



FINANCIAL REPORT

FOR THE YEAR ENDED 31 OCTOBER 2018

ACN 005 686 902

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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 2018.

1. 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.

2. Operating Results and Review of Operations

The statutory profit for the year is \$6.906m. The underlying operating profit for the year is \$0.506m – a reconciliation to this figure is provided below:

		2018	2017
		\$	\$
	Statutory Profit	6,906,468	1,363,060
Less	Gain on sale of Leighoak Club	(7,029,311)	-
Add	Fixed asset write offs	401,897	-
	Investment in Training & Administration Facility Project	227,222	-
	Underlying operating profit¹	506,276	1,363,060

During the year Peter Jackson announced his retirement from the role of Chief Executive Officer. Peter joined the Club during difficult times in 2013, and in the period since played a significant role in the transformation of the Club to one that is now well positioned for a period of sustained success. The Club thanks Peter for his contribution and wishes him well in his retirement. Gary Pert was announced as the Club's new Chief Executive Officer, commencing in the role on 1st October. Gary joins the Club with vast experience in the football and media industries, and we look forward to the further growth of the Club on and off the field under his guidance in the years ahead.

2018 has been a year of substantial growth for the Club, both on and off the field. The off field highlights saw the Club achieve growth across all commercial areas of the Club, resulting in its fifth straight operating profit. The Club also announced its exit from the gaming industry. On the field the men's team continued to build on their improvement from recent years, culminating in a preliminary final appearance, while the AFLW team also performed strongly to finish the season in third place.

Operating revenue grew by \$4.722m during the year to a total of \$49.010m. Revenue from football related activities grew by \$4.470m, driven by increased returns from sponsorship and corporate activities, membership and gate receipts.

A key factor in the financial result was the support of members. A Club record of 45,178 signed up for the 2018 season, while over one million people came through the gates to watch the team play. A key driver of the attendances were the crowds at the Club's marquee games on Anzac Eve and Queen's Birthday, which generated crowds of 78,000 and 83,000 respectively. The red and blue faithful also turned out in force during the finals series, with both of the Club's MCG finals exceeding 90,000 attendees.

1: Non IFRS measure of financial performance

2018 again saw the Club grow its suite of commercial partners. Zurich became the Club's Co-Principal partner, while Johnnie Walker and Infiniti also joined the Club. The Club would also like to thank its other Co-Principal Partner i-Select, as well as all other commercial partners, for their support.

Distributions received from the AFL grew by \$0.623m during the year – \$0.345m of this related to men's player payment, \$0.150m related to finals prizemoney and \$0.128m was due to increases in the AFLW total player payments limits. The Club did not receive any increased contribution from the AFL in relation to competitive balance funding in 2018.

The Club's investment in its men's program grew by \$1.775m during 2018. \$1.123m related to increased program related costs, driven primarily by the Club having greater responsibility for the day to day operations of our VFL team and other increased player development resourcing, with another \$0.652m attributable to increased player payments.

The Club's AFLW and VFLW program costs totalled \$1.043m during the year, comprising AFLW player payments of \$0.450m and program costs of \$0.401m, and VFLW program costs of \$0.192m. This amount has been largely offset by revenues generated from the program of \$0.886m, including sponsorship and membership support as well as AFL funding for the player payments.

The Club has identified that one of its key strategic goals is securing a long term Training & Administration Facility. The Club invested \$0.227m in the project during the year, which has been expensed in the Profit & Loss Statement in accordance with Australian Accounting Standards.

The Club made the decision during the year to exit the gaming industry, which culminated in the sale of the Leighoak Club to the Moonee Valley Racing Club. This decision was based on a combination of commercial and community considerations, and the Club is satisfied with the sale price of \$10.650m achieved for the venue. The gain on sale from the transaction equated to \$7.029m, which includes the sale proceeds less the transaction costs, as well as a write off of the carrying value of assets transferred to Moonee Valley Racing Club as part of the sale. The Club also made the decision during the year not to extend its gaming machine entitlements at Bentleigh Club from August 2022, with the rationale for this decision consistent with that of the sale of Leighoak. Gaming machines will be removed from the Bentleigh Club at that point in time.

The Club had net assets of \$13.109m at balance date, underwritten by the cash position largely achieved through the sale of Leighoak Club, and the Bentleigh Club land asset. The Club's overall debt at the end of 2018 totalled \$2.629m, which represents a reduction of \$1.500m during the year. The Club will continue to prioritise the repayment of debt from its operating cashflow over the coming years, as it has done in prior years, with \$5.499m of debt repaid since 2013.

2018 saw the Club return to the finals, finishing the Home & Away season 5th on the ladder with 14 wins. The team demonstrated their game plan has been developed to deliver during September, with strong wins over seasoned finals campaigners Geelong and Hawthorn in the first two weeks of the finals. While the preliminary final result was disappointing, the progress made during the year confirms that the team is on the right path to deliver sustained success over the coming seasons. This is particularly evident when considering the nucleus of the team contains many players still younger than 23 and who have played less than 100 games, including Clayton Oliver, Christian Petracca, Angus Brayshaw, Jake Lever, Christian Salem, James Harnes and Sam Weideman.

