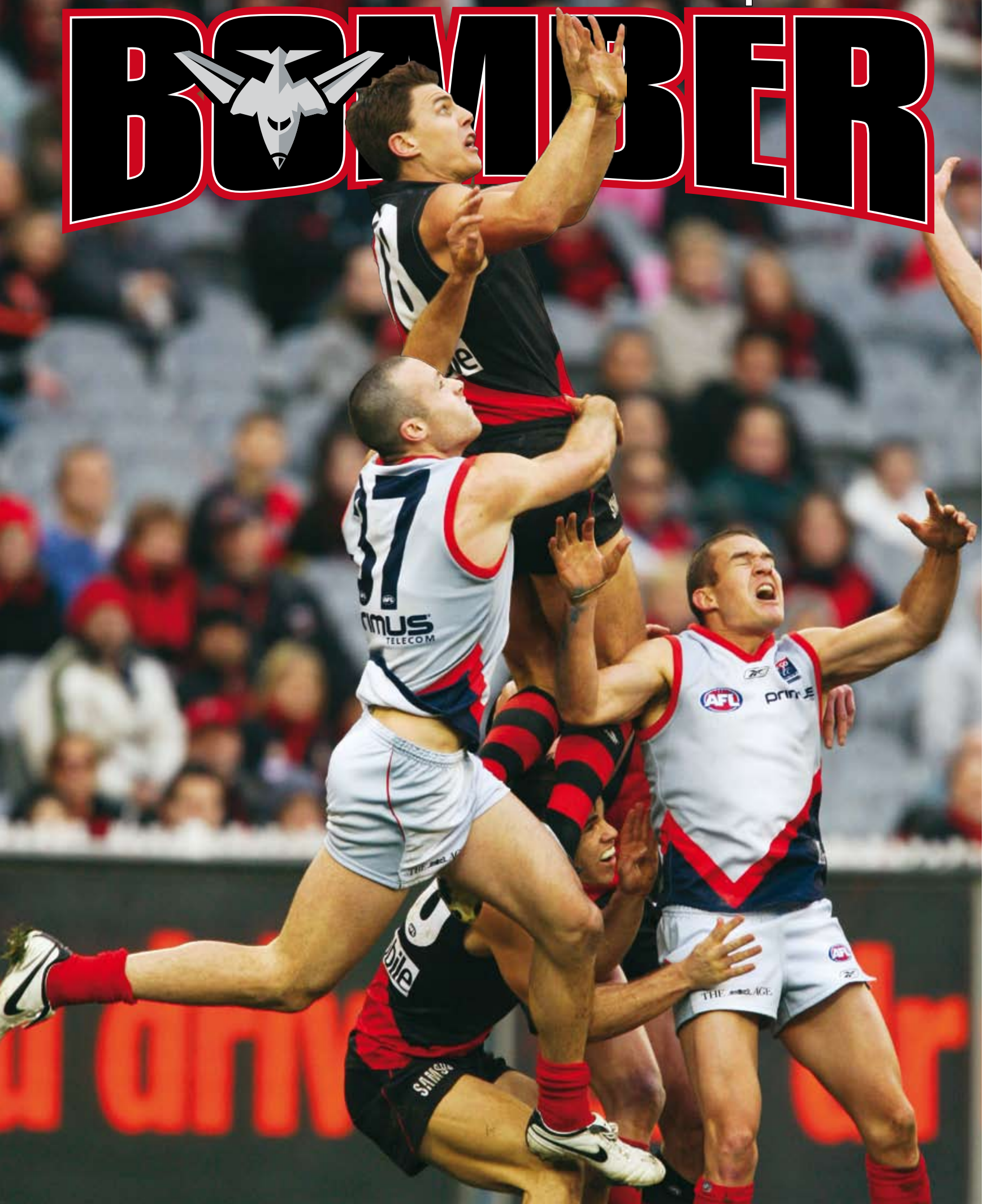


the essendon football club annual report • 2008

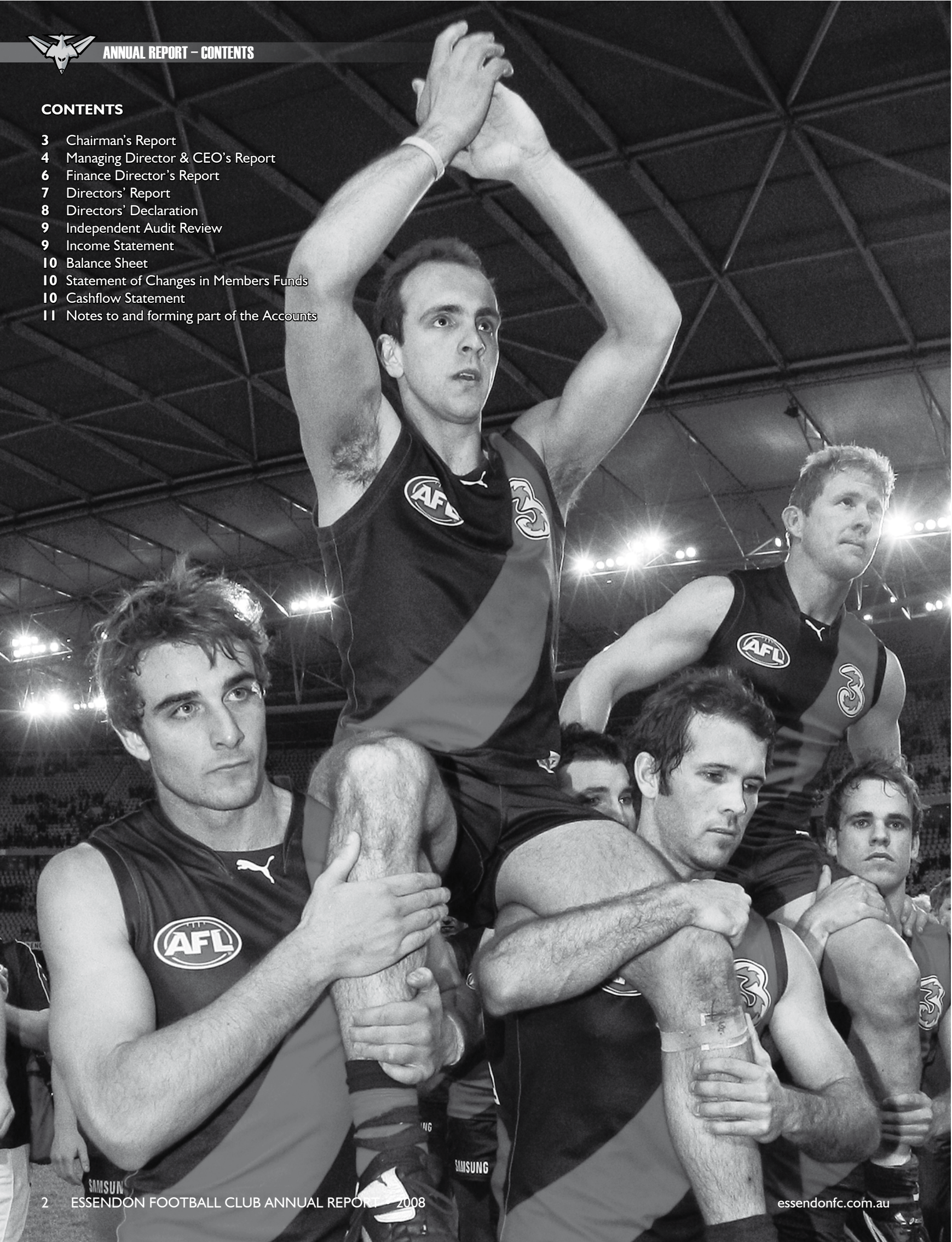
BOMBER





CONTENTS

3	Chairman's Report
4	Managing Director & CEO's Report
6	Finance Director's Report
7	Directors' Report
8	Directors' Declaration
9	Independent Audit Review
9	Income Statement
10	Balance Sheet
10	Statement of Changes in Members Funds
10	Cashflow Statement
11	Notes to and forming part of the Accounts





EXCITING NEW ERA BEGINS AT WINDY HILL



Traditionally, and by nature, AFL clubs are always looking to the future. They are planning ahead to try and come up with a blueprint to win the next premiership.

It's all about searching for the best players, coaching staff, administration and board to help the team win.

Clubs are always asking what they can do better on and off-field and must keep asking themselves how they can get an advantage next week or next year if they truly want to succeed.

But it's important to reflect on what has taken place and learn, or celebrate, the lessons of the past season. This annual report comes after a year of major change for the Essendon Football Club.

It was the first season under Matthew Knights and his new coaching group and it was the first season without the great Kevin Sheedy and James Hird.

Naturally, change always throws up new challenges and I want to congratulate Peter Jackson, his management team and the entire Essendon staff for their hard work to ensure this club remains a powerhouse in the AFL.

I also again would like to recognise my fellow board members for their commitment to Essendon.

While we have had a successful year overall, and there has been much to enjoy, I want to make it clear that since we did not play finals this was not an acceptable season. Clearly we are heading in that direction but we must not allow ourselves to be happy with mediocrity and we cannot accept continuing to miss finals.

ON FIELD

There is no doubt that a new, exciting era has begun at the club. There is an undeniable air of optimism and supporters appear to sense that we are on the verge of something special and enjoyable.

While there are no longer the big names of Hird or Sheedy, Matthew Knights has assembled a strong team to support him.

Seasoned assistant coach, Gary O'Donnell has been joined by first year AFL assistants Ashley Prescott, Adrian Hickmott and Scott Camporeale. This young coaching group has learned a lot and, like the playing group, is becoming a formidable outfit.

I want to make special mention of Matthew who has done an excellent job in his first season as coach. He has had to handle a number of tough situations including a losing streak, player discipline and player de-listings and has done so professionally. He has also successfully fulfilled significant media requirements and other public commitments on behalf of the club. I believe he has been the stand-out first year coach in the AFL in 2008.

