



# MELBOURNE

FOOTBALL CLUB

## FINANCIAL REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

ACN 005 686 902

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## Directors' Report

## 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 2012.

### 1. Directors

- Don McLardy** Don has been a director of the Melbourne Football Club Limited since 12 June 2008, and was appointed President on 1 February 2012. Don has particular involvement at Board level on membership, sponsorship, marketing and communications, and supporter groups and stakeholders. Don has a Diploma in Financial Services (Broking) and is a Qualified Practising Insurance Broker (QPIB). Don is a Managing Director and major shareholder of McLardy McShane Insurance & Financial services, an Insurance & Financial Services intermediary. He is also the Chairman of the Reach Foundation, and a member of the MCC, Metropolitan Golf Club and VRC.
- Guy Jalland** Guy has been a director and Vice President of the Melbourne Football Club Limited since 12 June 2008. Guy is a member of the Club's Audit, Risk and Governance Committee, and has particular involvement at Board level on our strategic projects including gaming, facilities and Casey. Guy holds a Bachelor of Laws. Guy is a senior executive at Consolidated Press Holdings Limited, and has been employed by CPH and Publishing and Broadcasting Limited since 1998.
- 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. Peter is a member of the Club's Bentleigh Club and MFC / MCC Committees, and has particular involvement at Board level on Foundation Heroes and our supporter groups, our gaming investments and our relationship with the Melbourne Cricket Club. 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.
- Stuart Grimshaw** Stuart has been a director of the Melbourne Football Club Limited since 12 June 2008. Stuart is a member of the Audit, Risk & Governance Committee. Stuart holds a Bachelor of Commerce & Administration and a Masters of Business Administration. Stuart is currently the CEO of the Bank of Queensland, having previously been the CEO of Caledonia Funds Management. Stuart has extensive experience in the banking and finance industries, formerly working as Group Executive: Premium Business Services for the Commonwealth Bank of Australia, having previously performed the role of CFO and Group Executive Financial and Risk Management.
- Karen Hayes** Karen has been a director of the Melbourne Football Club Limited since 21 January 2006. She is the Chair of the Club's HR Compliance & Compensation Committee, and has particular involvement at Board level with the Women of Melbourne supporter group. Karen is the CEO for Guide Dogs Victoria and was previously Director Corporate Engagement and Human Capital with UXC Limited. Karen is a past finalist in the Telstra Business Woman of the Year Awards and has been on

## Directors' Report (continued)

the Board of the Breast Cancer Network Australia since its establishment in 1998.

**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. Russel is the Australian and New Zealand CEO of the Y&R Brands group of companies. Companies include: George Patterson Y&R, Ideaworks, VML, Blaze and Brand Asset Consulting. He is also a member of the Y&R global management team. 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.

**David Thurin** David has been a director of the Melbourne Football Club Limited since 12 June 2008 and is a member of the Club's HR Compliance and Compensation Committee. 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 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, Risk & Governance Committee and a member of the Bentleigh Club and MFC / MCC 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 recently retired from his role as Managing Partner of Deloitte Victoria and advisory member of the Deloitte New Zealand Board and is continuing with directorships and consulting activities. He is a Fellow of the Institute of Chartered Accountants, a member of the Institute of Internal Auditors and a member of the Australian Institute of Company Directors. He also holds a Bachelor of Commerce from Melbourne University.

**Greg Healy** Greg has been a director of the Melbourne Football Club since 1 February 2012, having also served as a director between 1997 and 1998. Greg played 141 games for the Club and was captain between 1988 and 1991, and was awarded Life Membership in 1993. Post his playing career, Greg embarked on a career in Accounting & Finance, and joined Quiksilver in 1998 as Financial Controller for Australasia. In June 2000, Greg was promoted to the position of CFO/COO for the South Pacific region. Since then he has held several positions within Quiksilver. In 2006, with the consolidation of the APAC region, he was appointed to the position of COO for APAC. In January 2009, Greg was appointed CEO for Australasia, and then promoted to APAC President in March 2010, the position in which he currently remains. Greg is a qualified CPA with a Bachelor of Business.

## 2. Chief Executive Officer and Company Secretary

**Cameron Schwab** Cameron was appointed Chief Executive Officer of the Melbourne Football Club Limited on 29 September 2008.

Cameron is an executive member of the Club's Audit, Risk & Governance, HR Compliance & Compensation, MFC / MCC and Bentleigh Club Committees.