The outstanding players in red and blue for 2018 were recognised at our Best and Fairest with Max Gawn capping off a superb year by taking out his first Keith 'Bluey' Truscott trophy. Clayton Oliver finished second, while James Harnes' breakout year saw him finish third. Max and Clayton were also rewarded for their strong years with selection in the 2018 All Australian team, while Angus Brayshaw finished third in the Brownlow Medal voting.

A number of individual player milestones were reached during the year. Nathan Jones registered his 250th game in the Club's Round 11 win against the Western Bulldogs, while Jordan Lewis played his 300th game in a tight fought win against the Crows in Adelaide. Bernie Vince also brought up his 100th career game for the Club during the year.

2018 as usual saw the departure of a number of players at the completion of the season. Bernie Vince retired at the end of the season, completing an outstanding career that saw him awarded a Best & Fairest at both Adelaide and Melbourne. Jesse Hogan also left the Club during the trade period after requesting to return home to Perth for personal reasons, while Dom Tyson also departed during this period after 94 games in the red and blue. A number of other players departed at the completion of the season – the Club wishes all of these players all the best and thanks them for their service.

The Club again performed strongly in the AFLW competition, finishing third on the ladder after missing the Grand Final on percentage. Daisy Pearce, Elise O'Dea, Meg Downie and Karen Paxman all capped off fantastic years with selection in the All Australian squad, while Daisy Pearce was also rewarded with the MFC Best & Fairest for her year. Daisy also announced during the year that she will be missing the 2019 AFLW season due to the impending arrival of twins, due early in the new year. We wish Daisy all the best and look forward to welcoming her back for the 2020 AFLW season.

2018 also saw Neville Jetta receive the AFL's Jim Stynes Community Leadership Award. Neville was selected for his work supporting indigenous youth through various school based programs, as well as for his ambassador roles with Red Cross and Headspace. This award is well deserved recognition for Neville's contribution to the community over many years.

During 2018 director Jeremy Nichols resigned from the Board. A former player who played four games for the Club in the 1980's, Jeremy departs having given five years service as a director. The Club thanks Jeremy for his contribution during this period, and wishes him all the best for the future.

The Club would like to thank the MCC for their ongoing support during 2018. The Club values its relationship with the MCC and is proud to be a sporting section of this great club.

2018 has been a year where the Club has continued the climb towards becoming a respected and great Club. The Club is now at base camp in its journey towards the summit of premiership success. While a significant amount of hard work has gone into building solid foundations for the Club, the most challenging part of our journey is still ahead of us. The Board is confident that the Club is well positioned, with the right people in the right roles, to continue the progression over the coming years. It is a privilege to serve as a director of this great Club, and we would like to thank the members for their support again during 2018.

3. Events Subsequent to Balance 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 2018.

4. Likely developments

The Directors will continue to progress the strategic objectives of the Club and in this context there are no matters at the date of this report that are expected to materially impact the Club.

5. Environmental Regulation

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

6. Auditors Independence Declaration

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 11 and forms part of the Directors' Report for the year ended 31 October 2018.

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 audit services	- \$32,000
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7. Directors

Glen Bartlett

Glen joined the Board in 2013. He was also appointed President of the Melbourne Football Club in 2013 and also Chair's the Facilities Working Group.

Glen is the Managing Director of Bartlett Workplace, a company specialising in Industrial Relations (IR) including: IR and Employment Legal services; IR and HR Advisory services, Workplace Investigations; and Workplace Management capability and Leadership development training. Bartlett Workplace has a national reach with offices in Melbourne and Perth.

Prior to setting up Bartlett Workplace, Glen practised law for 15 years with Clayton Utz Lawyers including three years as Managing Partner.

Glen has held a number of board positions both within the Public and Private sectors, including: Sports/Entertainment; Sport/Events Infrastructure Management; Universities; and Not-for-Profit and Industry Associations.

Glen over the years has given his time and expertise to a wide range of community organisations, including Western Australian football, indigenous communities and various charities both in Victoria and Western Australia. Glen is a respected advocate for the sports industry, having held various roles over the years including: Honorary Legal Advisor on Rules for the WAFL, President of the WAFL Players Association, member of the Appeals Tribunal for the WAFL and WA players' representative on the national AFL Players Agents Association board (**AFLPA**) from 1998-2000.

Glen was a successful former Australian Rules footballer who played for the West Coast Eagles, and was part of their inaugural team, winning their Best Clubman Award in 1987. He was Captain of East Perth for four years before retiring after achieving life membership at the age of 26. Glen also represented Western Australia and was appointed Vice Captain against South Australia in 1990.

Glen retired to concentrate on his law studies, becoming a lawyer in 1996.

David Thurin

David joined the Board in 2008. He is a Member of the Club's Audit and Risk Committee.

David is the Executive Chairman and owner of Tigcorp, a company that owns, develops and manages retirement communities, has land subdivision interests as well as an investment arm involved in listed and unlisted securities.

He is a director of Vicinity Centres which is an ASX 50 company and he is a director of the Baker Heart and Diabetes Institute. He is also a member of the Young Presidents' Gold Organisation, the Australian Institute of Company Directors and the Melbourne Cricket Club.

David was previously involved in retail property management and development and was the Joint Managing Director of the Gandel Group of Companies and Gandel Retail Management. He was also previously the Chairman of the International Diabetes Institute, a director of the Gandel Retail Property Trust, CFSGAN Retail Property Trust and the Novion Property Group.

