MELBOURNE FOOTBALL CLUB

FINANCIAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2013

ACN 005 686 902

Contents

Directors' Report

To the Members of the Melbourne Football Club Limited ("the Club" or "MFC").

The Directors hereby present their report pursuant to the requirements of the Corporations Act 2001 on the state of affairs of the Club at 31 October 2013.

1. Directors

Glen Bartlett

Glen has been a director of the Melbourne Football Club since 11 July 2013, and was appointed President on 16 August 2013. Glen has vast experience in football, law and business management. Glen holds a Commerce degree majoring in accounting and business law and a law degree (with honours). He is a life member of East Perth Football Club and former Club Captain and WAFL leading goal kicker with that Club. Glen was part of the inaugural West Coast Eagles winning the Best Clubman Award in 1987. Since then Glen has held a variety of positions in football including player management, the WAFL Appeals Tribunal, President of the WAFL players Association and a board member of the AFL Player Agents Association. Since becoming a lawyer in 1994 Glen has become one of the leading industrial relations lawyers in Western Australia and Victoria. Recently Glen completed a three year term as Managing Partner Melbourne with Clayton Utz, Australia's leading independent law firm.

Peter Spargo

Peter has been a director of the Melbourne Football Club since 13 March 2008, and was appointed Vice President on 1 February 2012. Peter served as interim CEO of the Club during 2008 before the appointment of Cameron Schwab, and recently again this year before the appointment of Peter Jackson. Peter is a member of the Club's Bentleigh Club and MFC / MCC Committees, and has particular involvement at Board level on our gaming investments and our relationship with the MCC. Peter holds a Bachelor of Economics. Peter is the Managing Director and owner of family companies associated in the oil industry, retail businesses and property development.

Russel Howcroft

Russel has been a director of the Melbourne Football Club Limited since 12 June 2008. Russel has particular involvement at Board level with our marketing and communications, our membership and sponsorship, our supporter groups and our relationship with the AFL. He is a member of our new Board Nominations Committee. Russel is the Executive GM of Network Ten, and was previously CEO of Y&R Brands Aus/NZ. Russel is a permanent panel member of the ABC TV show "The Gruen Transfer," and is a regular media commentator on the world of marketing and advertising. He is on the Boards of the AFI and Freeview Australia.

David Thurin

David has been a director of the Melbourne Football Club Limited since 12 June 2008. David is Managing Director and owner of Tigcorp, a privately owned company that owns, develops and manages retirement communities as well as having listed and private equity investments. David has previously been involved in the Gandel Group of Companies, as a director for fourteen years and as a Joint Managing Director of both the Gandel Group and Gandel Retail Management for six years. David has been the President of the International Diabetes Institute and currently is a Director of the Baker IDI Heart and Diabetes Institute. He also is a member of the World Presidents Organisation and the MCC. David holds a Bachelor of Medicine with post-graduate qualifications in family medicine and

Directors' Report (continued)

obstetrics and gynaecology, as well as a Masters Degree in Management from Stanford University in California.

John Trotter

John has been a director of the Melbourne Football Club since 10 November 2010. John is the Chair of the Club's Audit and Risk Committee and a member of the Bentleigh Club and MFC / MCC sub committees, and has particular involvement at the Board level on the governance structures, risk management and finance operations of the club as well as being on the Committee of Melbourne Business Community network. John a former Managing Partner of Deloitte Victoria, is Chairman of Entity Solutions Pty Ltd, a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. He also holds a Bachelor of Commerce from Melbourne University.

Geoff Freeman

Geoff has been a director of the Melbourne Football Club Limited since 18 April 2013. Geoff was a founding partner of Freeman McMurrick. He holds an advanced diploma in financial services and is a qualified practising insurance broker. The business went on to become the largest privately owned Insurance Broking House in Australia. In 2006, Freeman McMurrick was acquired by international insurance giant, Aon, the world's largest insurance broker. Geoff continues to serve on the Aon Australian Advisory Board and other industry boards.

Kate Roffey

Kate has been a director of the Melbourne Football Club Limited since 1 October 2013. Kate is currently the CEO of the Committee for Melbourne, and is a former CEO of VicSport and Senior Manager at Tennis Australia. Kate holds a B.App.Sc in Sports Science and Administration, a B.Sc in Psychology, and is currently completing a PhD at Victoria University. She is also a Graduate Member of the Australian Institute of Company Directors and has a particular interest in corporate governance. Kate has a strong background in sport and has had the opportunity to spend time with some of the world's leading sports teams, including the New York Yankees, Manchester United FC, Dallas Cowboys and Miami Dolphins, reviewing world's best sporting practice.

2. Chief Executive Officer and Company Secretary

Peter Jackson

Peter was appointed CEO of Melbourne Football Club on 1 May 2013, and he was appointed Company Secretary on 28 October 2013.

Prior to joining Melbourne Football Club, Peter held various positions in the AFL Industry. He was CEO and/or Managing Director of Essendon Football Club from 1996 -2009. Following his retirement from Essendon, Peter was appointed Chairman of AFL Victoria as well as Chairman of AFL SporstsReady.

During this time, Peter has also operated as a consultant providing strategic advice, mentoring and leadership development for companies as well as to some other AFL Clubs.

Peter is still Chairman of AFL Victoria and is also Chairman of The Buchan Group Melbourne, which is a major global commercial architectural practice, with offices and projects throughout UK, Europe, Asia and Middle East, as well as Australia. Peter holds a Bachelor of Commerce Degree from Adelaide University.

Directors' Report (continued)

3. Principal Activities

The principal activities of the Club are to conduct the operations of the Club and manage its affairs to promote the playing of the Australian game of football in general and, in particular, to promote the game by maintaining, controlling and otherwise providing a team or teams of footballers bearing the name of the Club. There was no significant change in the nature of the Club's activities during the year.