## Directors' Report (continued)

Cameron holds a Master of Business Administration, a Master of Marketing and has completed an Advanced Management Program with the Harvard Business School. Cameron commenced his working life as a cadet administrator with Melbourne Football Club in 1982, and was later appointed Recruiting Manager. In 1988 Cameron was appointed General Manager of Richmond Football Club. He returned to Melbourne Football Club as CEO in 1997. In 2000 he was appointed CEO of afl.com.au, the AFL's official website. In September 2001, Cameron commenced the role as CEO of the Fremantle Football Club, the position he held until returning to Melbourne in 2008.

### Matthew Green

Matthew has been the Company Secretary of the Melbourne Football Club Limited since 5 February 2009 after joining the club on 27 November 2008. Matthew is the Chief Operating Officer of the Club, sits on the Senior Executive team and is an executive member of the Club's Audit, Risk & Governance, HR Compliance & Compensation, and Bentleigh Club Committees. Matthew is a Chartered Accountant and holds a Bachelor of Commerce/Arts degree. Matthew joined MFC from a large accounting firm and has had extensive experience in turnaround consulting and restructuring.

### 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 profit of \$77,618 (FY11: \$135,976) for the year ended 31 October 2012.

The statutory profit for the year is \$19,485 (FY11: \$6.041 million).

Operating Net Profit	\$ <b>77,618</b>
Bentleigh Club merger finalisation costs	(58,133)
Net Profit as reported in Statement of Comprehensive Income	<b>19,485</b>

The Club is pleased to have achieved the above financial result given a number of challenges throughout the year and very disappointing on-field results. While many factors contributed to this result, as outlined below, we feel that the club's robust governance and risk management practices held us in good stead through the challenges 2012 presented.

The key factor in achieving this result is the passion and loyalty of our members and supporters and we again thank you all for your support throughout 2012. The Club is truly grateful that more than 35,000 of you continued to support us as members and once again the support of our Foundation Heroes was amazing with over \$700,000 raised to secure the future of the Club. The support of our members and Foundation Heroes was instrumental in allowing the Club to pursue our targets during the trade period.

We would also like to thank all of our sponsors for their support in 2012, in particular Opel and Webjet as the joint major partners – we are really excited that both are continuing their partnership with us into 2013.

The Club continued to invest in key strategic objectives in 2012, particularly the football department and our fan development strategies. The Club invested an additional \$1.674m as part of the transition to the new football regime in 2012 as we continue to drive an elite, high performance culture. The Club also continued to invest in our community programs, particularly in the City of Casey, running programs such as

## Directors' Report (continued)

Read Like a Demon and Dare to Dream, and continuing our focus on grassroots football through our relationship with South East Junior Football League, Victorian Women's Football League and Mornington Peninsula & Nepean Football League.

The improvement in our gaming operations continued in 2012, with gaming contributing an overall profit of \$734,000 to the Club. With a full year of the new gaming regime in 2013, we are hopeful of continuing to grow our returns into the future.

The Club received \$2.840m in Future Fund distributions from the AFL during 2012. These distributions were used to fund football, commercial and fan development initiatives to improve our ability to compete and give the Club the capacity to grow. We thank the AFL for their ongoing support.

The MCC again provided significant funding in 2012 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.

2012 was a difficult year on field for the Club as we transitioned to a new football regime, however we believe positive steps were taken towards the end of the season. 2012 saw the debuts of James Magner, Josh Tynan and Tom Couch, while Mitch Clark and James Sellar both played their first games for the Club after joining us in the off season. Tom McDonald and Sam Blease showed their promise, earning rising star nominations for their performances during the year. Brad Green played his 250<sup>th</sup> game against North Melbourne in Round 18, and finished the season 6<sup>th</sup> on the all time club games record holders list. Jared Rivers played his 150<sup>th</sup> game, while Clint Bartram, Matthew Bate and James Frawley chalked up 100 games during the season.

The outstanding players in red and blue for 2012 were recognised at our Best and Fairest with Nathan Jones taking out the Keith 'Bluey' Truscott trophy after an outstanding year. Jack Grimes, Tom McDonald, Jordie McKenzie and Jared Rivers filled out the rest of the top five positions respectively and we congratulate all award winners on their seasons.