David has a medical background, and was in private practice for over a decade, holding post-graduate qualifications in obstetrics and gynaecology as well as general practice. He also holds a Master's Degree in Management from Stanford University, California.

David is a Foundation Hero Ruby Red Legend.

John Trotter

John joined the Board in 2011. He is a Vice Chairman of Melbourne Football Club, Chair of the Audit and Risk sub Committee. He is also Chair of the Bentleigh Club sub-committee. He has particular involvement at the Board level on the governance structures, risk management and finance operations of the club.

He is currently Chairman and a non-executive director of the Entity Solutions Group of companies specialising in contingent workforce solutions in Australia, New Zealand and parts of Asia.

John worked in the Accounting and consultancy industries for over 37 years both in Australia and globally. He specialised in Corporate Governance, Risk Management and business growth. He had a number of leadership roles with global firm Deloitte: Global Managing Partner - Risk Services, Asia Pacific Managing Partner Risk services and most recently Managing Partner of Deloitte Victoria. In these roles he served global clients across Australia, Asia, Europe and the America's.

He is 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.

John is a Foundation Hero Gold Legend, a member of the Ron Barassi Bequest Society, Coterie, the Melbourne Business Community, the MFC Club Lunch, the Demon Army and the Melbourne Cricket Club.

He has had significant involvement in Amateur football spanning over 40 years as a player, administrator, sponsor and President. He also played a key role in bringing the "Peace Team" a combined team of Israeli's and Palestinians to the AFL International Cup in 2008 and 2011.

Geoff Freeman

Geoff joined the Board in 2013. He is a Vice Chairman of Melbourne Football Club and Chair of the Club's Nominations & Remunerations Committee.

Geoff was a founding partner of Freeman McMurrick. This 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 served for many years on the Aon Australian Advisory Board and other industry boards.

He holds an advanced diploma in financial services and is a qualified practising insurance broker.

Geoff is a Foundation Hero Silver Legend.

Kate Roffey

Kate joined the Board in 2013. She is a Member of the Facilities working group.

She is currently the Director of Deals, Investment & Major Projects at Wyndham City and is also the Chair of the Victorian Regional Channels Authority and the Metro Trains Advisory Board, and a Member of the Ministerial Freight Advisory Committee and Ministerial Golf Taskforce.

Kate is the former CEO of the Committee for Melbourne, former CEO of VicSport and the Senior Manager responsible for the Melbourne Park Tennis Centre redevelopment and Government Relations at Tennis Australia.

Kate holds qualifications in Sports Science, Sport Administration, and Psychology, and is a Graduate Member of the Australian Institute of Company Directors.

Kate has a strong background in professional 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.

Steve Morris

Steve joined the Board in 2014 and is a member of the Nominations and Remuneration Committee and is the Board's representative trustee of the Red and Blue Foundation.

He currently holds an Executive position within the Little Group and is the founder of Peloton Shareholder Services, offering shareholder management and capital raising solutions to a range of ASX listed companies. He is the Chairman of ASX listed Purifloh Limited and a Non-Executive Director of De Grey Mining.

Steve's previous experience is predominantly in stockbroking, including as Head of Private Clients Australia for Paterson's Securities, one of Australia's largest retail stockbroking firms, and Managing Director of Intersuisse Ltd.

He holds a Diploma in Financial Markets, is a Master Stockbroker and Responsible Executive of the ASX.

Steve is co-founder of Club Lunch – an active supporter group that is part of the Melbourne Business Community and raises funds that are put into the Football Department. He has also been a player sponsor and is a Foundation Hero.

Mohan Jesudason

Mohan joined the Board in 2015.

He is Chief Executive Officer and managing director of Freestyle Technology Ltd, which operates in the global Internet of Things market - connecting devices in the fast growing world of the Internet. Freestyle operates in Australia, Korea, Japan, China and Taiwan. He is a past director of Racing Victoria Ltd, Telecom Mobile Ltd and Hutchison 3 in Australia.

Prior to Freestyle, Mohan was Managing Director of Tabcorp Gaming and Group Marketing for 10 years. Before this, he held leadership roles with Telecom New Zealand and National Mutual Life Association of Australasia in Australia and New Zealand.

Mohan holds a Bachelor of Economics from Monash University, a Graduate Diploma in Accounting and a Diploma from the Insurance Institute of Australia.

Mohan is a Foundation Hero.

Born in Sri Lanka, Mohan immigrated to Australia in 1972 where he completed his High School and University education.

David Robb

David joined the Board in 2015 and is a member of the Nominations and Remuneration Committee.

He is currently a Director of Navitas Limited and Chair of the Faculty of Engineering and Mathematical Sciences at the University of Western Australia and was for

almost ten years until September 2016 the Managing Director and CEO of Iluka Resources Limited, an ASX100 mineral sands company with operations in Australia and the US, a global sales footprint and investment activities in many countries.

Prior to his time at Iluka, David worked in the downstream oil industry with BP in Australia, the UK, the USA and Asia, before joining Wesfarmers in Perth in 1995. He was appointed General Manager, Business Development for the Wesfarmers Group in 1996 and as Managing Director of Wesfarmers Energy in 1999. In 2004 he was appointed an Executive Director on the board of Wesfarmers Limited, a role relinquished in 2006 on joining Iluka.