Matthew has a vision to bring a young group through for a period of sustained success and he has held fast on this plan. This season we had a very young list and next season it is likely to be even younger.

In 2008 we had 15 players run out with five games or less

to their name and they gained much needed experience. We also had eight players make their debut which would be up there, if not the most, of any club. We needed to find quality new young players and many of these men will play a key role in our long-term success and next premiership. We will continue to recruit more quality young players this year as that is our strategy.

There has been a number of changes off-field too including the addition of former player, Paul Hamilton, who has joined us from Adelaide as football operations manager and Alan Richardson who was recruited from Collingwood as an assistant coach. The club also appointed Stuart Cormack from West Coast as high performance coach (replacing John Quinn).

While we have welcomed some great people we also said goodbye to great players with Adam Ramanauskas, Damien Peveerill, Jason Johnson and Mal Michael playing their farewell games in Round 22. While each person has played a key role in the club and has left his mark, Ramanauskas deserves a special mention after his courageous battle with cancer. He has been the heart and soul of Essendon for many years and is one of the most loved and respected players in our history.

I also want to thank Dean Dick, Tom Hislop, Andrew Lee, Danny Chartres and Courtney Johns - who were delisted at the end of the season - for their hard work.

The Bendigo Bombers had a tough year - one not helped by the injury list at Essendon - but I believe they will return to finals action next year under the guidance of Hickmott and we remain committed to this partnership.

OFF FIELD

Essendon again recorded a profit for the year to October 31st of \$755,142. While this is a solid result the figure is lower than 2007, as was expected, because of extra charges arising from major capital works and increased resourcing. We have net assets of \$18,602,189 and cash in the bank and managed funds worth \$2,560,741. We are well placed for the future.

An import record tumbled this year with the club attracting 41,947 members - the most ever by Essendon.

We awarded the 40,000th membership to Sheedy in recognition of what he has done for the club (and also separately held a function to induct him into the Hall of Fame as a Legend).

Importantly, the club announced a new major partner in international electronics giant, Samsung, after a successful period with 3 Mobile. I would like to welcome Samsung and thank 3 Mobile for their support. We have also attracted adidas as our new apparel partner, replacing Puma, who I also thank, which is significant for the club.