The trade period saw Chris Dawes, David Rodan and Cameron Pederson join the Club, while Shannon Byrnes and Tom Gillies were acquired via free agency. Jesse Hogan and Dominic Barry also joined the Club as pre-draft selections in exchange for draft picks with Greater Western Sydney – Jesse will play in the VFL in 2013 before officially joining the Club's primary list in 2014.

The National Draft saw Jimmy Toumpas, Dean Kent, Matt Jones and Dean Terlich added to the list, while Jack Viney was officially added as a Father / Son selection – we welcome all five players to the Club and look forward to watching their development over the coming seasons.

2012 saw the retirement of one of the great MFC players in Brad Green (254 games). We would like to pay tribute to Brad, who captained the Club in 2011 and was our Club Champion and leading goal kicker in 2010.

Another fantastic servant of the Club in Clint Bartram retired this year. Clint played 103 games after debuting in 2006 and was a member of our leadership group in 2012. We would also like to acknowledge the contribution of Jared Rivers (150 games) and former Club Champion Brent Moloney (122 games), who have left us during the free agency period. We also wish Matthew Bate, Ricky Petterd, Cale Morton, Stefan Martin, Jordan Gysberts, Liam Jurrah, Jamie Bennell, Lucas Cook, Kelvin Lawrence, Jai Sheahan and Leigh Williams all the best and thank them for their service.

This year marks the second pre-season under the current coaching and conditioning staff, and one where our players will work harder than ever as we strive to create an elite high performance culture. The off season has allowed us to re-shape our list and we are very happy to have brought in some experienced players from successful football cultures to help develop our young and inexperienced list, while not compromising our ability to recruit elite young talent.

On March 20 this year, our former President Jim Stynes lost his battle with cancer. Jim had been battling the illness for the past three years, showing the enormous resilience throughout his public battle that he demonstrated during his playing career. Jim had amazing success as a player after arriving from Ireland as

## Directors' Report (continued)

an 18 year old, culminating in winning a Brownlow Medal and becoming the AFL consecutive games record holder. Jim's off field contribution to the Club was in our time of greatest need, rebuilding the Club off the back of the first Debt Demolition campaign in 2008 where over \$3m was raised. We cannot thank Jim enough for his contribution to the Club. We extend our deepest sympathies to Jim's wife, Sam, and their two children, Matisse and Tiernan.

2012 has been a difficult year for the Club, both on and off field, however we continue to meet all challenges as we strive to achieve the Club's goals. Our financial position remains the strongest it has ever been, and we have belief in our plan and our people to take us in the right direction on and off the field. We again thank the members for permitting us the privilege of serving as Directors of this great Club.

### 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 2012.

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:

Director	Number held*	Number attended
Jim Stynes	2	1
Don McLardy	11	11
Guy Jalland	11	9
Peter Spargo	11	11
Karen Hayes	11	10
Russel Howcroft	11	9
David Thurin	11	11
Stuart Grimshaw	11	7
John Trotter	11	10
Greg Healy	10	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 2011. 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 (incorporating the Audit, Risk & Governance Committee) which met on 10 occasions during the year. John Trotter (Chairman), Guy Jalland and Stuart Grimshaw are the Board representatives on this Committee.

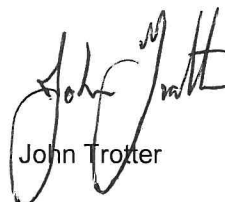
During the financial year, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which they are a member, or with a company in which he has a substantial 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 28th day of November 2012.



Don McLardy

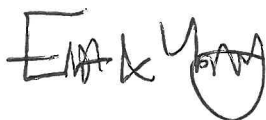


John Trotter



## 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 2012, 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.

A stylized signature of the Ernst & Young firm, consisting of the letters 'EY' in a cursive, handwritten style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'D. J. Shewring'.