4. Operating Results and Review of Operations

The Club has reported an operating loss of $1,704,557 (FY12: operating profit of $77,618) for the year ended 31 October 2013.

The statutory loss for the year is $3,102,561 (FY12: statutory profit of $19,485). The reconciliation from the operating to the statutory position is outlined below:

	$
Operating Net Loss	**(1,704,557)**
AFL Investigation Costs	(787,091)
Net Restructure Costs (after AFL funding)	(584,457)
Fixed Asset Write Offs	(26,456)
Net Loss as reported in Statement of Comprehensive Income	**(3,102,561)**

2013 has been a difficult year for the Club and one in which we have undergone significant structural change within the Board, management and football department. Our on-field performance saw us face a number of commercial challenges, with membership, match returns, sponsorship and corporate hospitality adversely impacted by $4.4m when compared to 2012. The declining revenues in these areas are the key drivers behind our operating loss of $1.7m during the year. Unfortunately the Statutory Loss has been funded by operating debt, which sits at $3.1m at year end.

There were two significant non-operating items which have impacted our statutory result in 2013. The Club incurred $787k in relation to the AFL Investigation which concluded in February this year – this includes a fine of $500k, as well as legal defence costs. While the Club was pleased to be found not guilty of the charges, the costs incurred and the interruption it caused to the business were significant.

The Club has also undergone a football department and management restructure following the appointment of Peter Jackson as Chief Executive Officer in May. While we received $1.45m from the AFL to assist in funding this restructure, we incurred an additional $584k in costs which have been funded by the Club. We believe the structure and people we now have in place will hold us in good stead as we look to address the football and commercial challenges facing the club over the coming 12 months.

While the 2013 result has been disappointing, it is important to note that our Balance Sheet remains in a healthy position. Our net asset position of $3.3m is largely underwritten by the land asset we acquired as part of the Bentleigh Club merger in 2011. At year end we are carrying $2.8m in debt relating to the acquisition and the transition to the new gaming regime, having repaid $796k during the year. We have taken on operating debt of $3.1m to fund our statutory loss.

The Club would like to thank the 33,177 members who signed up in 2013 – your support and loyalty is critical to the ongoing viability of our Club. We would also like to acknowledge the support of our Foundation Heroes, who donated over $450k in 2013.

Directors' Report (continued)

We would like to thank all of our sponsors for their support during 2013 – in particular Opel and Webjet who are departing after two seasons as joint major partners of the Club. We welcome Automotive Holdings Group, who will be our sole major partner for at least the next three years.

The Club received $2.4m in Future Fund distributions from the AFL in 2013, as well as providing $1.45m in special assistance to assist the funding our football department and management restructure. We are grateful for the AFL's ongoing support.

The MCC again provided significant funding in 2013 and we thank the Committee and the members for their ongoing support. We consider our relationship with the MCC to be fundamental to our future and we are proud to be a sporting section of this great club.

Our social club venues continued to perform well in 2013, with the combined net return exceeding $2m. This allowed the Club to fund our gaming debt repayments of $796k solely from the venues, with an additional contribution provided back to the Club to mitigate the declining revenues from football operations.

2013 was a difficult year on field for the Club. This year saw the debuts of Mitchell Clisby, Troy Davis, Matt Jones, Dean Kent, Dean Terlich, Jimmy Toumpas and Jack Viney, while Shannon Byrnes, Chris Dawes, Tom Gillies, Cameron Pedersen and David Rodan all played their first games for the Club after joining us in the off season. Jack Viney showed his promise, earning a rising star nomination following his performance against Fremantle in Round 21, and pre-draft selection Jesse Hogan demonstrated his capabilities (despite not being eligible for senior selection until 2014) by winning the Casey Best & Fairest. Nathan Jones and Colin Sylvia both played their 150th games against Geelong in Round 16, while Lynden Dunn and Colin Garland also registered 100 game milestones during the season.

The outstanding players in red and blue for 2013 were recognised at our Best and Fairest with Nathan Jones taking out the Keith 'Bluey' Truscott trophy for the second consecutive year. Colin Garland finished second, while debutants Dean Terlich and Matt Jones finished third and fourth after standout first seasons with the Club. Colin Sylvia rounded out the top five.

The trade period saw Bernie Vince, Dom Tyson and Viv Michie join the Club, while Daniel Cross and Aiden Riley were acquired as delisted free agents. Christian Salem, Jay Kennedy-Harris and Jayden Hunt were added to the list during the National Draft. Mitch Clisby has been upgraded from the rookie list and Jesse Hogan also becomes eligible to be placed on the senior list after joining the Club as an under 17 pre-draft selection in 2012. We welcome all of our new players and look forward to watching their development over the coming seasons.

2013 saw the retirement of Aaron Davey after 178 games. We would like to pay tribute to Aaron, who was our Club Champion in 2009 and served as our Vice Captain in 2011. The Club would like to acknowledge the service of Colin Sylvia (159 games), who left the Club during the Free Agency period. We also wish Tom Couch, Troy Davis, Tom Gillies, Joel Macdonald, James Magner, David Rodan, James Sellar, Nathan Stark, Rory Taggert and Josh Tynan all the best and thank them for their service.

The football department has been restructured since the end of the 2013 season, following the appointment of Senior Coach Paul Roos. The Club is pleased to have a person of Paul's calibre join the Club, and look forward to him building a platform for future success. We also welcome Brett Allison, Ben Matthews, Daniel McPherson, Brad Miller and George Stone, who along with Jade Rawlings, will make up our coaching staff for 2014.

Five directors resigned during the season, including former President Don McLardy – we thank Don, as well as Guy Jalland, Stuart Grimshaw, Karen Hayes and Greg Healy for their contribution and wish them all the best.