There has been plenty of redevelopment work at Windy Hill this year too including the refurbishment of the players' gym.

Work has also been conducted around the club to provide better administration offices - capable of supporting more staff - at Windy Hill.

One other major project that has recently been completed has been the installation of an 800,000 litre

water storage device as part of a Federal Government partnership to 'green' Windy Hill. This project involved placing collection tanks under the playing surface which will dramatically reduce the club's water usage.

Essendon and the Federal Government have both committed \$1.5 million towards the Windy Hill Green Precinct project which will involve other water and greenhouse gas saving initiatives over the next few years.

The Victorian Government and Essendon have also committed \$2.5 million to re-develop Cross Keys Reserve as a community and sporting facility. We are currently discussing a possible re-location with the Essendon Cricket Club who we are determined to ensure benefits if any move occurs.

Further construction is expected to take place around Windy Hill to ensure we can best utilise our home and get the most out of our business of football.

The club's commitment to the community continues to grow and this year the Call-to-Arms campaign - which raises much needed funding for The Cancer Council - went national for the first time. In another first, Essendon also donated all profits from the Dreamtime Ball (formerly the Red and Black Affair) to our charity partner The Long Walk. The hugely successful On-The-Ball program, which is run by the Bill Hutchison Foundation in conjunction with Essendon, also reached thousands of children to promote healthy living. The club's community magazine provides more details about these programs and fans should be proud of what this club does in the community.

NEW CHALLENGES

The AFL environment is getting more competitive and this will only increase when the Gold Coast and West Sydney enter the competition in coming years.

A number of AFL clubs are already struggling for sponsorship and profits and we will have to be better on and off field to ensure future success. List management and recruiting, in particular, are critical in the 2008 and 2009 drafts before the major component of concessions are given to the new teams.

Now, more than ever, it's important we maintain and grow our membership base and we need our supporters to remain loyal.

I want to thank the club coterie groups - the Essendonians, Diamond Dons, Coleman Club, Lawdons, RednBlacks, Dick Reynolds Club, Essendon Women's Network and Hutchison Club - for their support.

I would also like to recognise our 2008 major partner 3 Mobile and 2008 business partners Samsung, Yakult, Puma, NAB, Coca-Cola Amatil, Mitchelton and Preece Wines, Musashi, Red Energy, Don, DESA Australia, Toyota, Herald Sun and Channel 7.

And finally, thanks also to all our Corporate Partners, Player Sponsors and the Social Marketing committee. Your support is much appreciated and vital in helping keep Essendon great.

Ray Horsburgh - Chairman
Essendon Football Club



BUILDING FOUNDATIONS FOR THE FUTURE



Essendon Football Club has undergone a period of significant change in the past 18 months – arguably greater than at any other time in its history. This change has extended from football through to the club's administration and at different times has challenged everyone associated with the club.

But I believe it is change that will ultimately make this club stronger and have it better positioned to cope with the increasingly competitive industry that is AFL football. Our core business is winning Premierships and ultimately change has been implemented to give us the best chance of doing that.

Of course there is some change we would prefer not to have to deal with, most notably the significant financial challenge being faced globally. It has affected our business in the past 12 months and we expect it will also have an impact next year. We remain relatively well placed to deal with the uncertainty of next year.

The club reported a profit of \$755,142 which compares unfavourably with the reported profit for 2007 of \$2,013,923. Our target for this year was about 25% lower than the 2007 result, because some trading results achieved last year were not sustainable.

By mid-year we were tracking on target, however the sudden and enormous drop in business and consumer confidence during January-June started impacting on those areas of our business most sensitive to declines in discretionary spending. This combined with the writedown in the value of our investments from the sharemarket decline has contributed to the reported profit result.

Our trading cash remained reasonable due to the relatively high depreciation and amortisation charges of \$1,159,625 and the writedown of the value of investments by \$250,929, although that loss remains unrealised at this stage. Our year end cash position is still sound at over \$2.5 million, including financial assets. Total assets are \$22 million and our net asset position remains strong at \$18.6 million. So we are in a sound position.

The outlook for 2009 for business operations remains uncertain at best. Whereas we have secured new partners in Samsung and adidas, the second tier sponsor market remains tough. We expect the hospitality market to also be tough in 2009. These are discretionary spending items for businesses and we expect the financial results in 2009 to reflect this fact.

It reinforces how critical the support of our members will be in 2009. Our record membership of 41,947 in 2008 was an exceptional result and I thank each and every one of those members. It was an outstanding show of support appreciated by everyone involved at the club. The on-going support of our members will be of vital importance in 2009.

Having said that, our overall strong financial position and our capable and enthusiastic staff mean we are better placed than many other sporting clubs to deal with the challenges in the coming 12 months.

From a football perspective, this change has been hugely significant given the departure of two Essendon greats in Kevin Sheedy and James Hird. This was followed by the appointment of Matthew Knights as our senior coach.

The change continued with the appointments of assistant coaches Scott Camporeale, Adrian Hickmott and Ashley Prescott to sit alongside Gary O'Donnell in that capacity.

The rebuilding of the football department has continued more recently with the appointment of Paul Hamilton as football operations manager, Stuart Cormack as high performance coach and Alan Richardson, who will join our panel of assistant coaches.

These latest appointments represent the culmination in the building of a new football department to take this club to its next era of sustained success. They were also changes recommended as part of our Football 2010 strategy.

I want to take this opportunity to recognise and congratulate chief operating officer Travis Auld on the contribution he has made to this rebuilding progress. He identified and actively sought out the people he believes can help this club get back to where it belongs and it has been a job well done.

Travis, in conjunction with Dominic Cato (manager – procurement and legal), oversaw the design and implementation of Football 2010. Travis will now get support in his role through the appointment of Paul Hamilton who will manage the department on a day-to-day basis and bring all these new resources together into a cohesive football department that gives us the best chance of winning games of football.