D. J. Shewring  
Partner  
Melbourne  
28 November 2012

## Statement of Comprehensive Income

For the year ended 31 October 2012	Note	2012 \$	2011 \$
Revenue	3	39,517,200	33,514,371
Other income	3	11,308	6,723,515
Social club and gaming expenses		(5,053,398)	(2,567,792)
Football department costs		(17,983,567)	(16,309,582)
Cost of sales		(1,276,161)	(874,568)
Administration costs		(3,867,442)	(3,935,931)
Corporate, membership and marketing expenses		(8,174,741)	(7,519,637)
Finance costs	4	(243,868)	(13,452)
Other expenses		(2,189,515)	(1,867,021)
Bentleigh Club merger costs		(58,133)	(786,554)
Amortisation	4	(68,323)	-
Depreciation	4	(593,875)	(322,720)
<b>Net profit/(loss) for the period</b>	<b>15</b>	<b>19,485</b>	<b>6,040,629</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>19,485</b>	<b>6,040,629</b>
Net profit/(loss) for period attributable to members		19,485	6,040,629
Total comprehensive income for period attributable to members of Melbourne Football Club Limited		<b>19,485</b>	<b>6,040,629</b>

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

## Statement of Financial Position

As at 31 October 2012	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,127,470	858,078
Trade and other receivables	6	401,838	596,067
Inventories	7	263,085	131,228
Receivables	19	7,528	-
Other assets	8	432,833	422,052
<b>TOTAL CURRENT ASSETS</b>		<b>2,232,754</b>	<b>2,007,425</b>
<b>NON CURRENT ASSETS</b>			
Receivables	19	-	75,800
Property, plant and equipment	9	12,544,473	11,513,588
Intangible assets	10	3,232,470	-
Investment accounted using the equity method	11	291,576	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>16,068,519</b>	<b>11,589,388</b>
<b>TOTAL ASSETS</b>		<b>18,301,273</b>	<b>13,596,813</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,623,612	3,529,736
Interest bearing liabilities	13	796,000	65,200
Provisions	14	430,682	372,947
Income received in advance		1,887,000	1,452,537
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,737,294</b>	<b>5,420,420</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	12	2,310,554	-
Interest bearing liabilities	13	2,817,800	1,774,800
Provisions	14	60,569	46,022
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>5,188,923</b>	<b>1,820,822</b>
<b>TOTAL LIABILITIES</b>		<b>11,926,217</b>	<b>7,241,242</b>
<b>NET ASSETS</b>		<b>6,375,056</b>	<b>6,355,571</b>
<b>MEMBERS' FUNDS</b>			
Retained earnings	15	6,375,056	6,355,571
<b>TOTAL MEMBERS' FUNDS</b>		<b>6,375,056</b>	<b>6,355,571</b>

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

## Statement of Cash Flows

For the year ended 31 October 2012	Note	2012 \$	2011 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and operations		39,079,523	33,250,539
Interest received		11,308	32,308
Payments to suppliers and employees		(39,043,710)	(33,233,881)
Interest and other costs of finance paid		(243,868)	(13,452)
Receipt of grants		657,879	650,000
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>		<b>461,132</b>	<b>685,514</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(1,868,772)	(1,041,023)
Payments for gaming entitlements		(165,040)	-
Cash acquired through merger with the Bentleigh Club	16	-	301,610
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		<b>(2,033,812)</b>	<b>(739,413)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan proceeds from/(to) key management personnel		68,272	64,200
Repayment of borrowings		(2,531,200)	(1,800,000)
Proceeds from borrowings		4,305,000	1,840,000
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		<b>1,842,072</b>	<b>104,200</b>
Net increase/(decrease) in cash held		269,392	50,301
Cash at the beginning of the year		858,078	807,777
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>5</b>	<b>1,127,470</b>	<b>858,078</b>

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

## Statement of Changes in Equity

For the year ended 31 October 2012	(Accumulated losses)/ Retained earnings	Total Equity
	\$	\$
<b>BALANCE AS AT 1 NOVEMBER 2010</b>	<b>314,942</b>	<b>314,942</b>
Profit for the year	6,040,629	6,040,629
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>6,040,629</b>	<b>6,060,629</b>
<b>BALANCE AS AT 31 OCTOBER 2011</b>	<b>6,355,571</b>	<b>6,355,571</b>
<b>BALANCE AS AT 1 NOVEMBER 2011</b>	<b>6,355,571</b>	<b>6,355,571</b>
Profit for the year	19,485	19,485
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>19,485</b>	<b>19,485</b>
<b>BALANCE AS AT 31 OCTOBER 2012</b>	<b>6,375,056</b>	<b>6,375,056</b>

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

## Notes to the Financial Statements

Year ended 31 October 2012

### 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 2012 was authorised for issue in accordance with a resolution of the Directors on 28th November 2012.