2013 has been a difficult year for the club both on and off field. We believe the changes we have made to our Board, management and football department structure hold us in good stead for the future. We are committed to the significant challenge of rebuilding respect in our Club both on and off field. We thank all members for permitting us the privilege of serving as your Directors of this great Club.

Directors’ Report (continued)

5. Events Subsequent to Balance Date

There are no events subsequent to balance date likely to materially impact the Club.

6. Likely developments

There are no developments likely to materially impact the Club.

7. Environmental Regulation

The Directors believe that the operations of the Club are not subject to any particular or significant environmental regulation.

8. Auditors Independence Declaration

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 8 and forms part of the Directors’ Report for the year ended 31 October 2013.

The following non-audit services were provided by the entity’s auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

– Other assurance related services - $13,000

9. Directors' Meetings

The number of Directors' meetings held and the number of meetings attended by each Director are:

	Number held*	Number attended
Director		
Glen Bartlett	6	6
Peter Spargo	14	14
John Trotter	14	13
David Thurin	14	14
Russel Howcroft	14	13
Geoff Freeman	10	7
Kate Roffey	1	1
Don McLardy	7	7
Guy Jalland	8	5
Stuart Grimshaw	7	3
Greg Healy	13	10
Karen Hayes	8	8

*Reflects the number of meetings held during the time the Director held office during the year.

Directors' Report (continued)

10. Indemnification and Insurance of Officers

Insurance and indemnity arrangements concerning Directors of the Club have continued since 31 October 2012. Under the agreement the Directors of the Club are indemnified against any claim to a maximum of $10 million which may arise as a result of work performed in their capacity as a Director.

The Club has a Finance Committee which met on four occasions during the year. John Trotter (Chairman), Guy Jalland, Stuart Grimshaw and Peter Spargo were the Board representatives on this Committee.

During the financial year, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which they are a member, or with a company in which he has a substantial financial interest.

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 company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred.

Signed in accordance with a resolution of Directors at Melbourne this 29th day of November 2013.

Glen Bartlett

John Trotter

Building a better
working world

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Auditor's Independence Declaration to the Directors of Melbourne Football Club Limited

In relation to our audit of the financial report of Melbourne Football Club Limited for the financial year ended 31 October 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D. J. Shewring
Partner
Melbourne
29 November 2013

Statement of Comprehensive Income

For the year ended 31 October 2013	Note	2013 $	2012 $
Revenue	3	39,431,340	39,517,200
Other income	3	1,462,733	11,308
Social club and gaming expenses		(7,413,586)	(5,053,398)
Football department costs		(18,741,736)	(17,983,567)
Cost of sales		(1,388,902)	(1,276,161)
Administration costs		(3,413,734)	(3,867,442)
Restructure costs		(2,034,457)	-
AFL investigation costs		(787,091)	-
Corporate, membership and marketing expenses		(6,931,636)	(8,174,741)
Finance costs	4	(219,721)	(243,868)
Other expenses		(1,810,023)	(2,189,515)
Bentleigh Club merger costs		-	(58,133)
Amortisation		(330,079)	(68,323)
Depreciation		(925,669)	(593,875)
Net profit/(loss) for the period	15	**(3,102,561)**	**19,485**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(3,102,561)**	**19,485**
Net profit/(loss) for period attributable to members		(3,102,561)	19,485
Total comprehensive income for period attributable to members of Melbourne Football Club Limited		**(3,102,561)**	**19,485**

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 October 2013	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	5	804,408	1,127,470
Trade and other receivables	6	258,655	401,838
Inventories	7	149,994	263,085
Related party receivables	18	25,000	7,528
Other assets	8	658,316	432,833
TOTAL CURRENT ASSETS		1,896,373	2,232,754
NON CURRENT ASSETS			
Property, plant and equipment	9	12,225,899	12,544,473
Intangible assets	10	2,902,391	3,232,470
Investment accounted using the equity method	11	250,036	291,576
TOTAL NON CURRENT ASSETS		15,378,326	16,068,519
TOTAL ASSETS		17,274,699	18,301,273
CURRENT LIABILITIES			
Trade and other payables	12	4,608,892	3,623,612
Interest bearing liabilities	13	5,817,800	796,000
Other Financial Liabilities		89,892	-
Provisions	14	372,031	430,682
Income received in advance		1,228,204	1,887,000
TOTAL CURRENT LIABILITIES		12,116,819	6,737,294
NON CURRENT LIABILITIES			
Trade and other payables	12	1,663,510	2,310,554
Other Financial Liabilites		159,115	-
Interest bearing liabilities	13	-	2,817,800
Provisions	14	62,760	60,569
TOTAL NON CURRENT LIABILITIES		1,885,385	5,188,923
TOTAL LIABILITIES		14,002,204	11,926,217
NET ASSETS		3,272,495	6,375,056
MEMBERS' FUNDS			
Retained earnings	15	3,272,495	6,375,056
TOTAL MEMBERS' FUNDS		3,272,495	6,375,056

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 October 2013	Note	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and operations		40,340,727	39,329,522
Interest received		12,733	11,308
Payments to suppliers and employees		(41,753,172)	(39,043,710)
Interest and other costs of finance paid		(219,721)	(243,868)
Receipt of grants		-	407,880
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		(1,619,433)	461,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(369,812)	(1,868,772)
Payments for gaming entitlements		(660,158)	(165,040)
Distribution from Equity Accounted Investment		36,440	-
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		(993,530)	(2,033,812)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds from/(to) key management personnel		7,528	68,272
Repayment of borrowings		(796,000)	(2,531,200)
Proceeds from borrowings		3,000,000	4,305,000
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		2,211,528	1,842,072
Net increase/(decrease) in cash held		(401,435)	269,392
Cash at the beginning of the year		1,127,470	858,078
CASH AT THE END OF THE FINANCIAL YEAR	5	726,035	1,127,470