From a managing director's viewpoint, the thing that impresses me about all these appointments – from Matthew Knights, to all the assistant coaches through to the latest appointments of Stuart Cormack, Paul Hamilton and Alan Richardson – is their integrity and their industry knowledge. It will stand this club in great stead.

In looking back on 2008 to assess what we achieved, it is appropriate to remind you of our objectives as established in our Football 2010 plan.

2008 was a year to lay the foundations for the future by making a significant investment in youth. In 2009 we want to be in the eight, the following season we want to be in the top six and by 2011 we want to be in the mix for a Grand Final berth. It's worth noting that if we are in the mix by 2011 that will be the same time taken by Hawthorn to reach a Grand Final following the appointment of Alastair Clarkson.

2008 was the second year of the Football 2010 plan and I can confidently state most of the strategies and recommendations of that plan have been implemented.

Much of the change in personnel and structure I have referred to previously but there have been other changes. We have increased resources and our focus on recruiting. This is in response to development of the game in new markets, both domestic and international.

It is worth at this time reinforcing our strategy for list management. In recent years we have recruited a number of good young players. At a board meeting late this year, the football department presented the list management strategy for 2009-11. In short the recommendation is to stay the course in terms of developing the young list and keep our draft picks to add more quality young players.

This of course is exactly the model both Geelong and Hawthorn have maintained over the last five to six years.

It does though require time and patience.

We have also increased our emphasis on player development, on and off field.

On-field has been all about the skill development and game-plan learning of the young list. This led to the appointment of Hickmott and Prescott in 2008 and has now led to Richardson also joining the club.

Leigh Russell (Executive – Learning and Development) has done a great job with our off-field development and this area will be further boosted in 2009. We believe a stable off field life will lead to better performance on-field.

We increased our emphasis on sports science with the appointment in late 2007 of Jason Berry and Aaron Coutts. Subsequently, this year, we commissioned a report from the Australian Institute of Sport to review our high performance department.

That report concluded we have well credentialed people but still have some work to do to bring them together to fully benefit from their skills. This led to the appointment of Stuart Cormack as high performance coach.

In effect then, the Football 2010 plan has largely been implemented. It is now time to show the patience and support required, to stay the course.

We can look back at Matthew Knight's first year, and conclude the signs were good. We knew we had appointed a man to this role who had integrity, resilience and the ability to earn the trust and respect of the players. That was proven throughout the year. Matthew's resilience was fantastic. The trust and respect earned was evidenced by him being prepared to make tough decisions but not losing the respect of the players, including those dealing personally with those tough decisions.

I believe we also have a coach who can coach players to win provided he is given the time and support required. Again, there is no better example of the need for patience and support than Hawthorn and Alastair Clarkson.

I believe Matthew with his coaching panel can do this because of what we have seen in 2008.

His key objectives for this year with a young playing list were firstly to develop a culture of communication and feedback and then secondly to develop player skills and the game plan, including defensive actions. He also wanted to develop leadership capabilities and took some important steps towards achieving those objectives.

In Rounds 4 through to 11, there is no doubt we struggled. We had injuries to key players that didn't help. Our defensive actions in those rounds were poor. It wasn't from lack of trying but an inability to execute.

What I respected about the coach is that he personally took the heat from the media. He showed great resilience and did not blame players or the media.

Defensively we improved as the season unfolded. In Rounds 1 through 10 the opposition had 101 uncontested marks per game – the third highest in the AFL. In rounds 11 through 20 the opposition averaged 73 per game – the lowest of any team in the competition. We won six of seven games during this time when we had something like our best team on the park.



In regard to the development of our young list we should be encouraged.

We found young players who we think proved they can play at AFL level if they keep developing. I am talking about the likes of Kyle Riemers, David Myers, Leroy Jetta, Tayte Pears, Sam Lonergan and Bachar Houli.

We were very pleased that some players went to the next stage of their development. Angus Monfries, Henry Slattery, Paddy Ryder, Jobe Watson and David Hille fit into that category.

We all experienced frustration with long term or recurring injuries to Scott Gumbleton, Courtenay Dempsey, Jay Neagle, Jason Wunderlich and Alwyn Davey – players we know can play but are not on the park because of injury. Imagine the frustration those players felt.

In terms of player leadership, the development of Matthew Lloyd, Watson, Hille, and Mark McVeigh was encouraging during the year.

So, in terms of those three objectives, we give the season a tick. But, we are under no illusions about the job at hand and how far we have to go.

This will be a critical off-season to get the players fit and resilient, plus regain the momentum established in the second half of the year. Those players who have made substantial progress in 2008 must not rest on their laurels. This is a ruthless game and everything achieved in 2008 will be wasted if we don't build on the momentum.

The objective stated in 2007 was to play finals in 2009. 2008 proved that apart from two teams, most other teams are very even if they can keep their best team on the park. This offers us an opportunity in 2009 that was readily apparent to us this year when we won six from seven games.

However the evenness also underlines the challenge. Other clubs will be thinking the same as us. We will have to get it all right in order to grab that opportunity and meet our objective for 2009.

Off-field we have also undergone significant change. We have signed a new major partner in Samsung and a new apparel partner in adidas. Both partners have come on board at what we believe is the start of a new era at this football club.

We have been delighted with the support given to us over recent years by both 3 Mobile and Puma. We couldn't ask for better support from either and we thank them.

Recently we have also seen the resignation of our chief commercial officer Mark Anderson who has taken on the role of CEO at Hockey Australia. Mark has done a great job for Essendon and while we are disappointed to lose him we wish him well in this new role. However, Mark's departure offers an opportunity for a new person and adds to the change around the club.

Essendon continues to work hard developing its community programs and improving them to ensure we make a real difference to the people we reach.

Our partnership with the Cancer Council of Victoria was one of the highlights of our community activities in 2008. The Call to Arms campaign successfully went national for the first time and when combined with the Relay for Life hosted at Windy Hill and the Clash for Cancer, we helped raise in excess of \$600,000. We look forward to further consolidating this program in 2009.