### 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 profit of \$19k for the year ended 31 October 2012. The Club had positive operating cashflows of \$461k during the 2012 year, and a net asset position of \$6.375 million. The Club had a net current asset deficiency of \$4.504 million at 31 October 2012. This amount includes unearned income accrued amounts relating to 2013 memberships with no cash outflow impact, and other payables to be repaid from operating cashflows generated by the Club, or through access to commercial bill and overdraft facilities.

The Directors have assessed that the positive financial performance and financial position of the Club at 31 October 2012, together with the Club's ongoing operating activities and anticipated future cashflows, are such that the going concern basis of accounting continues to be appropriate. The Directors have determined that appropriate cashflows and financing facilities are available to the Club for the purposes of capital and operational investments in the next 12 month period.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 2. Summary of significant accounting policies (continued)

#### **(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 2011.

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 2012 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 2012

### 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 2012, 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%*
Purchased memorabilia	Not depreciated
Land	Not depreciated

\* The Club has acquired and accounted for gaming machines for the first time in the financial year ended 31 October 2012. The useful life and therefore depreciation rate of gaming machines are determined on an individual basis based on the current age of individual machines at the time of acquisition.

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 2012

### 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.

#### **(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*.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 2. Summary of significant accounting policies (continued)

#### **(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 2012 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.

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.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 2. Summary of significant accounting policies (continued)

#### **(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.

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.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 2. Summary of significant accounting policies (continued)

#### ***(s) Interest in a joint venture (continued)***

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 4.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 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 2012

	Note	2012 \$	2011 \$
<b>3. Revenue</b>			
<b>Revenue from Football related activities</b>			
Gate receipts		4,305,292	3,981,110
Distributions from the AFL		10,796,875	8,422,004
Merchandise		634,384	806,732
Membership and annual reserved seating		5,619,605	5,746,734
Marketing/corporate sponsorship and general fundraising		8,219,263	8,133,129
Grant income		657,879	833,372
Foundation heroes/debt demolition fundraising		787,228	952,249
Other revenue		1,502,795	1,045,028
<b>Total revenue from Football related activities</b>		<b>32,523,321</b>	<b>29,920,358</b>
<b>Revenue from other activities</b>			
Social and gaming revenue		6,993,879	3,594,013
<b>Total revenue from other activities</b>		<b>6,993,879</b>	<b>3,594,013</b>
<b>Total revenue</b>		<b>39,517,200</b>	<b>33,514,371</b>
<b>Other income</b>			
Interest		11,308	32,308
Gain on merger with the Bentleigh Club	16	-	6,691,207
<b>Total other income</b>		<b>11,308</b>	<b>6,723,515</b>

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>4. Expenses</b>			
<b>Expenses</b>			
<i>Finance Costs</i>			
- Interest paid to external entities		243,868	13,452
Total finance costs		<b>243,868</b>	<b>13,452</b>
<i>Depreciation</i>			
Total depreciation expense		<b>593,875</b>	<b>322,724</b>
<i>Amortisation</i>			
Total amortisation expense		<b>68,323</b>	-
<i>Employee benefits expense</i>			
Salary, wages and termination expense		19,834,076	17,187,868
Superannuation expense		1,404,308	1,141,521
Total employee benefits expense		<b>21,238,384</b>	<b>18,329,389</b>
<i>Occupancy Expenses</i>			
Minimum lease payments		1,560,722	1,536,326
		<b>1,560,722</b>	<b>1,536,326</b>
<i>Other</i>			
Bad debts		430,126	9,416
Doubtful debts recognised/(reversed)		(479,744)	(11,435)

### 5. Cash and Cash Equivalents

Cash at bank and in hand	1,127,470	858,078
	<b>1,127,470</b>	<b>858,078</b>

#### 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 as at 31 October 2012.

#### Financing facilities

At 31 October 2012, the Club had a \$400,000 overdraft facility with Westpac (undrawn). The overdraft facility, if utilised, will impose an interest rate of 9.71% per annum, with interest charged monthly. The Club also had a \$1,100,000 commercial bill with Westpac (undrawn) at 31 October 2012.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>6. Trade and Other Receivables</b>			
<b>Current</b>			
Trade receivables		415,732	416,945
Less provision for impairment loss (a)		(64,025)	(14,407)
Other receivables		50,131	102,147
GST receivable		-	91,382
		<b>401,838</b>	<b>596,067</b>

(a) Movements in the provision for impairment loss were as follows:

