversed.

#### **(j) Interest-bearing borrowings**

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

#### **(k) Employee Entitlements**

##### **Defined contribution superannuation funds**

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statements of comprehensive income 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 AFL, the Club has no obligation for long service leave in respect of players.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (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 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.

##### **(l) Provisions**

A provision is recognised in the statement of financial position 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.

##### **(m) Trade and other payables**

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

##### **(n) Revenue**

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

##### **Sales Revenue**

Sales revenue from football activities comprises revenue earned from the sales of memberships, corporate marketing, the sale of merchandise, gate receipts and AFL distributions. Membership, corporate marketing and merchandise income are all recognised as earned, whilst gate receipts and AFL distributions are recognised as received.

##### **AFL distribution and prize money**

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

##### **Membership and match day revenue**

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

##### **Merchandise revenue**

Merchandise revenue is recognised as the merchandise is provided.

##### **Marketing revenue**

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

##### **Accommodation revenue**

Accommodation revenue is recognised as it is provided.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **3. Statement of significant accounting policies (continued)**

##### **Gaming, bar and bistro revenue**

Sales comprise 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 they are provided.

#### **(o) Expenses**

##### **Operating lease payments**

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

##### **Finance lease payments**

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

#### **(p) Income Tax**

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

#### **(q) Goods and services tax**

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

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

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

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

#### **(r) Segment reporting**

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

#### **(s) Finance revenue and expenses**

Finance revenue comprises interest revenue on funds invested, dividend revenue, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets. Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets and impairment losses recognised on financial assets.

#### **(t) Presentation of financial statements and reduced disclosure**

In 2010, the Group and Club early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from Reduced Disclosure Requirements*. This has resulted in a reduction of disclosures for items such as financial instruments, equity accounted investments and business combinations which are not appropriate for the Club.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 4. Revenue

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
AFL distribution and prize money	9,138,376	7,682,004	9,138,376	7,682,004
Membership income	9,028,307	7,895,676	9,024,621	7,891,608
Match day income	4,018,101	3,809,441	3,929,538	3,726,858
Marketing income	15,083,689	14,576,422	14,708,067	14,179,931
Merchandise income	3,142,497	3,065,244	3,135,875	3,063,523
Gaming, bar and bistro income	14,029,753	10,057,704	5,062,010	4,449,843
Accommodation income	1,914,493	741,654	-	-
Donations and special fundraising	547,123	669,558	533,858	666,880
Rental income from investment property	375,281	374,623	375,281	374,623
<b>Total Revenue</b>	<b>57,277,620</b>	<b>48,872,326</b>	<b>45,907,626</b>	<b>42,035,270</b>
Other income	276,420	278,683	26,319	19,206
<b>Total revenue and other income</b>	<b>57,554,040</b>	<b>49,151,009</b>	<b>45,933,945</b>	<b>42,054,476</b>

#### 5. Finance income and expense

Interest income on bank deposits	69,246	60,794	62,470	55,293
Dividend income on available for sale investments	62,244	105,706	62,244	105,706
Net profit on disposal of available for sale investments	-	89,043	-	89,043
Net loss on disposal of PPE	(18,513)	-	(18,513)	-
Finance Income	112,977	255,543	106,201	250,042
Interest expense	(975,701)	(371,714)	(44,694)	(3,912)
<b>Finance expense</b>	<b>(975,701)</b>	<b>(371,714)</b>	<b>(44,694)</b>	<b>(3,912)</b>
<b>Net finance income and expense</b>	<b>(862,724)</b>	<b>(116,171)</b>	<b>61,507</b>	<b>246,130</b>

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 6. Cash assets

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash on hand	824,827	954,771	435,545	498,380
Cash at bank	1,525,861	3,091,434	1,051,465	1,035,987
Short term deposit	4,103,742	3,729,217	4,103,742	3,685,390
	<u>6,454,430</u>	<u>7,775,422</u>	<u>5,590,752</u>	<u>5,219,757</u>

#### 7. Trade and other receivables

##### Current

Trade receivables	2,253,864	1,225,171	2,154,781	1,108,169
Other debtors	<u>198,157</u>	<u>186,634</u>	<u>157,439</u>	<u>244,917</u>
	<u>2,452,021</u>	<u>1,411,805</u>	<u>2,312,220</u>	<u>1,353,086</u>

##### Non Current

Prepayments	180,000	240,000	180,000	240,000
Amount receivable from related parties				
Box Hill Hawks Ltd	-	-	172,087	172,087
Less: Allowance for impairment	-	-	(172,087)	(28,111)
Loan to subsidiary – CSJV	-	-	1,421,021	1,226,257
Loan to subsidiary – CSFT	<u>-</u>	<u>-</u>	<u>2,870,063</u>	<u>2,870,063</u>
	<u>180,000</u>	<u>240,000</u>	<u>4,471,084</u>	<u>4,480,296</u>

#### 8. Inventories

##### Current

Inventory	<u>785,501</u>	<u>1,108,595</u>	<u>672,557</u>	<u>994,001</u>
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In 2012 the write down of inventories to net realisable value was \$101,005.