This season was also the first of a community partnership established with The Long Walk. Michael Long was a champion on the field and he is a champion for his people off it and we were only too pleased to support The Long Walk through this partnership. Most notably it saw the joint employment of Long Walk Project Manager Kim Kruger and we look forward to further developing this partnership in the years ahead.

This partnership was part of our increased commitment to indigenous programs – programs that need the support of committed and caring organisations. Essendon received such support from DESA Australia and I would like to take this opportunity to sincerely thank DESA and their managing director Dennis Middleton for their important support.

Our multicultural programs continue to evolve and in 2009 we will increase our commitment to that program with the employment of a second multicultural officer Ahmed Dini – who will support our principal multicultural officer Jieh-Yung Lo. Both these young men understand the importance of what we are trying to achieve with this program and will play an important part in our community programs in 2009.

I would like to thank the Federal and State Governments for the support they provide this program along with the Moonee Valley City Council and AMES (Adult Multicultural Education Services).

Our youth and education programs continue to expand, led by our On the Ball program which we run in conjunction with the Bill Hutchison Foundation. The BHF is – and will continue to be – an important community partner of the club and I thank those people who have supported the Foundation and its harm prevention initiatives.

In 2008 Essendon provided over \$210,000 to its 10 Melbourne sporting affiliate clubs directly from its Windy Hill Venue profits.

The club also reaffirmed its commitment to the environment with an 800,000 litre water storage system now in place at the Napier Street end of the Windy Hill Oval. This system will harvest water off the grand stands, the roof of the gymnasium and pool as well as the ground itself. This is just phase one of a broader environmental strategy being implemented across the whole precinct but this has been an important starting point.

I would like to thank the Federal Government for their support of this project – a \$1.5 million commitment made that will be met dollar for dollar by Essendon.

We had some important retirements from the club this season and it is appropriate that we reflect on their contribution to the club.

Adam Ramanauskas brought the curtain down on a career that has experienced the highs and lows like few others. A premierships player in 2000, his career was put on hold as he faced his well documented fight with cancer. He did so with dignity and with great respect for others he saw battling the disease.

Adam's courage was just as evident when it came to making the decision to retire. He will be remembered as a player with tremendous skill and a favourite among his teammates and the fans. We congratulate Adam and his wife Belinda on the arrival of their first child. They will always be a great part of this club and we wish them well in the future.

Jason Johnson finishes his career with a Premiership and

two Crichton Medals – that places him among the elite of this football club. He was an uncompromising player and a great role model for younger players coming through. He has his post-football life mapped out and I am sure that with the same dedication he will make a success of it.

Damien Peverill finished playing with the club this season and he has been a terrific servant. He got every ounce out of himself and whether his playing career continues at the elite level or not, he can be very proud of what he achieved at this club and we thank him for his efforts.

And finally to Mal Michael who spent just two seasons with the club but made a big impact. I think the advice and support he provided young defenders such as Paddy Ryder and Tayte Pears will ensure his influence at the club remains well beyond his departure. Thanks to all these players – and the other de-listed players – for their dedication to the club.

Thank you to our other business partners who provide such valuable support to this club. Thanks to Yakult, Channel 7, Musashi, Powerade, Preece Victoria, NAB, Red Energy, Toyota, Don and Herald Sun. I trust they have found this to be mutually beneficial partnerships.

We have had magnificent support from our coterie groups – both match day and non match day. Thank you to the Essendonians and president Rob Harwood. They are a coterie group steeped in tradition and they have always been a great support to the club. Thank you also to the Diamond Dons and chairman Stephen Day whose tireless work ensures this remains a vibrant and important group. Thank you also to the members of the Coleman Club.

Our non-match day coterie groups remain the envy of other clubs in the competition. Thanks to the Dick Reynolds Club and chairman Bruce Heymanson. Bruce is a great Essendon person and I thank him for his continued energy. The Essendon Women's Network continues to flourish – this year under the guidance of Lindy Burn and her committee. Thank you also to the Lawdons and chairman Tony Howard, the RednBlacks and the Hutchison Club.

To all our coterie members, rest assured your contribution to this club is never underestimated.

Thanks to chairman Ray Horsburgh and my fellow board members for their support. Each gives freely of their time for the betterment of this club and should be congratulated for the role they play in keeping this club strong.

I would also like to thank the management and the staff of the club who work extremely hard to make Essendon as successful as it can be. This club wants to have the most positive impact it can on the people it engages with and I know the staff will continue to work hard to deliver this.

I look forward with great anticipation to the 2009 season. We are under no illusion that there is still much hard work to be done on and off the field but I am confident that along with the wonderful support of our members and supporters we are well placed to take on the challenge.

Peter Jackson – Managing Director & CEO
Essendon Football Club



A CHALLENGE AHEAD



On behalf of the Board I present the Financial Report of the club for the year ended 31 October 2008.

TRADING RESULTS

Referring to the financial report, members will note that the club has reported a profit of \$755,142 for the year ended 31 October 2008, a significant decrease from the 2007 profit of \$2,013,923.

Whilst we had not expected our profit this year to be as high as 2007 - our budget was a profit of \$1,450,000, the actual result was well below plan. We were tracking comfortably in line with budget for the first half of the year, but the rapid decline in economic conditions from around March 2008 impacted adversely on our results.

The major impacts included: reduction in investment values, a significant reduction in profit contribution from the Windy Hill gaming and entertainment venue, and a general decline in marketing revenues of all types. These are the reasons for the lower than expected result.

FINANCIAL POSITION

Our cash and net asset position remains sound. Cash balances at year end were \$1,959,348 and investments at market value \$601,393, a total of \$2,560,741.

The club generated trading cash of \$1,319,543 for the year from its operations after adding back non-cash depreciation and amortisation charges. In addition, the redemption of investments realised cash of \$688,750.

Utilising cash was capital expenditure on various projects at the Windy Hill precinct, amounting to \$3,974,753, which resulted in our cash balances declining by \$1,966,460 during the year.

In relation to investments, these are valued at market value at balance date each year. The valuation last year at 31 October 2007 was close to the peak of the market and therefore losses reported this year largely reflect a reversal of some of those previous unrealised gains. We remain comfortably ahead on the original capital invested.