Previous roles include being a Director of the Centre for Independent Studies, Chairman of Consolidated Rutile Limited and Deputy Chair of Methodist Ladies College, Perth.

David holds a Bachelor of Science degree, a Graduate Diploma in Personnel Administration, has completed the Harvard University Business School Advanced Management Program and is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

David was born in Melbourne and is a life-long supporter of Melbourne. He was part of the cheer squad in the 'duffle coat and desert boot' VFL era. He is a Foundation Hero.

In his university days, he played amateur football in Victoria and Western Australia, with a successful period as president of the University Football Club in Western Australia.

Jane Martino

Jane joined the Board in 2015. She is a well-known Australian entrepreneur, business leader and social change advocate, with over 20 years' experience in business operations and digital. She is currently Executive Director at Light Warrior, family office of Radek Sali.

Jane has built various dynamic organisations to successful exit, managing rapid growth and expanding operations in the media, PR, social impact and tech sectors and is currently consulting and advising in early stage tech and venture for a variety of businesses and family offices.

Jane's previous experience includes founding and exiting Undertow Media (now Bastion Effect following its sale to the Bastion Group in 2009), and Shout for Good which was acquired by ANZ Bank in 2015. She is an investor and advisor to Tribe and brandcrush and is also co-founder of not-for-profit Smiling Mind, centred on delivering free online Mindfulness Meditation programs to young people.

Jane is a Foundation Hero.

Jane balances her weekends between AFL matches and her three son's local football club (East Malvern Knights) where she frequently performs the role of runner or umpire.

8. Chief Executive Officer and Company Secretary

Gary Pert

Gary Pert joined the Melbourne Football Club in October 2018 as Chief Executive Officer.

Prior to joining the Dees, Gary was CEO of the Collingwood Football Club. Under Gary's 10-year leadership, Collingwood became one of the powerhouse clubs of Australian sport, experiencing substantial commercial growth. The club featured in

seven AFL Finals Series, reaching a Grand Final in 2011 and winning the Premiership in 2010.

His professional background includes a 12-year career with Austereo Radio Group, which culminated in four years as General Manager of Fox FM/Triple M and five years as the Austereo National Sales Director. He was also Managing Director of Channel Nine, Melbourne.

Gary had a distinguished 14-year AFL career between 1982 and 1995, during which he played 233 games.

Following his playing days, Gary served on the Collingwood FC Board for two years, prior to becoming the CEO, and was a long-term board member of the Pacific Star Radio Network, overseeing the operation of SEN Radio.

Gary is a graduate of the Australian Institute of Company Directors and has a vast experience in media and sports administration.

David Chippindall David Chippindall was appointed Company Secretary on 19 October 2018. David has been Chief Financial Officer of the Club since 2014, having joined the Club in 2010. David is an executive member of the Club's Audit & Risk Committee, Bentleigh Club sub committee and Facility Working Group. Prior to his appointment at the Club in a full time capacity David worked in a part time Opposition Analyst role within the Football Department.

David is a member of the Institute of Chartered Accountants, and was previously employed by Ernst & Young.

9. Directors' Meetings

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

Director	Number held*	Number attended
Glen Bartlett	8	8
John Trotter	8	7
Geoff Freeman	8	7
David Thurin	8	8
Kate Roffey	8	5
Steven Morris	8	8
Mohan Jesudason	8	7
David Robb	8	6
Jane Martino	8	7
Jeremy Nichols	2	2

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

10. Indemnification and Insurance of Officers

Insurance and indemnity arrangements concerning Directors of the Club have continued in the current year. 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 an Audit & Risk Committee which met on four occasions during the year. John Trotter (Chairman), David Thurin, Jeremy Nichols (one meeting attended) and Jane Martino (three meetings attended) were the Board representatives on this Committee during the year.

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 the director has a substantial financial interest.

To the extent permitted by law, Melbourne Football Club Limited has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed in accordance with a resolution of Directors at Melbourne this 19th day of November 2018.



Glen Bartlett

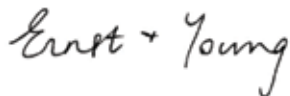


John Trotter

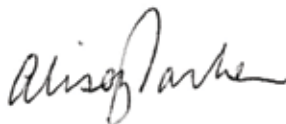
Auditor's Independence Declaration to the Directors of Melbourne Football Club Limited

As lead auditor for the audit of Melbourne Football Club Limited for the financial year ended 31 October 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



Ernst & Young



Alison Parker
Partner
19 November 2018

Statement of Comprehensive Income

For the year ended 31 October 2018	Note	2018 \$	2017 \$
Revenue	3	49,010,456	44,287,912
Other income	3	54,569	11,531
Gain on sale of Leighoak Club		7,029,311	-
Social club and gaming expenses		(2,746,564)	(2,591,204)
Men's Football costs		(25,806,867)	(24,223,494)
Women's Football costs		(1,042,352)	(699,970)
Cost of sales		(1,026,673)	(1,032,934)
Administration costs		(5,149,263)	(4,511,714)
Corporate, membership and fundraising expenses		(10,354,340)	(8,257,476)
Finance costs	4	(136,952)	(142,068)
Marketing & communications expenses		(2,357,955)	(2,126,823)
Amortisation		(130,400)	(130,400)
Depreciation		(708,319)	(570,880)
Fixed Asset write off expense		(401,897)	-
Facilities project expenses		(227,222)	-
Net profit/(loss) for the period		6,005,532	12,480
Other comprehensive income for the period		-	-
Total comprehensive income for the period		6,005,532	12,480
Discontinued Operations			
Profit for the year from Discontinued Operations	16	900,936	1,350,580
Total Profit for the period			
Net profit for the period attributable to members	15	6,906,468	1,363,060
Total comprehensive income for the period attributable to members of Melbourne Football Club Limited		6,906,468	1,363,060