At 1 November	14,407	112,927
Charge for the year	479,744	14,407
Previously recognised doubtful debts written off	(430,126)	(87,500)
Amounts recovered	-	(25,427)
At 31 October	<b>64,025</b>	<b>14,407</b>

### 7. Inventories

Merchandise	185,328	76,904
Food and beverage	60,828	54,324
Other	16,929	-
	<b>263,085</b>	<b>131,228</b>

#### (a) Cost of Sales

Cost of Sales for the year ended 31 October 2012 totalled \$1,276,161 (2011: \$874,568) 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

Prepayments	349,619	409,218
Other	83,214	12,834
	<b>432,833</b>	<b>422,052</b>



## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>9. Property, Plant and Equipment</b>			
<b>Furniture and fittings</b>			
<i>Cost</i>			
Opening balance		479,192	471,614
Additions		10,894	7,578
Closing balance		<b>490,086</b>	<b>479,192</b>
<i>Accumulated depreciation</i>			
Opening balance		301,539	276,944
Depreciation for the year		25,660	24,595
Closing balance		<b>327,199</b>	<b>301,539</b>
<i>Net book value</i>		<b>162,887</b>	<b>177,653</b>
<b>Plant and equipment</b>			
<i>Cost</i>			
Opening balance		1,752,858	1,410,311
Additions		492,734	342,547
Closing balance		<b>2,245,592</b>	<b>1,752,858</b>
<i>Accumulated depreciation</i>			
Opening balance		1,160,910	990,734
Depreciation for the year		335,517	170,176
Closing balance		<b>1,496,427</b>	<b>1,160,910</b>
<i>Net book value</i>		<b>749,165</b>	<b>591,948</b>
<b>Leasehold improvements</b>			
<i>Cost</i>			
Opening balance		1,842,674	1,638,905
Additions		17,176	203,769
Transfers from capital work in progress		-	-
Closing balance		<b>1,859,850</b>	<b>1,842,674</b>
<i>Accumulated depreciation</i>			
Opening balance		279,384	154,857
Depreciation for the year		142,405	124,527
Closing balance		<b>421,789</b>	<b>279,384</b>
<i>Net book value</i>		<b>1,438,061</b>	<b>1,563,290</b>
<b>Motor vehicles</b>			
<i>Cost</i>			
Opening balance		27,376	27,376
Additions		7,272	-
Closing balance		<b>34,648</b>	<b>27,376</b>
<i>Accumulated depreciation</i>			
Opening balance		13,126	9,704
Depreciation for the year		4,538	3,422
Closing balance		<b>17,664</b>	<b>13,126</b>
<i>Net book value</i>		<b>16,984</b>	<b>14,250</b>

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>9. Plant and Equipment (continued)</b>			
<b>Purchased Memorabilia</b>			
<i>Cost</i>			
Opening balance		97,918	97,918
Additions		15,172	-
Closing balance		<b>113,090</b>	<b>97,918</b>
<i>Net book value</i>		<b>113,090</b>	<b>97,918</b>
<b>Gaming Machines</b>			
<i>Cost</i>			
Opening balance		-	-
Additions		1,325,524	-
Closing balance		<b>1,325,524</b>	-
<i>Accumulated depreciation</i>			
Opening balance		-	-
Depreciation for the year		85,755	-
Closing balance		<b>85,755</b>	-
<i>Net book value</i>		<b>1,239,769</b>	-
<b>Capital work in progress</b>			
<i>Cost</i>			
Opening balance		368,530	231,354
Additions		-	138,955
Transfers to plant and equipment		(124,517)	-
Transfers to investment in joint venture		(244,013)	-
Disposals		-	(1,779)
Closing balance		-	<b>368,530</b>
<i>Net book value</i>		-	<b>368,530</b>
<b>Land</b>			
<i>Cost</i>			
Opening balance		8,700,000	-
Additions		-	8,700,000
Closing balance		<b>8,700,000</b>	<b>8,700,000</b>
<i>Net book value</i>		<b>8,700,000</b>	<b>8,700,000</b>
<b>Total property, plant and equipment</b>			
Opening balance		13,268,547	3,877,477
Additions		1,868,773	9,392,849
Transfers to Investment in joint venture		(244,013)	-
Disposals		-	(1,779)
Closing balance		<b>14,893,307</b>	<b>13,268,547</b>
<i>Accumulated depreciation</i>			
Opening balance		1,754,959	1,432,239
Depreciation for the year		593,875	322,720
Closing balance		<b>2,348,834</b>	<b>1,754,959</b>
<i>Net book value</i>		<b>12,544,473</b>	<b>11,513,588</b>