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 October 2013	(Accumulated losses)/ Retained earnings $	Total Equity $
BALANCE AS AT 1 NOVEMBER 2011	6,355,571	6,355,571
Net profit/(loss) for the year	19,485	19,485
Other comprehensive income	-	-
Total comprehensive income for the period	19,485	19,485
BALANCE AS AT 31 OCTOBER 2012	6,375,056	6,375,056
BALANCE AS AT 1 NOVEMBER 2012	6,375,056	6,375,056
Net profit/(loss) for the year	(3,102,561)	(3,102,561)
Other comprehensive income	-	-
Total comprehensive income for the period	(3,102,561)	(3,102,561)
BALANCE AS AT 31 OCTOBER 2013	3,272,495	3,272,495

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 October 2013

1. Club Information

Melbourne Football Club Limited is incorporated in Australia and is a company limited by guarantee. Statutory members of the Club guarantee its liabilities to the extent of $5 each (refer note 2(t)).

The registered office and principle place of business of the Club is located at:

Melbourne Cricket Ground, Great Southern Stand
Brunton Avenue
East Melbourne VIC 3002

The principal activities of the Club are the playing and promotion of the game of Australian Rules Football and the operation of related facilities. The Club is a member of the Australian Football League.

The financial report of the Club for the year ended 31 October 2013 was authorised for issue in accordance with a resolution of the Directors on 29th November 2013.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation of Accounts

This financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

Both the functional and presentation currency of the Club is Australian dollars ($). All amounts are rounded to the nearest dollar.

The financial report has been prepared on a going concern basis.

The Club reported a statutory loss of $3.1m for the year ended 31 October 2013. This loss includes $2.8m in costs relating to the AFL investigation and Club restructure, which have been partially offset by the $1.45m financial assistance package provided by the AFL. The Club's operating loss was $1.7m.

The Club had net operating cash outflows of $1.6m during the year, and net assets of $3.3m as at 31 October 2013. The Club had a net current deficiency as at 31 October driven largely by interest bearing liabilities of $5.8m. $3m of this liability relates to the Club's Operating Facility with its financier, which has a limit of $4.1m for 2014 and is fully guaranteed by the AFL. The remaining $2.8m relates to the Club's Gaming Facility, which has been reviewed subsequent to year end, extended to 30 November 2015, and will have $796k repaid against it in 2014 in line with the existing repayment schedule. The net current deficiency also includes unearned income relating to 2014 memberships (with no cash flow impact), and other payables to be repaid from operating cashflows generated by the Club or through the use of available banking facilities.

The directors have assessed the financial performance and financial position of the Club at 31 October 2013, together with the Club's ongoing operating activities and anticipated future cashflows from operations, AFL distributions and financing arrangements. The Directors have concluded that the going concern basis of accounting continues to be appropriate and that appropriate cashflows and financing

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(a) Basis of Preparation of Accounts (continued)

facilities are expected to be available to the Club for the purposes of capital and operational investments in the next 12 month period.

(b) Statement of compliance

The Club has early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 November 2012.

The Club is a not-for-profit, private sector entity which is not publicly accountable. Therefore the financial statements of the Club are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The adoption of AASB 1053 and AASB 2010-2 allowed the Club to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

New Accounting Standards and Interpretations

The accounting policies adopted in preparing the financial statements are consistent with those adopted in previous years.

(c) Basis of Consolidation

At 31 October 2013 the Melbourne Football Club Limited did not have any subsidiaries.

(d) Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Club acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Club’s operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured.

Revenues are detailed in Note 3 and comprise revenue earned from AFL dividends and distributions, membership, reserved seating, sponsorships, fundraising, gate receipts, corporate hospitality and gaming activities. Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST). Sponsorships involving contra arrangements are recognised as revenue equivalent to the fair value of the services provided by the sponsor. Interest income is recognised as it accrues using the effective interest method. Gaming revenue is recognised net of gaming wins and losses.

Fundraising and membership income is accounted for on the basis of the period to which it relates. Income received in the year ended 31 October 2013, but relating to future accounting periods is carried on the Statement of Financial Position and will be recognised in the period in which it relates.

Grant income, including contributions of assets, is recognised when the Club controls the contribution or right to receive the contribution, and it is probable that the economic benefits comprising the contributions will flow to the Club, and the amount of the contribution can be measured reliably. Grants are recognised in the statement of financial position as a liability (deferred income) when the grant is received. The grant is released to the statement of comprehensive income over the expected useful life in equal instalments.

(f) Property, Plant and Equipment

Cost

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All acquisitions of property, plant and equipment and leasehold improvements are recorded at cost.

Depreciation and Amortisation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets, from the time the asset is held ready for use, as follows:

Furniture and fittings	10% - 33%
Computer hardware	25% - 33%
Computer software	33% - 40%
Plant and equipment	7.5% - 15%
Motor vehicles	12.5%
Gaming Machines	12.5% - 33%
Purchased memorabilia	Not depreciated
Land	Not depreciated

Leasehold improvements are amortised over the period of the Club's lease arrangements or the estimated useful life of the improvement, whichever is the shorter.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(f) Property, Plant and Equipment (continued)

Items of purchased memorabilia are recorded at cost of acquisition. Memorabilia assets are kept under special conditions so that there is no physical deterioration and they are anticipated to have a very long and indeterminate useful life. No amount of depreciation has been recognised in respect of purchased memorabilia as their service potential has not been consumed during the period.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end date and adjusted if appropriate on a prospective basis.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Intangibles

Intangible assets acquired separately are measured initial recognition at cost being the cash price equivalent.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.