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

Statement of Financial Position

As at 31 October 2018	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	5	10,429,677	841,408
Trade and other receivables	6	311,311	238,459
Inventories	7	171,255	179,906
Other assets	8	345,822	542,420
TOTAL CURRENT ASSETS		11,258,065	1,802,193
NON CURRENT ASSETS			
Property, plant and equipment	9	11,599,759	14,497,197
Intangible assets	10	494,608	1,582,074
Investment accounted for using the equity method	11	155,376	131,394
TOTAL NON CURRENT ASSETS		12,249,743	16,210,665
TOTAL ASSETS		23,507,808	18,012,858
CURRENT LIABILITIES			
Trade and other payables	12	3,828,080	3,764,812
Interest bearing liabilities	13	328,800	4,128,800
Finance lease liabilities		188,314	423,674
Provisions	14	976,534	990,005
Income received in advance		2,488,932	2,030,529
TOTAL CURRENT LIABILITIES		7,810,660	11,337,820
NON CURRENT LIABILITIES			
Trade and other payables	12	-	1,873
Finance lease liabilities		176,992	368,133
Interest bearing liabilities	13	2,300,000	-
Provisions	14	110,992	102,336
TOTAL NON CURRENT LIABILITIES		2,587,984	472,342
TOTAL LIABILITIES		10,398,644	11,810,162
NET ASSETS		13,109,164	6,202,696
MEMBERS' FUNDS			
Retained earnings	15	13,109,164	6,202,696
TOTAL MEMBERS' FUNDS		13,109,164	6,202,696

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

Statement of Cash Flows

For the year ended 31 October 2018	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		55,216,465	51,741,646
Interest received		54,569	11,531
Payments to suppliers and employees		(53,470,031)	(48,395,345)
Interest and other costs of finance paid		(158,597)	(175,054)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		1,642,406	3,182,778
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of discontinued operations		10,650,000	-
Payments for property, plant and equipment		(1,134,137)	(2,206,788)
Payments for gaming entitlements		-	(552,882)
Contribution to Equity Accounted Investment	11	(70,000)	(40,000)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		9,445,863	(2,799,670)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1,500,000)	(800,000)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(1,500,000)	(800,000)
Net increase/(decrease) in cash held		9,588,269	(416,892)
Cash at the beginning of the year		841,408	1,258,300
CASH AT THE END OF THE FINANCIAL YEAR	5	10,429,677	841,408

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

Statement of Changes in Equity

For the year ended 31 October 2018	Retained earnings	Total Equity
	\$	\$
BALANCE AS AT 1 NOVEMBER 2016	4,839,636	4,839,636
Net profit for the year	12,480	12,480
Net profit for the year from discontinued operations	1,350,580	1,350,580
Other comprehensive income	-	-
Total comprehensive income for the period	1,363,060	1,363,060
BALANCE AS AT 31 OCTOBER 2017	6,202,696	6,202,696
BALANCE AS AT 1 NOVEMBER 2017	6,202,696	6,202,696
Net profit for the year	6,005,532	6,005,532
Net profit for the year from discontinued operations	900,936	900,936
Other comprehensive income	-	-
Total comprehensive income for the period	6,906,468	6,906,468
BALANCE AS AT 31 OCTOBER 2018	13,109,164	13,109,164

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

Notes to the Financial Statements

Year ended 31 October 2018

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 2018 was authorised for issue in accordance with a resolution of the Directors on 20 November 2018.

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 Profit for the year of \$6,906,468. Contained within this amount is the gain on sale of the Leighoak Club (\$7,029,311), fixed asset write offs of \$401,897 and expenditure on the new facilities project of \$227,222. When these amounts are excluded, the club recorded an operating profit from core activities of \$506,276.

The Directors have assessed the financial performance and financial position of the Club at 31 October 2018, 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 facilities are expected to be 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 2018

2. Summary of significant accounting policies (continued)

(b) Statement of compliance

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

The Club is a not-for-profit, private sector entity which is not publicly accountable. Therefore, the financial statements for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

(c) Basis of Consolidation

At 31 October 2018 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.

(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 2018, 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.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

2. Summary of significant accounting policies (continued)

(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	20%
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.

Items of purchased memorabilia are recorded at cost on acquisition.

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 on 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.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

2. Summary of significant accounting policies (continued)

(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*.

(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

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.

(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 2018 on High Quality Corporate Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

2. Summary of significant accounting policies (continued)

(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 on 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.

(o) Trade and other receivables

Trade receivables, which generally have 0 - 30 day terms, are recognised and carried at original invoice amount less any allowance for impairment and/or credit notes issued. 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 value of estimated future cash flows. Bad debts are written off when identified. Non-current receivables are carried at the net present value of future cash flows they represent.