#### 9. Investments

##### Non-Current

Equity securities available for sale	<u>1,847,923</u>	<u>1,744,600</u>	<u>1,847,923</u>	<u>1,744,600</u>
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#### 10. Other assets

##### Current

Prepayments	<u>833,300</u>	<u>1,311,752</u>	<u>750,420</u>	<u>958,278</u>
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# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 11. Investment Property

	Consolidated	The Club
<b>Cost</b>	<b>\$</b>	<b>\$</b>
Balance at 1 November 2011	4,328,720	4,328,720
Acquisitions	-	-
Disposals	-	-
Balance at 31 October 2012	<u>4,328,720</u>	<u>4,328,720</u>
<b>Depreciation</b>		
Balance at 1 November 2011	294,861	294,861
Depreciation charge for the year	<u>74,996</u>	<u>74,996</u>
Balance at 31 October 2012	<u>369,857</u>	<u>369,857</u>
<b>Carrying amounts</b>		
At 1 November 2011	<u>4,033,859</u>	<u>4,033,859</u>
At 31 October 2012	<u>3,958,863</u>	<u>3,958,863</u>

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property comprises the gymnasium at Waverley Park which is leased to a third party under commercial leasing terms and conditions. Included in investment property is land totalling \$1,100,000 which is not depreciated.

#### 12. Property, plant and equipment

##### Consolidated reconciliation

	Land buildings & building improvements	Plant and equipment	Building leasehold improvements	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 November 2011	3,076,875	13,381,920	826,950	17,285,745
Acquisitions	-	2,269,365	33,067	2,302,432
Disposals	-	(94,817)	-	(94,817)
Balance at 31 October 2012	<u>3,076,875</u>	<u>15,556,468</u>	<u>860,017</u>	<u>19,493,360</u>
<b>Depreciation</b>				
Balance at 1 November 2011	(326,071)	(3,371,964)	(44,994)	(3,743,029)
Depreciation/amortisation charge for the year	(63,568)	(1,124,057)	(29,431)	(1,217,056)
Disposal	-	54,779	-	54,779
Balance at 31 October 2012	<u>(389,639)</u>	<u>(4,441,242)</u>	<u>(74,425)</u>	<u>(4,905,306)</u>
<b>Carrying amounts</b>				
At 1 November 2011	2,750,804	10,009,956	781,956	13,542,716
At 31 October 2012	<u>2,687,236</u>	<u>11,115,226</u>	<u>785,592</u>	<u>14,588,054</u>

##### Club reconciliation

	Land buildings & building improvements	Plant and equipment	Building leasehold improvements	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at 1 November 2011	3,076,875	9,302,730	720,992	13,100,597
Acquisitions	-	1,505,827	33,067	1,538,894
Disposals	-	(94,817)	-	(94,817)
Balance at 31 October 2012	<u>3,076,875</u>	<u>10,713,740</u>	<u>754,059</u>	<u>14,544,674</u>
<b>Depreciation</b>				
Balance at 1 November 2011	(326,071)	(2,987,163)	(2,716)	(3,315,950)
Depreciation/amortisation charge for the year	(63,568)	(773,291)	(18,849)	(855,708)
Disposals	-	54,779	-	54,779
Balance at 31 October 2012	<u>(389,639)</u>	<u>(3,705,675)</u>	<u>(21,565)</u>	<u>(4,116,879)</u>
<b>Carrying amounts</b>				
At 1 November 2011	2,750,804	6,315,567	718,276	9,784,647
At 31 October 2012	<u>2,687,236</u>	<u>7,008,065</u>	<u>732,494</u>	<u>10,427,795</u>

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

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 13. Intangible Assets

##### Consolidated reconciliation

	Goodwill \$	Lease premium \$	Gaming entitlements \$	Total \$
Balance at 1 November 2011	8,237,046	9,150,000	-	17,387,046
Acquisitions	-	-	2,695,327	2,695,327
Disposals	-	-	-	-
Balance at 31 October 2012	<u>8,237,046</u>	<u>9,150,000</u>	<u>2,695,327</u>	<u>20,082,373</u>