The useful lives of intangible assets are assessed to be finite and amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gaming Entitlements are amortised over the life of the entitlement being 10 years.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use in the instance indicators of impairment are present, an assessment of the current value of the assets was made on the basis of an earnings multiple.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(j) Income tax

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

(k) Provisions and employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at 31 October 2013 on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred. All superannuation guarantee legislative requirements are met.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). The amounts reported for receivables and payables are inclusive of GST. The net amount of GST receivable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

(n) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(n) Cash and cash equivalents (continued)

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown as a current liability in the Statement of Financial Position.

(o) Trade and other receivables

Trade receivables, which generally have 0 - 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is made when there is objective evidence the Club will not be able to collect the debts. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Bad debts are written off when identified. Non-current receivables are carried at the net present value of the future cash flows that they represent.

(p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Club has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Borrowing costs are expensed in the period they are incurred.

(r) Income received in advance

Income received in advance is recognised in line with the terms of specific contracts. Membership subscription income in advance is recognised in line with the membership subscription period and the service obligations of the Club.

(s) Interest in a joint venture

The Club has an interest in a joint venture, which is a jointly controlled entity, whereby the ventures have a contractual arrangement that established joint control over the economic activities of the entity. The Club recognise its interest in the joint venture using the equity method.

Under the equity method, the investment in the jointly controlled entity is carried on the statement of financial position at cost plus post acquisition changes in the Club's share of net assets of the jointly controlled entity.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(s) Interest in a joint venture (continued)

Unrealised gains and losses resulting from transactions between the Club and the jointly controlled entity are eliminated to the extent of the interest in the associate.

The Club's share of the profit or loss of the jointly controlled entity is recorded in the income statement.

After application of the equity method, the Club determines whether it is necessary to recognise an additional impairment loss on its investment in its joint venture. The Club determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired.

(t) Members' liability on winding up

The Club is a company limited by guarantee and domiciled in Australia. Accordingly the liability of the members of the Club is limited. As stated in clause 2.2 of the Club's Constitution, if the Club is wound up each Member undertakes to contribute to the assets of the Club up to an amount not exceeding $5 for payment of the debts and liabilities of the Club, including the costs of winding up. This undertaking continues for one year after a person ceases to be a Member.

(u) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(v) The Club as a lessee

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(w) Other financial assets

Loans and receivables including loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(x) Significant accounting judgments, estimates and assumptions

In applying the Club's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Club. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Long service leave provision

As discussed in Note 2(k), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. The related carrying amounts are disclosed in Note 14.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

2. Summary of significant accounting policies (continued)

(x) Significant accounting judgments, estimates and assumptions (continued)

Estimation of useful lives of assets

The estimation of the useful lives of assets including gaming machines has been based on historical experience and manufacturers warranties. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. The related carrying amounts are disclosed in Note 9.

Land fair value measurement at recognition.

On recognition, land was measured at its fair value. The valuation of this land was based on an independent valuation. The valuation was determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, comparative sales evidence, land use, locality and residential zoning. The related carrying amount is disclosed in Note 9 and no impairment has been identified in the financial year.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

3. Revenue

	Note	2013 $	2012 $
Revenue from Football related activities			
Gate receipts		3,311,071	4,305,292
Distributions from the AFL		10,846,244	10,796,875
Merchandise		723,068	634,384
Membership and annual reserved seating		5,100,106	5,619,605
Marketing/corporate sponsorship and general fundraising		6,368,135	8,219,263
Grant income		-	407,880
Foundation heroes/debt demolition fundraising		462,141	787,228
Other revenue		1,329,341	1,752,794
Total revenue from Football related activities		28,140,106	32,523,321
Revenue from other activities			
Social and gaming revenue		11,291,234	6,993,879
Total revenue from other activities		11,291,234	6,993,879
Total revenue		39,431,340	39,517,200
Other income			
Interest		12,733	11,308
AFL financial assistance package		1,450,000	-
Total other income		1,462,733	11,308

Notes to the Financial Statements (continued)

Year ended 31 October 2013

4. Expenses

	Note	2013 $	2012 $
Expenses			
Finance Costs			
- Interest paid to external entities		219,721	243,868
Total finance costs		**219,721**	**243,868**
Employee benefits expense			
- Salary, wages and termination expense		21,818,944	19,834,076
- Superannuation expense		1,414,897	1,404,308
Total employee benefits expense		**23,233,841**	**21,238,384**
Occupancy Expenses			
- Minimum lease payments		1,583,729	1,560,722
Total Occupancy expenses		**1,583,729**	**1,560,722**
Other			
- Bad debts		(157)	430,126
- Doubtful debts recognised/(reversed)		(10,203)	(479,744)
Total other expenses		(10,360)	(49,618)

5. Cash and Cash Equivalents

	Note	2013 $	2012 $
Cash at bank and in hand		804,408	1,127,470
		804,408	**1,127,470**

Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand and bank overdraft in Note 12 as at 31 October 2013.

	Note	2013 $
Cash at bank and in hand		804,408
Bank overdraft	12	(78,373)
Cash and cash equivalents		**726,035**

Financing facilities

The Club has a $400,000 overdraft facility with Westpac. At 31 October 2013, the Club has utilised $78,373 of this facility. The utilised portion of the facility will impose an interest rate of 7.83% per annum, with interest charged monthly.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

	Note	2013 $	2012 $
6. Trade and Other Receivables			
Current			
Trade receivables		217,690	415,732
Less provision for impairment loss (a)		(53,979)	(64,025)
Other receivables		94,944	50,131
		258,655	**401,838**
(a) Movements in the provision for impairment loss were as follows:			
At 1 November 2012		64,025	14,407
Charge for the year		(157)	479,744
Previously recognised doubtful debts written off		314	(430,126)
Amounts recovered		(10,203)	-
At 31 October 2013		**53,979**	**64,025**

7. Inventories

		2013 $	2012 $
Merchandise		79,444	185,328
Food and beverage		70,550	60,828
Other		-	16,929
		149,994	**263,085**

(a) Cost of Sales
Cost of Sales for the year ended 31 October 2013 totalled $1,388,902 (2012: $1,276,161) for the Club.