(p) Trade and other payables

Trade and other payables are carried at 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.

(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.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

2. Summary of significant accounting policies (continued)

(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.

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.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

2. Summary of significant accounting policies (continued)

(w) 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.

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 acquisition, 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.

(x) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

New and amended standards and interpretations

In the current financial year, the Club has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 November 2017. The adoption of these new and revised Standards and Interpretation has resulted in no change to the Club's accounting policies.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

	2018 \$	2017 \$
3. Revenue		
Revenue from Football related activities		
Gate receipts	6,180,742	5,366,974
Distributions from the AFL	16,336,739	15,713,629
Merchandise	1,081,232	1,085,881
Membership, annual reserved seating and general fundraising	9,009,525	8,057,900
Sponsorship & corporate hospitality	11,287,779	9,399,004
Other revenue	922,363	724,274
Total revenue from Football related activities	44,818,380	40,347,662
Revenue from other activities		
Social and gaming revenue	4,192,076	3,940,250
Total revenue from other activities	4,192,076	3,940,250
Total revenue	49,010,456	44,287,912
Other income		
Interest	54,569	11,531
Total other income	54,569	11,531

Notes to the Financial Statements (continued)

Year ended 31 October 2018

	2018 \$	2017 \$
4. Expenses		
Expenses		
<i>Finance Costs</i>		
- Interest paid to external entities from continuing operations	136,952	142,068
- Interest paid to external entities from discontinued operations	21,645	32,986
Total finance costs	158,597	175,054
<i>Employee benefits expense</i>		
Salary, wages and termination expense	28,693,305	25,985,535
Superannuation expense	1,957,607	1,892,352
Total employee benefits expense	30,650,912	27,877,887
<i>Occupancy Expenses</i>		
Minimum lease payments	1,704,923	1,823,112
	1,704,923	1,823,112
<i>Other</i>		
Bad debts	-	-
Doubtful debts recognised/(recovered)	-	-

5. Cash and Cash Equivalents

Cash at bank and in hand	10,429,677	1,007,181
Bank overdraft	-	(165,773)
	10,429,677	841,408

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 2018.

Financing facilities

At 31 October 2018, the Club had a \$400,000 (FY17: \$400,000) overdraft facility with Westpac. At 31 October 2018 the overdraft facility was undrawn (FY17: \$165,773). The overdraft facility will incur an interest rate of 7.97% per annum, with interest charged monthly.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

	2018 \$	2017 \$
6. Trade and Other Receivables		
Current		
Trade receivables	283,171	233,256
Less provision for Doubtful Debts (a)	(2,600)	(3,321)
Other receivables	30,740	8,524
	311,311	238,459

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

Opening balance	3,321	3,321
Charge for the year	-	-
Previously recognised doubtful debts written off	(721)	-
Amounts recovered	-	-
Closing balance	2,600	3,321

7. Inventories

Merchandise	93,258	101,677
Food and beverage	77,997	78,229
	171,255	179,906

(a) Cost of Sales

Cost of Sales for the year ended 31 October 2018 totalled \$1,026,673 (FY17: \$1,032,934) 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	318,475	390,747
Other	27,347	151,673
	345,822	542,420

Notes to the Financial Statements (continued)

Year ended 31 October 2018

	2018 \$	2017 \$
9. Property, Plant and Equipment		
Furniture and fittings		
<i>Cost</i>		
Opening balance	587,980	478,878
Additions	67,254	109,102
Disposals / Retirements	(277,348)	-
Closing balance	377,886	587,980
<i>Accumulated depreciation</i>		
Opening balance	407,020	380,280
Depreciation for the year	71,852	26,740
Disposals / Retirements	(230,576)	-
Closing balance	248,296	407,020
<i>Net book value</i>	129,590	180,960
Plant and equipment		
<i>Cost</i>		
Opening balance	3,369,104	3,055,336
Additions	258,176	313,768
Disposals / Retirements	(1,301,296)	-
Closing balance	2,325,984	3,369,104
<i>Accumulated depreciation</i>		
Opening balance	2,779,330	2,579,828
Depreciation for the year	277,648	199,502
Disposals / Retirements	(1,186,283)	-
Closing balance	1,870,695	2,779,330
<i>Net book value</i>	455,289	589,774
Leasehold improvements		
<i>Cost</i>		
Opening balance	4,619,516	3,464,800
Additions	486,258	1,154,716
Disposals / Retirements	(3,007,241)	-
Closing balance	2,098,533	4,619,516
<i>Accumulated depreciation</i>		
Opening balance	1,569,229	1,178,709
Depreciation for the year	743,632	390,520
Disposals / Retirements	(1,716,813)	-
Closing balance	596,048	1,569,229
<i>Net book value</i>	1,502,485	3,050,287
Motor vehicles		
<i>Cost</i>		
Opening balance	7,273	7,273
Disposals / Retirements	-	-
Closing balance	7,273	7,273
<i>Accumulated depreciation</i>		
Opening balance	7,271	6,933
Depreciation for the year	-	338
Disposals / Retirements	-	-
Closing balance	7,271	7,271
<i>Net book value</i>	2	2

Notes to the Financial Statements (continued)

Year ended 31 October 2018

Purchased Memorabilia

Cost

Opening balance	113,090	113,090
Additions	-	-
Disposals / Retirements	-	-
Closing balance	113,090	113,090