At year end the club had total assets of \$21,989,868 and net assets of \$18,602,189. This includes further valuation increases of our freehold land of \$425,000.

LOOKING AHEAD

It is over 15 years since AFL clubs have had to operate in conditions of a severe economic downturn which appears almost certain in 2009. At Essendon we have committed to major increases in football expenditure which means that we will need to manage all our businesses and commercial activities better than ever before, plus exercise stringent cost control.

Whilst we will be very carefully assessing any new capital expenditure, we nevertheless have made commitments to contribute \$1 million towards establishing a new cricket centre at the Cross Keys reserve, and \$1 million for capital works at the Melton Country Club in the event that members of that club vote to merge with the EFC. In addition, there are other projects already underway.

When assessing new cash generation at the club, it should be noted that our non-cash depreciation and amortisation expenses amount to more than \$1.1 million per annum. This means that, even with low profits, we still generate substantial additional cash.

In summary, 2009 will be a most challenging year financially for the club.

Tim Jonas – Finance Director
Essendon Football Club



FINANCIAL REPORT - YEAR END 31 OCT, 2008

ESSENDON FOOTBALL CLUB
A.B.N. 22 004 286 373

Your directors submit their report on the company for the financial year ended 31 October 2008.

1. DIRECTORS

The names of the directors in office at any time during or since the end of the year are:

G. Brown	R. Horsburgh	T. Jonas	R. Gunston (resigned 19/12/07)
K. Egan	P. Jackson	B. Knight	N. McKissock (resigned 19/12/2007)
A. Epis	D. Jackson	B. Teal	P. Pryor (appointed 19/12/07)
D. Evans			

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. PRINCIPAL ACTIVITY

The principal activity of the company during the course of the financial year was to conduct the Essendon Football Club and manage its affairs and to promote the Australian game of football, and there was no significant change in the nature of that activity during the financial year.

3. OPERATING RESULT

For the year ended 31 October 2008 the company had an overall profit of \$755,142 (2007: \$2,013,923).

4. REVIEW OF OPERATIONS

A detailed review of various aspects of operations is contained elsewhere in this Financial Report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the company during the financial year.

6. MATTERS SUBSEQUENT TO YEAR END

No matters or circumstances have arisen between the end of the financial year and the date of this report which have, or may significantly affect the operations of the company or the state of affairs of the company in subsequent financial years.

7. LIKELY DEVELOPMENTS

Future developments in operations have been referred to in the Chairman's and Managing Director & CEO's Reports.

8. DIRECTORS' AND AUDITORS' INDEMNIFICATION

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

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as a director or officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director or officer for the costs or expenses to defend legal proceedings with the exception of the following matter. During the financial year the company paid a premium to insure each of the company's directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

9. DIRECTORS' BENEFITS

Other than as outlined in the notes to and forming part of the financial statements, no non-executive director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. The executive director's remuneration benefits are incorporated within key management personnel compensation in the notes to the financial report.

10. MEETINGS OF DIRECTORS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year are:

NAME OF DIRECTOR	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
G. Brown	14	13	-	-
K. Egan	14	13	-	-
A. Epis	14	11	-	-
D. Evans	14	13	2	1
R. Gunston	2	2	-	-
R. Horsburgh	14	14	-	1
D. Jackson	14	11	-	-
P. Jackson	14	13	-	1
T. Jonas	14	12	2	2
B. Knight	14	14	2	2
N. McKissock	2	2	-	-
P. Pryor	12	11	-	-
B. Teal	14	13	2	2

11. INFORMATION ON CURRENT DIRECTORS

R. Horsburgh	Board 2003-08	Chairman Board of Directors President Melton Country Club Inc.
G. Brown	Life Member Senior Player 1963-69 Board 2007-08	Committee Melton Country Club Inc.
K. Egan	Life Member Senior Player 1963-69 Board 1996-08	Chairman of Selectors
A. Epis	Life Member Senior Player 1958-68 Board 1998-08	
D. Evans	Board 2006-08	Member Audit Committee
D. Jackson	Board 2005-08	Deputy Chairman
P. Jackson	Board 2006-08	Managing Director & CEO
T. Jonas	Life Member Board 1997-08	Finance Director Treasurer Melton Country Club Inc. Chairman Audit Committee
B. Knight	Life Member Board 1994-08	Member Audit Committee
P. Pryor	Board 2008	
B. Teal	Board 1999-08	Member Audit Committee

12. AUDIT COMMITTEE

At the date of this report the Essendon Football Club had an audit committee consisting of the following directors:

T. Jonas (Chairman)	B. Knight
D. Evans	B. Teal

The external auditors, the Managing Director & CEO and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee. The Chairman attends Audit Committee meetings ex officio at his discretion.



The terms of reference of the Audit Committee are:-

- To review financial statements and other regulatory information distributed externally;
- To review external audit reports to ensure that any issues relative to controls or procedures are properly considered and when appropriate prompt remedial action is taken by management;
- To liaise with external auditors and ensure that the annual statutory audit is conducted in an effective and independent manner;
- To monitor the effectiveness of the internal control framework and consider enhancements;
- To ensure procedures are in place to protect club assets;
- To monitor the procedures in place to ensure compliance with the Corporations Act 2001, Taxation Law, both State and Federal, and other licensing and regulatory requirements;
- To maintain a quality accounting and audit function; and
- To establish and monitor appropriate risk management systems and procedures.

The Committee must report to the full board of the Essendon Football Club. The Committee has no authority to act outside of its terms of reference without prior approval of the board.

The Committee has no authority to commit club funds without the prior approval of the board.

The Committee has access to information from employees and relevant external parties where such information is required by the Committee to fulfil its obligations. Such information must be obtained by members only with the agreement of the Committee.

The Committee has the right to conduct investigations into matters where considered appropriate under its terms of reference.

AUDITOR INDEPENDENCE

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of all non-audit services is reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 October 2008:

	\$
Taxation services	4,600
Non statutory attestation services	12,500
Other	21,000
	<u>38,100</u>

AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration has been provided by the company's auditor, Grant Thornton. This is set out on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors.