Inventory assets have been pledged as security for commercial bill and overdraft liabilities as disclosed in note 5 and 13.

8. Other Assets

		2013 $	2012 $
Prepayments		524,351	349,619
Other		133,965	83,214
		658,316	**432,833**

Notes to the Financial Statements (continued)

Year ended 31 October 2013

9. Property, Plant and Equipment

	2013 $	2012 $
Furniture and fittings		
Cost		
Opening balance	490,086	479,192
Additions	23,555	10,894
Disposals	(43,083)	-
Closing balance	470,558	490,086
Accumulated depreciation		
Opening balance	327,199	301,539
Depreciation for the year	25,512	25,660
Disposals	(29,780)	-
Closing balance	322,931	327,199
Net book value	147,627	162,887
Plant and equipment		
Cost		
Opening balance	2,370,109	1,752,858
Additions	202,096	617,251
Disposals / Retirements	(67,822)	
Closing balance	2,504,383	2,370,109
Accumulated depreciation		
Opening balance	1,496,427	1,160,910
Depreciation for the year	371,021	335,517
Disposals / Retirements	(53,098)	
Closing balance	1,814,350	1,496,427
Net book value	690,033	873,682
Leasehold improvements		
Cost		
Opening balance	1,859,850	1,842,674
Additions	91,529	17,176
Disposals / Retirements	(13,460)	-
Closing balance	1,937,919	1,859,850
Accumulated depreciation		
Opening balance	421,789	279,384
Depreciation for the year	150,023	142,405
Retirements	(7,393)	
Closing balance	564,419	421,789
Net book value	1,373,500	1,438,061
Motor vehicles		
Cost		
Opening balance	34,648	27,376
Additions	-	7,272
Closing balance	34,648	34,648
Accumulated depreciation		
Opening balance	17,664	13,126
Depreciation for the year	4,878	4,538
Closing balance	22,542	17,664
Net book value	12,106	16,984

Notes to the Financial Statements (continued)

Year ended 31 October 2013

Purchased Memorabilia		
Cost		
Opening balance	113,090	97,918
Additions	-	15,172
Closing balance	113,090	113,090
Net book value	113,090	113,090
Gaming Machines		
Cost		
Opening balance	1,325,524	-
Additions	366,361	1,325,524
Disposals	(60,268)	-
Closing balance	1,631,617	1,325,524
Accumulated depreciation		
Opening balance	85,755	-
Depreciation for the year	374,235	85,755
Disposals	(17,916)	-
Closing balance	442,074	85,755
Net book value	1,189,543	1,239,769
Capital work in progress		
Cost		
Opening balance	-	368,530
Transfers to plant and equipment	-	(124,517)
Transfers to investment in joint venture	-	(244,013)
Closing balance	-	-
Net book value	-	-
Land		
Cost		
Opening balance	8,700,000	8,700,000
Closing balance	8,700,000	8,700,000
Net book value	8,700,000	8,700,000
Total property, plant and equipment		
Opening balance	14,893,307	13,268,548
Additions	683,541	1,868,772
Transfers to Investment in joint venture	-	(244,013)
Disposals	(60,268)	-
Retirements	(124,365)	-
Closing balance	15,392,215	14,893,307
Accumulated depreciation		
Opening balance	2,348,834	1,754,959
Depreciation for the year	925,669	593,875
Disposals	(17,916)	-
Retirements	(90,271)	-
Closing balance	3,166,316	2,348,834
Net book value	12,225,899	12,544,473

All plant and equipment assets have been pledged as security for commercial bill and overdraft liabilities as disclosed in Note 5 and 13.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

	2013 $	2012 $
10. Intangible Assets		
Year ended 31 October 2013		
At 1 November 2012 net of accumulated amortisation and impairment	3,232,470	-
Additions	-	3,300,793
Amortisation	(330,079)	(68,323)
At 31 October 2013 net of accumulated amortisation and impairment	**2,902,391**	**3,232,470**
At 31 October 2013		
Cost (gross carrying amount)	3,300,793	3,300,793
Accumulated amortisation and impairment	(398,402)	(68,323)
Net carrying amount	**2,902,391**	**3,232,470**

Leighoak Club
The Club acquired 92 gaming machine entitlements (GME) at auction in May 2010 from the State Government.

Bentleigh Club
The Club acquired the Bentleigh Club's gaming machine entitlements though its merger with the Bentleigh Club on 5 October 2011. The Bentleigh Club acquired 88 gaming machine entitlements (GME) from the State Government during the year ended 31 October 2010. Under the purchase agreement the Club is required to pay the liability in quarterly instalments ending 28 Feb 2017.

These GME's came into effect on 16 August 2012, at which time the purchase price of the GME has been recorded as an intangible asset with payment for the entitlement are to be made over the next 5 years. The useful life of the intangible asset expires in line with the expiry of the gaming entitlements in August 2022. This asset is being amortised on a straight-line basis over the 10 years.

11. Investment accounted using the equity method

On 17 November 2010 a Shareholder Agreement was executed with the tenants of AAMI Park which gave the Club ownership of 33% of the T Class Shares in Melbourne Sports Operations Pty Ltd ("MSO") The execution of this agreement was for the purpose of the tenants at AAMI Park to share in the investment and costs associated with shared facilities.