Accumulated Depreciation

Opening Balance	113,090	113,090
Depreciation for the year	-	-
Disposals/Retirements	-	-
Closing Balance	113,090	113,090

Net Book Value

-	-
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Gaming Machines

Cost

Opening balance	3,402,086	2,873,721
Additions	475,500	528,365
Disposals / Retirements	(2,104,404)	-
Closing balance	1,773,182	3,402,086

Accumulated depreciation

Opening balance	1,654,039	1,261,388
Depreciation for the year	372,746	392,651
Disposals / Retirements	(1,065,996)	-
Closing balance	960,789	1,654,039

Net book value

812,393	1,748,047
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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
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Capital Works in Progress

Cost

Opening Balance	228,127	52,290
Additions	-	175,837
Transfers	(228,127)	-
Closing Balance	-	228,127

Net book value

-	228,127
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Total property, plant and equipment

Opening balance	21,027,176	18,745,388
Additions	1,287,188	2,281,788
Disposals / Retirements	(6,690,289)	-
Transfer of WIP	(228,127)	-
Closing balance	15,395,948	21,027,176

Accumulated depreciation

Opening balance	6,529,979	5,520,228
Depreciation for the year	1,465,878	1,009,751
Disposals / Retirements	(4,199,668)	-
Closing balance	3,796,189	6,529,979

Net book value

11,599,759	14,497,197
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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 2018

	2018 \$	2017 \$
10. Intangible Assets		
Year ended 31 October		
Opening balance net of accumulated amortisation and impairment	1,582,074	1,912,154
Amortisation – Bentleigh Club	(130,400)	(130,400)
Amortisation – Leighoak Club	(149,759)	(199,680)
Gaming Machine Entitlements sold (net book value)	(807,307)	-
Closing balance net of accumulated amortisation and impairment	494,608	1,582,074
At 31 October		
Cost (gross carrying amount)	1,303,998	3,300,793
Accumulated amortisation and impairment	(809,390)	(1,718,719)
Net carrying amount	494,608	1,582,074

Leighoak Club

The Club acquired 92 gaming machine entitlements (GME) at auction in May 2010 from the State Government. On 31 July 2018, these were sold as part of the terms of agreement with Moonee Valley Racing Club for the sale of the Leighoak Club. Refer to Note 16 for further details.

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.

The useful life of the intangible asset is 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.

During 2018, the Club was invited to extend its gaming machine entitlements for the Bentleigh Club for a further 10 years. The Club made the decision not to extend its entitlements and as a result, gaming operations will conclude at the Bentleigh Club in August 2022.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

11. Investment accounted for 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:

Opening investment in joint venture	336,243	296,243
Cash (distribution received)/ injection	70,000	40,000
Investment in joint venture	406,243	336,243
Retained earnings	(204,849)	(146,564)
Share of the joint venture's profit or (loss):		
Loss	(46,018)	(58,285)
Carrying value of investment in jointly controlled entity	155,376	131,394

Notes to the Financial Statements (continued)

Year ended 31 October 2018

		2018	2017
		\$	\$
12. Trade and Other Payables			
Current			
Trade creditors	(a)	2,320,317	1,914,206
State gaming tax payable		22,797	170,492
Other creditors and accruals		1,477,094	1,635,075
GST Payable		7,872	45,039
		3,828,080	3,764,812
Non-Current			
Other		-	1,873
		-	1,873
(a) Terms and Conditions			
(i) All payables are non-interest bearing.			
(ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.			
13. Interest Bearing Loans and Liabilities			
Current			
Commercial bill facility – Gaming	(i)	328,800	1,228,800
Commercial bill facility – Operating	(ii)	-	2,900,000
		328,800	4,128,800
Non-Current			
Commercial bill facility – Operating	(ii)	2,300,000	-
		2,300,000	-
Total Interest Bearing Loans and Liabilities		2,628,800	4,128,800

The Club has two facilities with Westpac as at 31 October 2018.

(i) Gaming Facility

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

The facility has an expiry date of 31 December 2020, after having renewed the facility agreement with Westpac Banking Corporation on 20 July 2018.

Upon renewal of the facility on 9 November 2017, payments totalling \$0.900m were required in 2018, of which all has been satisfied.

The facility is supported by a \$0.389m guarantee by the Australian Football League. The facility is also secured by a fixed and floating charge over all existing and future assets of the Club.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

13. Interest Bearing Loans and Liabilities (Continued)

(ii) Operating Facility

The facility provides the Club to draw funds up to a limit of \$4.500m (comprising \$0.400m overdraft and a \$4.100m commercial bill facility). The commercial bill facility was drawn to \$2.300m (FY17: \$2.900m) as at 31 October 2018, with no overdraft balance drawn down. This facility can be used as either an overdraft facility or a commercial bill facility.

The facility has an expiry date of 31 December 2020, after having renewed the facility agreement with Westpac Banking Corporation on 20 July 2018. Given this was renewed after the financial year end in the prior year, the facility was treated as a current liability as at 31 October 2017. For the purposes of accounting treatment in the current year, the full amount of the facility is recorded as a non-current liability as at 31 October 2018. No mandatory repayments were scheduled for 2018, however repayments totalling \$0.600m were made for the year.