##### Amortisation

Balance at 1 November 2011	-	(109,609)	-	(109,609)
Depreciation/amortisation charge for the year	-	(233,518)	(48,913)	(282,431)
Balance at 31 October 2012	-	<u>(343,127)</u>	<u>(48,913)</u>	<u>(392,040)</u>

##### Carrying amounts

At 1 November 2011	<u>8,237,046</u>	<u>9,040,391</u>	-	<u>17,277,437</u>
At 31 October 2012	<u>8,237,046</u>	<u>8,806,873</u>	<u>2,646,414</u>	<u>19,690,333</u>

##### Club reconciliation

	Goodwill \$	Lease premium \$	Gaming entitlements \$	Total \$
Balance at 1 November 2011	-	-	-	-
Acquisitions	-	-	350,460	350,460
Disposals	-	-	-	-
Balance at 31 October 2012	-	-	<u>350,460</u>	<u>350,460</u>

##### Amortisation

Balance at 1 November 2011	-	-	-	-
Depreciation/amortisation charge for the year	-	-	(5,870)	(5,870)
Balance at 31 October 2012	-	-	<u>(5,870)</u>	<u>(5,870)</u>

##### Carrying amounts

At 1 November 2011	-	-	-	-
At 31 October 2012	-	-	<u>344,590</u>	<u>344,590</u>

##### Goodwill

In early 2010 the Club initially held a 50% non controlling interest in the CSJV via the CSFT. On 11 October 2010, the Club obtained control of the CSJV by acquiring a further 16.67% of the venture, taking the Group's consolidated interest to 66.67%. The venture, as a consequence of accounting standards, became a deemed subsidiary as a result of this controlling acquisition.

The total consideration paid for the 16.67% interest was \$2.08m with the associated net assets approximating \$80k, resulting in the effective acquisition by the consolidated group of approximately \$2m in goodwill.

Recognition of the CSFT's control of the venture requires that its initial 50% investment in the CSJV be re-valued to fair value. In the opinion of the Directors, based on independent valuations received and the price paid for the 16.67%, the 50% CSJV interest's fair value is approximately \$6.239m. Together with the \$2m goodwill acquisition and the re-value of the initial 50% interest to fair value, the consolidated group carries approximately \$8.2m of goodwill in the statement of financial position as at 31 October 2012 (31 October 2011: \$8.2m).



## Hawthorn Football Club Limited and its controlled entities

### Notes to the consolidated financial statements

#### For the year ended 31 October 2012

##### Lease premium

As part of commercial arrangements in respect to the acquisition of the West Waters entertainment complex, the CSJV has entered into an agreement to pay \$9.15m as a lease premium for access to the site. The premium will be amortised over the 40 years of the joint venture's rental options.

The premium is payable by or before year four, 2015 with various trigger payments per annum and interest is payable on the facility (refer note 15).

##### Gaming Entitlements

On 10 May 2010 the Club entered into an agreement to acquire gaming machine entitlements at a total cost of \$412,500 for the Vegas at Waverley Gardens venue. The entitlements are for 10 years and commenced on 16 August 2012. The Club paid a 5% deposit of \$20,625 in June 2010 with the balance payable over 4 years in quarterly instalments from August 2012.

On 10 May 2010 the CSJV in which the Group has a 73% interest, entered into an agreement to acquire gaming machine entitlements at a total cost of \$2,668,000 for the West Waters Entertainment complex. The entitlements are for 10 years and commenced on 16 August 2012. The CSJV paid a 10% deposit of \$266,800 in June 2010 with the balance payable over 4 years in quarterly instalments from August 2012.

#### 14. Payables

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Current</b>				
Trade payables	2,430,317	5,297,982	1,829,079	2,630,554
Other creditors and accruals	3,164,428	1,651,335	2,070,067	1,149,063
	<u>5,594,745</u>	<u>6,949,317</u>	<u>3,899,146</u>	<u>3,779,617</u>

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 15. Interest-bearing liabilities

##### Current

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
Bank loan – secured*	1,049,524	600,000	249,524	-
Other financing facilities - unsecured	146,778	-	-	-
Gaming entitlements	460,035	-	59,519	-
Hire Purchase	153,618	18,130	54,407	18,130
	<u>1,809,955</u>	<u>618,130</u>	<u>363,450</u>	<u>18,130</u>

##### Non-current

Hire Purchase	437,078	54,461	-	54,461
Bank loan – secured*	2,196,794	2,062,500	272,294	-
Gaming entitlements	1,660,442	-	249,691	-
Other financing facilities – unsecured **	<u>10,020,995</u>	<u>9,464,570</u>	<u>-</u>	<u>-</u>
	<u>14,315,309</u>	<u>11,581,531</u>	<u>521,985</u>	<u>54,461</u>

##### Bank loan

\* A fixed and floating charge exists over the assets and undertaking of CSJV Nominees Pty Ltd. Interest is charged on these loans at fixed and variable rates. The loan balance at 31<sup>st</sup> October 2012 totalled \$2,724,500.