	2013 $	2012 $
Share of the joint venture's statement of financial position:		
Cost of joint venture	335,683	335,683
Cash distribution received	(36,440)	-
Retained earnings	(44,107)	(36,578)
Share of the joint venture's profit or (loss):	-	-
Loss	(5,100)	(7,529)
Carry value of investment in jointly controlled entity	**250,036**	**291,576**

Notes to the Financial Statements (continued)

Year ended 31 October 2013

		2013 $	2012 $
12. Trade and Other Payables			
Current			
Trade creditors	(a)	2,258,356	1,625,230
Bank Overdraft		78,373	-
State gaming tax payable		120,784	145,916
Other creditors and accruals		1,390,116	1,028,167
Other Loans - VCGR	(b)	660,159	660,159
GST Payable		101,104	164,140
		4,608,892	3,623,612
Non Current			
Other Loans - VCGR	(b)	1,650,396	2,310,554
Other		13,114	-
		1,663,510	2,310,554

(a) Terms and Conditions
(i) All payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Loans – Victorian Commissioner of Gaming Regulation
The current and non-current loans total $2,310,555 relate to amounts payable to the Victorian Commissioner of Gaming Regulation for the remainder of gaming entitlements over the next 4 years.

13. Interest Bearing Loans and Liabilities

		2013 $	2012 $
Current			
Commercial bill facility – Gaming	(i)	2,817,800	796,000
Commercial bill facility – Operating	(ii)	3,000,000	-
		5,817,800	796,000
Non-Current			
Commercial bill facility – Gaming	(i)	-	2,817,800
		-	2,817,800

The Club has two facilities with Westpac as at 31 October 2013.

(i) Gaming Facility

The facility enables the Club to draw funds to a limit of $2.8m ($2.8m drawn at 31 October 2013). Under the terms of the facility $199k is repayable each quarter until the debt is extinguished. Debt covenant requirements for this facility have been waived for the financial year.

As at 31 October 2013 the Club did not have an unconditional right to repay the debt in line with a proposed extended maturity date, and as a result the debt has been classified as a current liability at balance date. Subsequent to year end, the terms of the facility have been renegotiated and the facility maturity date has been revised to 30 November 2015.

This facility is supported by a $1.4m guarantee provided by the Australian Football League. This facility is also secured by a fixed and floating charge over all existing and future assets of the Club, as well as a specific mortgage charge over the Club's liquor licences, gaming licences, and leasehold interest relating to the Leighoak Club venue.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

13. Interest Bearing Loans and Liabilities (continued)

(ii) Operating Facility

The facility provides the Club to draw funds up to a limit of $4.1m ($0.4m overdraft, $3.7m commercial bill facility), the commercial bill facility was drawn to $3m as at 31 October 2013. Under the terms of the commercial bill, the facility is repayable on demand. This facility can be used as either an overdraft facility or a commercial bill facility. This facility is supported by a $4.1m guarantee provided by the Australian Football League.

This facility is also secured by a fixed and floating charge over all existing and future assets of the Club.

(iii) The carrying amount of the Club's borrowings approximate their fair value.

Capital Management
When managing capital, management's objective is to ensure the Club continues as a going concern, and has available funds to execute the Club's operational and strategic activities. The capital structure of the Club during the year consisted of debt, which included the interest bearing loans as disclosed above, and cash and cash equivalents.

As part of the Bentleigh Club merger the Club assumed the debt of the Bentleigh Club. The Club has committed to a quarterly repayment schedule commencing from 31 October 2012.

The Club is not subject to any externally imposed capital requirements. The Club is prohibited by its Constitution from making distributions to members.

	Annual Leave $	Long Service Leave $	Total $
14. Provisions			
At 31 October 2013	**262,872**	**171,919**	**434,791**
Current	262,872	109,159	372,031
Non-current	-	62,760	62,760
	262,872	**171,919**	**434,791**
At 31 October 2012	**337,960**	**153,291**	**491,251**
Current	337,960	92,722	430,682
Non-current	-	60,569	60,569
	337,960	**153,291**	**491,251**

Notes to the Financial Statements (continued)

Year ended 31 October 2013

	2013 $	2012 $
15. Retained Earnings		
Retained earnings/(accumulated losses) at beginning of financial year	6,375,056	6,355,571
Net profit	(3,102,561)	19,485
Retained earnings at end of financial year	3,272,495	6,375,056

16. Commitments

Operating leases
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities are payable as follows:

	2013 $	2012 $
- Not later than 1 year	1,255,078	1,144,620
- Later than 1 year but not later than 5 years	576,538	1,725,540
	1,831,616	2,870,160

The Club has entered into commercial leases on its premises at the Leighoak Club and for certain fixed assets. These leases have a term of between 3 years and 5 years. There are no restrictions placed upon the Club by entering into these leases. The option to extend the lease on the Leighoak Club until 2015 was exercised during 2008.

The Club entered into a number of commercial leases with Melbourne and Olympic Parks Trust in June 2010. These leases have a term of 5 years. At the end of this period, the Club has the option to extend the lease for a further two 5 years periods and one 6 year period. There are no restrictions placed upon the Club by entering into these leases.

Player and coaching staff commitments
In relation to the future seasons, the Club has a liability for player and coaching contracts which comply with AFL regulations. Included in this, the following commitments exist in relation to signed player and coaches contractual arrangements. This excludes player payments associated with contingent performance obligations which are deemed not to be reliably measurable. These contingencies will only arise subject to the inclusion of the players on the Club's official list and performances. Player payments are substantially underwritten by the AFL in accordance with the Collective Bargaining Agreement between the AFL and the AFL Players Association.