R. Horsburgh
Director

T. Jonas
Director

Signed this 10th day of November, 2008.

DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) the financial statements and notes, as set out on pages 10 to 16, are in accordance with the Corporations Act 2001:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001, and International Financial Reporting Standards; and
 - (ii) give a true and fair view of the financial position as at 31 October 2008 and of the performance for the year ended on that date of the company.
- (2) in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

R. Horsburgh
Director

T. Jonas
Director

Signed this 10th day of November, 2008.

TO THE DIRECTORS OF THE ESSENDON FOOTBALL CLUB

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of the Essendon Football Club Limited for the year ended 31 October 2008, I declare that, 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.

GRANT THORNTON
Chartered Accountants

D.A. ASHMORE
Partner



Grant Thornton

INDEPENDENT AUDITOR'S REPORT – TO THE MEMBERS OF THE ESSENDON FOOTBALL CLUB ABN: 22 004 286 373

We have audited the accompanying financial report of the Essendon Football Club Limited, which comprises the balance sheet as at 31 October 2008, and the income statement, statement of changes in member's funds and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 complied with applicable independence requirements of the Corporations Act 2001.

Electronic presentation of audited financial report

This auditor's report relates to the financial report of the Essendon Football Club Limited for the year ended 31 October 2008 included on the Club's web site. The Company's directors are responsible for the integrity of the Club's web site. We have not been engaged to report on the integrity of the Club's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Auditor's opinion

In our opinion:

- a** the financial report of the Essendon Football Club is in accordance with the Corporations Act 2001, including:
 - i** giving a true and fair view of the company's financial position as at 31 October 2008 and of its performance for the year ended on that date; and
 - ii** complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b** the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GRANT THORNTON
Chartered Accountants

D.A. ASHMORE
Partner

Dated this 10th day of November 2008, Melbourne, Australia.



INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
Revenues from ordinary activities	3(a)	35,687,043	36,240,627
Expenses from ordinary activities	3(b)	(34,931,901)	(34,226,704)
Net profit from ordinary activities	3(c)	<u>755,142</u>	<u>2,013,923</u>

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	13	1,959,348	3,925,808
Trade and other receivables	5	2,263,027	1,944,784
Inventories	6	641,304	650,448
Financial assets	8	601,393	1,559,543
Other	7	415,765	511,160
TOTAL CURRENT ASSETS		<u>5,880,837</u>	<u>8,591,743</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	16,109,031	12,872,203
TOTAL NON-CURRENT ASSETS		<u>16,109,031</u>	<u>12,872,203</u>
TOTAL ASSETS		<u>21,989,868</u>	<u>21,463,946</u>
CURRENT LIABILITIES			
Trade and other payables	10	1,067,160	2,498,157
Employee benefits	11	669,560	1,063,262
Income in advance	12	1,469,357	441,980
TOTAL CURRENT LIABILITIES		<u>3,206,077</u>	<u>4,003,399</u>
NON-CURRENT LIABILITIES			
Employee benefits	11	181,602	38,500
TOTAL NON-CURRENT LIABILITIES		<u>181,602</u>	<u>38,500</u>
TOTAL LIABILITIES		<u>3,387,679</u>	<u>4,041,899</u>
NET ASSETS		<u>18,602,189</u>	<u>17,422,047</u>
MEMBERS FUNDS			
Accumulated Funds		16,829,689	16,074,547
Asset Revaluation Reserve		1,772,500	1,347,500
TOTAL MEMBERS FUNDS		<u>18,602,189</u>	<u>17,422,047</u>

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN MEMBERS' FUNDS
FOR THE YEAR ENDED 31 OCTOBER 2008

	Asset Revaluation Reserve \$	Accumulated Funds \$	Members' Funds \$
Balance at 1 November 2006	<u>1,082,500</u>	<u>14,060,624</u>	<u>15,143,124</u>
Gain on Revaluation of land	265,000	-	265,000
Net profit recognised directly in members funds	-	2,013,923	2,013,923
Balance at 31 October 2007	<u>1,347,500</u>	<u>16,074,547</u>	<u>17,422,047</u>
Gain on Revaluation of land	425,000	-	425,000
Net profit recognised directly in members funds	-	755,142	755,142
Balance at 31 October 2008	<u>1,772,500</u>	<u>16,829,689</u>	<u>18,602,189</u>

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Members, Sponsors, Supporters and Other Operations		36,494,375	32,491,263
Payments to Suppliers, Employees & Players		(35,349,335)	(30,132,757)
Interest Received		174,503	349,912
Dividends Received		-	4,188
NET CASH FLOWS FROM OPERATING ACTIVITIES	13(b)	<u>1,319,543</u>	<u>2,712,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments		688,750	-
Payment for purchase of property, plant and equipment		(3,974,753)	(3,723,096)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(3,286,003)</u>	<u>(3,723,096)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(1,966,460)</u>	<u>(1,010,490)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		3,925,808	4,936,298
CASH AT END OF THE FINANCIAL YEAR	13(a)	<u>1,959,348</u>	<u>3,925,808</u>

The accompanying notes form part of these financial statements

Notes to and forming part of the accounts for the year ended 31 October 2008



I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report complies with the requirements of International Financial Reporting Standards.

The Essendon Football Club is an unlisted public company limited by guarantee and incorporated and domiciled in Australia. The Financial Report of Essendon Football Club was authorised for issue by the directors on 10th November 2008.

The financial report has been prepared on a historical cost basis, modified by the revaluation of selected non current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. Actual results may differ from these estimates.

The following is a summary of the material accounting policies adopted by the club in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Standards applied for the first time

The club have adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments for the first time in its 2008 financial statements. This standard has been applied retrospectively, ie: with amendments to the presentation of items disclosed in the 2007 accounts.

The 2007 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 October 2007 in presentation only. No changes have been made to the recognition or measurement criteria associated with any amounts disclosed in the 2007 accounts.