\* The Club has a secured loan balance of \$521,818 in relation to certain Vegas assets.

\*\* Other loan facilities provided by third parties in respect to the leasehold premium at CSJV (refer note 13).

#### 16. Employee provisions

##### Current

Provision for annual leave	684,850	547,258	565,644	457,861
Provision for long service leave	<u>355,377</u>	<u>284,079</u>	<u>348,754</u>	<u>278,238</u>
	<u>1,040,227</u>	<u>831,337</u>	<u>914,398</u>	<u>736,099</u>

##### Non-current

Other	-	100,000	-	100,000
Provision for long service leave	<u>119,140</u>	<u>79,077</u>	<u>119,140</u>	<u>79,077</u>
	<u>119,140</u>	<u>179,077</u>	<u>119,140</u>	<u>179,077</u>

##### Defined contribution superannuation funds

The Club and Group makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was Club \$1,146,696 and Group \$1,437,491 for the financial year ended 31 October 2012 (2011 Club: \$1,063,971, Group \$1,256,467).

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 17. Other liabilities

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Current</b>				
Unearned revenue	1,546,430	2,943,437	1,502,548	2,812,376
<b>Non-current</b>				
Unearned revenue	-	-	-	-

The Club has unearned revenue relating to 2013 memberships and prepaid corporate function ticket sales.

#### 18. Commitments

	Consolidated		The Club	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>(a) Operating lease commitments</b>				
<b>Leases as lessee</b>				
Non-cancellable operating lease rentals are payable:				
Within one year	2,408,027	2,414,772	576,527	583,272
Between one and five years	8,882,816	9,251,131	892,960	1,261,275
More than five years	7,053,090	9,475,196	-	-
	18,343,934	21,141,099	1,469,487	1,844,547

During the year \$2,526,609 was recognised as an expense in the statements of comprehensive income in respect of operating leases (2011: \$1,507,224). Long term operating lease commitments relate to retail rental agreements in place for the West Waters entertainment complex and the Waverley Gardens venue.

The group has long term operating lease commitments within the CSJV in which the group has a 73% interest relating to a rental agreement commencing in December 2010 at the West Waters entertainment complex. The group has included the full amount of CSJV's operating lease commitments in the above disclosures.

#### (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 continue to comply with the prescribed AFL's Total Player Payments limits.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2012

#### 19. 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.

##### Key management personnel compensation

The key management personnel compensation included in employee and player expenses is as follows:

Consolidated		The Club	
2012	2011	2012	2011
\$	\$	\$	\$
1,610,820	1,974,384	1,610,820	1,974,384

##### Other related parties

Amounts receivable from other related parties are shown in note 7 of these financial statements.

The Club has a related party receivable totalling \$2,870,063 (2011: \$2,870,063) with CSFT, a wholly owned subsidiary. The amount is not repayable within twelve months, is non interest bearing and is unsecured.

The Club has a related party receivable totalling \$1,421,021 (2011: \$1,226,257) with CSJV of which it owns a 73% interest. The amount is not repayable within twelve months, is non interest bearing and is unsecured.

The Club also made operating payments totalling \$240,000 (2011: \$235,000) to the BHHFC. These payments were made in accordance with the Alignment Agreement, and have been eliminated in the consolidated financial statements.

The Club has an inter-company receivable balance with Box Hill Hawks totalling \$172,087. The Club raised a provision for the full amount of this balance in the current year.

## **Hawthorn Football Club Limited and its controlled entities**

### **Notes to the consolidated financial statements**

### **For the year ended 31 October 2012**

#### **20. Contributed equity and reserves**

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.

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets, until the investments are de-recognised or impaired.

#### **21. Group entities**

The Club presents consolidated information which comprises the Club, HFC CSFT, BHHFC and HFC Foundation. The Club is the sole unit holder of CSFT. The CSFT holds the Club's interest in the CSJV, which became a subsidiary on 11 October 2010 (see Note 13).