The facility is supported by a \$4.500m guarantee provided by the Australian Football League. The 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 approximates 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.

The Club is prohibited by its Constitution from making distributions to members.

14. Provisions

	Annual Leave \$	Long Service Leave \$	Jackpot (Gaming Clubs) \$	Total \$
Current	498,475	449,478	28,581	976,534
Non-current	-	110,992	-	110,992
At 31 October 2018	498,475	560,470	28,581	1,087,526
Current	446,551	353,103	190,351	990,005
Non-current	-	102,336	-	102,336
At 31 October 2017	446,551	455,439	190,351	1,092,341

Notes to the Financial Statements (continued)

Year ended 31 October 2018

	2018 \$	2017 \$
15. Retained Earnings		
Retained earnings at beginning of financial year	6,202,696	4,839,636
Net profit	6,906,468	1,363,060
Retained earnings at end of financial year	13,109,164	6,202,696

16. Discontinued Operations

On 4 April 2018, the Club announced its decision to sell the Leighoak Club gaming venue as part of the Club's exit from the poker machine industry. Settlement of the transaction occurred on 31 July 2018, with all assets of the business transferring to Moonee Valley Racing Club on that date. The results of the Leighoak Club for the year are presented below:

Profit for the period from Discontinued Operation	900,936	1,350,580
Gain on disposal of the discontinued operation	7,029,311	-
Net Profit for the period from a discontinued operation	7,930,247	1,350,580

The net cash flows generated/(incurred) by the Leighoak Club disposal group are as follows:

Operating Cash Flows	1,564,170	2,145,289
Investing Cash Flows	(611,148)	(394,302)
Net cash flow	953,022	1,750,988

Notes to the Financial Statements (continued)

Year ended 31 October 2018

17. Commitments

Commitments contracted at the reporting date but not recognised as liabilities are as follows:

- Not later than 1 year	665,803	1,400,535
- Later than 1 year but not later than 2 years	457,185	4,453,446
- Later than 2 years but not later than 5 years	-	2,112,585
	1,122,988	7,966,566

The Club has entered into operating leases on certain commercial properties ranging from 5 to 10 years. The Club has the option, under some of its leases, to lease the assets for additional terms of five and six years. The only operating lease obligation of the Club is its lease with Melbourne and Olympic Parks Trust for the facility at AAMI Park.

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.

- Not later than 1 year	15,744,865	15,286,578
- Later than 1 year but not later than 2 years	10,212,026	10,045,395
- Later than 2 years but not later than 5 years	8,310,000	4,576,634
	34,266,891	29,908,607

Bank Guarantees

Bank guarantees made by Westpac on behalf of the Club total \$897,000 (2017: \$897,000).

Notes to the Financial Statements (continued)

Year ended 31 October 2018

18. Remuneration of Auditors

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

Remuneration for financial statement audit services	63,430	61,000
Remuneration for other audit services	32,000	29,000

19. Remuneration of Key Management Personnel

Key management personnel are determined to be the Board of Directors, Chief Executive Officer, Chief Commercial Officer, Chief Financial Officer, General Manager Football Operations, General Manager Marketing & Communications, General Manager People, Performance & Culture and the Senior Coach.

Under the Club's constitution, remuneration for Directors of the Club is not permitted and there has been no remuneration paid to Directors in the financial year.

Compensation for key management personnel

Salaries	3,218,428	2,642,378
Total compensation	<u>3,218,428</u>	<u>2,642,378</u>

20. Related Parties

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
David Thurin
John Trotter
Geoffrey Freeman
Jeremy Nichols
Kate Roffey
Mohan Jesudason
Jane Martino
David Robb
Steve Morris

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.

Notes to the Financial Statements (continued)

Year ended 31 October 2018

20. Related Parties (Continued)

	2018	2017
	\$	\$
Amounts provided to the Club:		
Glen Bartlett - Corporate Packages	13,805	15,292
David Thurin - Corporate Packages	4,176	1,028
John Trotter - Corporate Packages	8,891	8,071
Geoffrey Freeman - Corporate Packages	4,007	1,176
Jeremy Nichols - Corporate Packages	-	805
Kate Roffey - Corporate Packages	-	1,750
Mohan Jesudason - Corporate Packages	-	-
Jane Martino - Corporate Packages	1,918	2,615
David Robb - Corporate Packages	1,120	3,888
Steve Morris - Corporate Packages	5,128	3,582

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 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 analysis to monitor credit and cash flow forecast to monitor liquidity risk.

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

(b) Foreign currency risk

Notes to the Financial Statements (continued)

Year ended 31 October 2018

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 other 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 2018.

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 2018 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards – Reduced Disclosure Requirements 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
19 November 2018

Independent Auditor's Report to the Members of Melbourne Football Club Limited

Opinion

We have audited the financial report of the Melbourne Football Club Limited ("the Club"), which comprises the statement of financial position as at 31 October 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

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

- a) giving a true and fair view of the Club's financial position as at 31 October 2018 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Club in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Club are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Club's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Club or to cease operations, or have no realistic alternative but to do so.

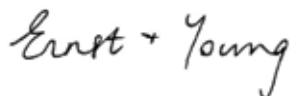
Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Club's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Club to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Alison Parker
Partner
Melbourne
19 November 2018



Melbourne Football Club

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