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 2012

	Note	2012 \$	2011 \$
<b>10. Intangible Assets</b>			
<b>Year ended 31 October 2012</b>			
At 1 November 2011 net of accumulated amortisation and impairment			
Additions		3,300,793	-
Amortisation		(68,323)	-
At 31 October 2012 net of accumulated amortisation and impairment		3,232,470	-
<b>At 31 October 2012</b>			
Cost (gross carrying amount)		3,300,793	-
Accumulated amortisation and impairment		(68,323)	-
Net carrying amount		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 through 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.

Share of the joint venture's statement of financial position:

Cost of joint venture	335,683	-
Retained earnings	(36,578)	-
Share of the joint venture's profit or (loss):		
Loss	(7,529)	-
Carry value of investment in jointly controlled entity	291,576	-

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>12. Trade and Other Payables</b>			
<b>Current</b>			
Trade creditors	(a)	1,625,230	1,216,145
State gaming tax payable		145,916	-
Other creditors and accruals		1,028,167	2,288,600
Other Loans - VCGR	(b)	660,159	-
GST Payable		164,140	24,991
		<b>3,623,612</b>	<b>3,529,736</b>
<b>Non Current</b>			
Other Loans - VCGR	(b)	2,310,554	-
		<b>2,310,554</b>	

### (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 \$2,970,713 relate to amounts payable to the Victorian Commissioner of Gaming Regulation for the remainder of gaming entitlements over the next 5 years.

## 13. Interest Bearing Loans and Liabilities

### Current

Commercial bill facility – secured	(i)	796,000	65,200
		<b>796,000</b>	<b>65,200</b>

### Non-Current

Commercial bill facility – secured	(i)	2,817,800	1,774,800
		<b>2,817,800</b>	<b>1,774,800</b>

The Club has two facilities with Westpac as at 31 October 2012.

#### (i) Gaming Facility

The facility enables the Club to draw funds up to a limit of \$3.614 million (\$3.614 million drawn at 31 October 2012) until 30 June 2014. Under the terms of the commercial bill facility, \$65,200 was repayable by 31 October 2012, with \$199,000 then repayable each quarter. This facility is supported by a \$1.77 million 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 licence, gaming licences, and leasehold interest relating to the Leighoak Club venue.

#### (ii) Operating Facility

The first facility provides the Club to draw funds up to a limit of \$1.5 million (\$0.4 million overdraft facility, \$1.1 million commercial bill facility). 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 up to \$1.1 million. This facility is supported by a \$1.5 million guarantee provided by the Australian Football League.

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
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### 13. Interest Bearing Loans and Liabilities (continued)

This facility is also secured by a fixed and floating charge over all existing and future assets of the Club. This facility remained undrawn at 31 October 2012.

(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 completed during the prior year, 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 \$
<b>14. Provisions</b>			
At 31 October 2012	<b>337,960</b>	<b>153,291</b>	<b>491,251</b>
Current	337,960	92,722	430,682
Non-current	-	60,569	60,569
	<b>337,960</b>	<b>153,291</b>	<b>491,251</b>
At 31 October 2011	<b>298,848</b>	<b>120,121</b>	<b>418,969</b>
Current	298,848	74,099	372,947
Non-current	-	46,022	46,022
	<b>298,848</b>	<b>120,121</b>	<b>418,969</b>

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	2012 \$	2011 \$
<b>15. Retained Earnings</b>		
Retained earnings/(accumulated losses) at beginning of financial year	6,355,571	314,942
Net profit	19,485	6,040,629
Retained earnings at end of financial year	<b>6,375,056</b>	<b>6,355,571</b>

### 16. Business combination

#### Merger with the Bentleigh Club

In the prior year (5 October 2011), the Club merged with the gaming venue the Bentleigh Club.

As consideration for the transaction, the Bentleigh Club's liabilities were assumed by the Club as well as the provision of member benefits as outlined under the Business Transfer Deed. Under the Business Transfer Deed, the Club is unable to sell the land and property acquired until 15 August 2022 unless certain conditions are met, or the Bentleigh Club members approve the relocation of the business to another venue.