While the Club does not hold an ownership interest in BHHFC, the Club is deemed to govern the financial and operating policies of BHHFC and consequently the Club, is required to consolidate this entity.

#### **22. Hawthorn Foundation**

The Hawthorn Football Club Foundation ("Foundation") actively continued its role of providing the HFC with access to income and capital for specific projects which may not be otherwise funded from normal profits or reserves. The Foundation is a division within the Club. HFC Foundation Nominees Pty Ltd ("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 1 of its 5 Directors is currently a Director 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.

During the year the Foundation received \$111,509 in donations (2011: \$291,183) and generated \$124,813 in investment earnings (2011: \$137,096).

These contributions have assisted in increasing the funds in term deposit for the Foundation to \$2,802,802.

#### **23. Subsequent events**

No other matters or circumstances have arisen since 31 October 2012 that will significantly affect, or may significantly affect, the operations of the group, the results of the operations, or the state of affairs of the group in subsequent years.

#### **24. Other information**

Registered office:

3/2 Stadium Circuit, Mulgrave, Victoria, Australia 3170

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

## Directors' declaration

In the opinion of the Directors of HFC Ltd ("the Club") and its controlled entities:

- (a) the financial statements and notes, set out on pages 12 to 32, 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 2012 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.

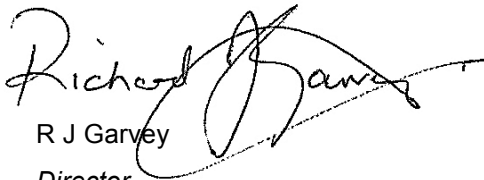
Dated at Melbourne this 9<sup>th</sup> day of November 2012.

Signed in accordance with a resolution of the Directors:



P A Newbold

*Director*



R J Garvey

*Director*



## **Independent auditor's report to the members of Hawthorn Football Club Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Hawthorn Football Club Limited (the Club), which comprises the statements of financial position as at 31 October 2012, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration set out on pages 12 to 33 of the Club and 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a true and fair 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.





*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 Hawthorn Football Club Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Club's and the Group's financial position as at 31 October 2012 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

KPMG

KPMG

B W Szentirmay  
*Partner*

Melbourne

9 November 2012

## Appendix<sup>1</sup>

### HFC Foundation Report (a division of HFC Ltd)

During the financial year the Foundation continued to build its financial base, by hosting a number of events to increase the awareness of the Foundation within the Hawthorn supporter community and invested in community and research programs which will enable the Club to achieve continued on field success (refer note 22).


The major donor program consisted of hosting existing and potential donors at President's functions held at the MCG, Aurora Stadium and the SCG and a Gala Dinner held in August. The Bequest Society program conducted a series of information sessions at venues in Box Hill, Adelaide, Perth and Launceston. On behalf of the Foundation I would like to thank all donors for their generosity.

In May this year we were approached by the Football Department to apply some funding to a Sports Analytics program. This program was identified by the coaching staff on their end of season research trip and has been successfully used by other codes in the US and Europe. The proposal required the Foundation to provide funds for the procurement of IT infrastructure and consulting expertise to establish a pilot program. Based on the proposal presented the Foundation allocated the requested funds to the program. The feedback to date has been that the program has already generated outcomes which have had a positive impact on the team's game day strategy.

A new initiative for the next financial year is to provide the Hawthorn supporter community with the opportunity to purchase pavers which will be laid adjacent to the John Kennedy statue at Waverley Park. Supporters will be able to record their names and a personalised message on the pavers. More information on this program can be found on the Foundation website.

During the year Doug Battersby was appointed as a nominee of the Foundation. I would like to thank Doug and the other nominees Bruce Stevenson, Guy Kurzmann and Peter McKenzie for their valuable assistance. I would also like to acknowledge the contribution from our Bequest Society ambassadors Graham Arthur, Peter Hudson and David Parkin. Finally I would like to acknowledge the work done by Morton Browne, Jan Wade and Peter Knights in scheduling and managing the activities of the Foundation.

In August it was decided that for the Foundation to continue to grow, the time required of the General Manager needed to increase. As Morton Browne was unable to provide the additional time it was agreed that Greg Cook would assume this responsibility, effective from the 1<sup>st</sup> of October 2012. On behalf of the nominees I would like to thank Morton for his contribution during his tenure as General Manager.



Martin Ralston  
**Director**

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<sup>1</sup> The information contained in this Appendix does not form part of the audited statutory financial report of the Club for the year ended 31 October 2012. It has been prepared solely for the information of members and report users.