	2013 $	2012 $
- Not later than 1 year	11,402,323	9,817,454
- Later than 1 year but not later than 2 years	9,410,228	7,088,234
- Later than 2 years but not later than 5 years	5,137,600	3,601,318
	25,950,151	20,507,006

Bank Guarantees
Bank guarantees made by Westpac on behalf of the Club total $610,650 (2012: $610,650)

Notes to the Financial Statements (continued)

Year ended 31 October 2013

		2013 $	2012 $

17. Remuneration of Auditors

Remuneration of Ernst & Young for audit of the financial reports of the Melbourne Football Club Limited:

		2013 $	2012 $
		58,000	58,000
Remuneration for other services	(a)	13,000	13,000

(a) Includes assurance related services.

18. Remuneration of Key Management Personnel

Key management personnel are determined to be the Board of Directors, Chief Executive Officer**, Chief Operating Officer, Chief Commercial Officer*, General Manager Sponsorship*, General Manager Football Operations, General Manager Marketing & Communications, Director of Sports Performance*, General Manager List Management*, General Manager Strategy*, General Manager Club Development and the Senior Coach**.

Directors of the Club have not been remunerated for the financial year.

* Part year only
** Position was held by more than one person in the year

Compensation for key management personnel

	2013 $	2012 $
Salaries	2,599,203	2,490,004
Termination benefits	1,821,227	73,200
Total compensation including termination payments	**4,420,430**	**2,563,204**

Loan receivable from key management personnel
In 2010, the Club provided a loan to a key management person of $140,000 at an arm's length commercial fixed interest rate of 6.2%. Repayment of the loan is due by 30 October 2013. The loan is secured by a mortgage over property owned by the key management person. Interest was received as contracted. The outstanding balance of the loan of $7,528 was settled upon the key management person's termination in the financial year.

Motor vehicle purchase
In 2013, one of the Club's major partners was a car manufacturer (Opel). Under the terms of the sponsorship agreement, the Club received four motor vehicles and decided to sell two of these vehicles to key management personnel. As at 31 October 2013, there was an amount outstanding of $25k. This was settled on 1 November 2013.

Notes to the Financial Statements (continued)

Year ended 31 October 2013

19. Related Parties

Parent entity
Melbourne Football Club Limited is the parent and ultimate parent entity.

Directors and director-related entities
The names of the persons who were Directors of the Club for all or part of the financial year are listed below.

Glen Bartlett (Appointed 11 July 2013)
Guy Jalland (Resigned 24 June 2013)
Don McLardy (Resigned 14 June 2013)
Stuart Grimshaw (Resigned 14 June 2013)
Karen Hayes (Resigned 30 June 2013)
Kate Roffey (Appointed 1 October 2013)
Russel Howcroft
Peter Spargo
David Thurin
John Trotter
Greg Healy (Resigned 1 October 2013)
Geoff Freeman (Appointed 18 April 2013)

Certain director related transactions occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Club would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

Transactions listed below relate to the period the individual was a director of the Club.

	2013 $	2012 $
Amounts provided to the Club:		
Guy Jalland - Corporate Packages	1,910	2,015
Don McLardy (McLardy McShane & Associates Pty Ltd) - Corporate Packages	4,580	1,800
Stuart Grimshaw (Bank of Queensland) - Corporate Packages	-	4,260
Russel Howcroft (Channel 10 /George Patterson Y & R) - Corporate Packages	767	6,425
Peter Spargo (Spargo Group) - Corporate Packages	32,374	17,225
David Thurin (Applewood, Tigcorp) - Corporate Packages	7,284	5,800
Karen Hayes - (UXC) - Corporate Packages	9,695	10,739
John Trotter (Deloitte) - Corporate Packages	12,492	25,162
Greg Healy (Quiksilver) - Corporate Packages	1,250	2,310
Glen Bartlett (Clayton Utz) – Corporate Packages	5,978	-

Notes to the Financial Statements (continued)

Year ended 31 October 2013

20. Financial Instruments

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

The Club's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and overdrafts.

Fair values

The fair values of the Club's financial instruments are materially consistent with the carrying amounts recognised in the financial statements.

Risk exposures and responses

(a) Interest rate risk

The Club's exposure to market interest rates relates predominately to the Club's holding of cash and cash equivalents and the Club's debt facility obligations.

The Club manages its exposure to key financial risks through the monthly Finance Committee meetings. The objective of this meeting is to support the delivery of the Club's financial targets whilst protecting future financial security.

The main risks arising from the Club's financial instruments are interest rate risk, credit risk and liquidity risk. The Club uses different methods to measure and manage these risks including assessment of market forecasts for interest rate risk, aging analyses to monitor credit and cash flow forecast to monitor liquidity risk.

(b) Foreign currency risk

The Club has no exposure to foreign currency risk.

(c) Liquidity risk

Liquidity risk is the risk that the Club will not be able to meets its financial obligations as they fall due. The Club's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

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. The Club monitors cash flow requirements daily, ensuring there is sufficient cash on demand to meet expected operational expenses.

21. Economic Dependency

The Melbourne Football Club Limited is economically dependent on the ongoing support of the Australian Football League through receipt of distributions and dividends.

22. Events after the Balance Sheet Date

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected the results of operations or the Club's state of affairs for the year ended 31 October 2013.

Directors' Declaration

In accordance with a resolution of the Directors of the Melbourne Football Club Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Melbourne Football Club Limited are in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the Club's financial position as at 31 October 2013 and of their performance for the year ended on that date; and

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

(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.

On behalf of the Board

Glen Bartlett

John Trotter

Melbourne
29 November 2013

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Independent auditor's report to the directors of Melbourne Football Club Limited

We have audited the accompanying financial report of Melbourne Football Club Limited, which comprises the statement of financial position as at 31 October 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

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

(a) giving a true and fair view of the financial position of Melbourne Football Club Limited at 31 October 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Ernst & Young

D. J. Shewring
Partner
Melbourne,
29 November 2013

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