The fair values of the identifiable assets and liabilities of the Bentleigh Club as of the date of merger were:

		<b>Fair value at merger date \$</b>
Cash and cash equivalents		301,610
Trade receivables		6,050
Inventory		31,317
Other assets		50,985
Prepaid gaming entitlements		65,200
Property		8,700,000
		<u>9,155,162</u>
Trade creditors		417,143
Other payables		206,001
Provision for employee entitlements		40,811
Interest bearing liabilities		1,800,000
		<u>2,463,955</u>
Fair value of identifiable net assets		6,691,207
Gain on merger	3	<u>(6,691,207)</u>
		<u>-</u>

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>17. Commitments</b>			
<b>Operating leases</b>			
Commitments in relation to leases contracted for at reporting date but not recognised as liabilities are payable as follows:			
- Not later than 1 year		1,144,620	1,086,480
- Later than 1 year but not later than 5 years		1,725,540	2,834,164
- Later than 5 years		-	-
		<b>2,870,160</b>	<b>3,920,644</b>

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 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.

- Not later than 1 year	9,817,454	9,566,464
- Later than 1 year but not later than 2 years	7,088,234	5,421,209
- Later than 2 years but not later than 5 years	3,601,318	3,656,794
	<b>20,507,006</b>	<b>18,644,467</b>

### Bank Guarantees

Bank guarantees made by Westpac on behalf of the Club total \$610,650 (2011: \$611,650)

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

	Note	2012 \$	2011 \$
<b>18. Remuneration of Auditors</b>			
Remuneration of Ernst & Young for audit of the financial reports of the Melbourne Football Club Limited			
		58,000	58,000
Remuneration for other services	(a)	13,000	10,000

(a) Includes assurance related services.

### 19. 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 Marketing & Communications\*, Director of Sports Performance, General Manager List Management, General Manager Strategy and the Senior Coach.

\* Part year only

#### Compensation for key management personnel

Total compensation	<b>2,563,204</b>	<b>2,104,836</b>
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#### 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. \$68,272 of principal was repaid during the year leaving a balance of \$7,528 at 31 October 2012.



## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 20. 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.

Jim Stynes	Russel Howcroft
Guy Jalland	Peter Spargo
Don McLardy	David Thurin
Stuart Grimshaw	John Trotter
Karen Hayes	Greg Healy

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.

	2012 \$	2011 \$
<b>Amounts provided to the Club:</b>		
Jim Stynes (Reach Foundation, Eire Investments) - Corporate Packages	-	160
Guy Jalland - Corporate Packages	2,015	7,710
Don McLardy (McLardy McShane & Associates Pty Ltd) - Corporate Packages	1,800	39,034
Stuart Grimshaw (Bank of Queensland) - Corporate Packages	4,260	250
Russel Howcroft (George Patterson Y & R) - Corporate Packages	6,425	10,580
Peter Spargo (Spargo Group) - Corporate Packages	17,225	18,280
David Thurin (Applewood, Tigcorp) - Corporate Packages	5,800	12,065
Karen Hayes - (UXC) - Corporate Packages	10,739	16,017
John Trotter (Deloitte) - Corporate Packages	25,162	33,740
Greg Healy (Quicksilver) - Corporate Packages	2,310	-

## Notes to the Financial Statements (continued)

Year ended 31 October 2012

### 21. 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 meet 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.

### 22. 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.

### 23. 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 2012.

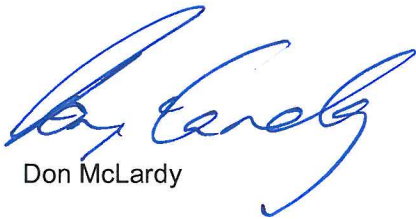
## Directors' Declaration

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 2012 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



Don McLardy



John Trotter

Melbourne  
28 November 2012

## Independent auditor's report to the members 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 2012, 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.

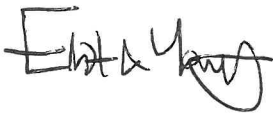
### *Independence*

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 2012 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*.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'D. J. Shewring'.

D. J. Shewring  
Partner  
Melbourne,  
28 November 2012



Melbourne Football Club  
Melbourne Cricket Ground  
Great Southern Stand  
PO Box 254  
East Melbourne 8002

T (03) 9652 1111  
F (03) 9652 1125  
[www.melbournefc.com.au](http://www.melbournefc.com.au)