AASB 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on or after 1 January 2007. The new standard replaces and amends disclosure requirements previously set out in AASB 132 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular the club's financial statements now feature a sensitivity analysis to explain the club's market risk exposure in regards to its financial instruments and a maturity analysis that shows the remaining contractual maturities of financial liabilities at balance sheet date.

The first time application of AASB 7 however has not resulted in any prior period adjustments of cash flows, net income or balance sheet items.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. Periodically, the directors will assess inventory balances for impairment. Where any indication of impairment exists inventory is written down to the lower of cost or net realisable value.

(c) Financial Assets

Financial Assets are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial Assets at fair value through the Income Statement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. These assets are initially measured at fair value upon acquisition and subsequently measured at

fair value by reference to market price at balance date. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

(d) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation and impairment losses.

Land

Freehold land is shown at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on an annual valuation by external independent valuers. Land is not depreciated.

Plant and Equipment/Leasehold Improvements

Plant and equipment and leasehold Improvements are measured on the cost basis.

The depreciable amount of all fixed assets including leasehold improvements, is depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	2.5% - 10%
Plant & Equipment	15% - 33.3%

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities 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 values.

(f) Impairment of Assets

At each reporting date, the club reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(g) Employee Benefits

The liability for long service leave is recognised 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 using the discounted cash flow method. 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 the reporting date on national government bonds with terms to maturity that match, as closely as possible the estimated future cash outflows.

(h) Income Received in Advance

Income is brought to account in the period in which it relates. Income received prior to 31 October 2008 which relates to future periods, has been recorded as income received in advance.

**(i) Income Tax**

Income Tax has not been provided for in the accounts of the company, as the company is an exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act.

(j) Player Acquisition Costs

Player acquisition costs are written off in the year they are incurred as uncertainty exists as to the term over which the benefit will be received.

(k) Revenue

Revenue is measured as the fair value of the consideration received/receivable. All amounts are net of returns, discounts, allowances and rebates.

Revenue is recognised when the amount can be reliably measured and it is probable that the future economic benefits will flow to the club and the following additional criteria have been met:

Revenue from the sale of goods is recognised upon the delivery of goods to customers which is the date of the transfer of risks.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are included in the Cashflow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(m) New Accounting standards and AASB interpretations

Certain new accounting standards and AASB interpretations have been published that are not mandatory for 31 October 2008 reporting periods but contain an option for early adoption.

The company has reviewed each of these new standards and interpretations and is satisfied that they have no impact on the reported financial position and performance of the Company for the year ended 31 October 2008 and therefore there has been no early adoption of these standards, with the exception of AASB 8 operating segments and AASB 2007-3.

(n) Business Combination

The Windy Hill Fitness Centre is a business owned by the company but it is independently managed under a management agreement. The company includes the revenue and expenses of the business in the Income Statement and the net amount owing by the manager in the Balance Sheet.

(o) Leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the club are classified as operating leases.

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the club prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

2. ESSENDON FOOTBALL CLUB LIMITED

Essendon Football Club Limited ("club") is an Australian public company limited by guarantee with a registered office in Napier Street Essendon, Victoria, Australia. The liability of each member of the company is limited to \$6.

3. OPERATING PROFIT FROM ORDINARY ACTIVITIES

	2008	2007
	\$	\$
(a) Revenue from Ordinary Activities		
(i) Operating revenue		
AFL annual distribution	6,110,752	5,613,256
AFL Prizemonies	25,000	15,000
Marketing revenues	10,145,387	10,984,184
Membership revenues	6,194,051	5,688,743
Merchandise - sale of goods	1,968,360	2,103,034
Match receipts	913,274	1,157,638
Windy Hill Fitness Centre	3,199,544	3,017,592
Windy Hill Venue - sale of goods	3,116,815	3,059,029
Windy Hill Venue - other	2,953,584	3,196,333
Total operating revenue	34,626,767	34,834,809
(ii) Non-operating revenue		
AFL distribution - Waverley Park sale	250,000	250,000
AFL distribution - other	-	155,000
Government grant receivable	400,000	-
Interest received	174,503	366,991
Rental income	505,175	496,673
Net (Loss)/Income from investments	(269,402)	137,154
Total non-operating revenue	1,060,276	1,405,818
Total Revenue from Ordinary Activities	35,687,043	36,240,627
(b) Expenses from Ordinary Activities		
Administration	1,948,199	1,805,966
Football expenses	12,772,309	12,850,869
IT expenses	402,286	233,327
Loss on disposal of assets	-	14,716
Marketing expenses	6,899,996	6,988,661
Membership expenses	2,072,377	1,787,325
Merchandise - cost of sales	1,187,014	1,299,877
Rental expenses	175,000	175,000
Venue expenses	1,300,146	995,018
Windy Hill Fitness Centre	2,572,077	2,495,242
Windy Hill Venue - cost of sales	1,041,255	1,018,112
Windy Hill Venue - other	4,561,242	4,562,591
Total Expenses from Ordinary Activities	34,931,901	34,226,704
(c) Profit from ordinary activities has been determined after:		
Charging as Expenses (Revenue):		
Depreciation of: Plant and Equipment	447,558	277,291
Amortisation of: Leasehold Improvements	712,067	527,102
Doubtful Debts provided for or written off	5,929	(16,472)
Loss on sale/disposal of assets	-	14,716
Loss on disposal of current investments	122,866	-
Write-down of current investments to recoverable amount	250,929	36,714
Dividend/Distribution income received on investments	(104,393)	(173,868)



4. REMUNERATION OF AUDITORS

	2008	2007
	\$	\$
Remuneration of the auditor Grant Thornton (formerly William Buck) for:		
- auditing the annual financial report	39,000	37,000
- other	38,100	13,560
	<u>77,100</u>	<u>50,560</u>

The auditors received no other benefits.

5. TRADE AND OTHER RECEIVABLES

	2008	2007
	\$	\$
Current		
Trade and Sundry Debtors	2,200,210	1,910,992
Less Provision for Impairments	(5,983)	(8,528)
	<u>2,194,227</u>	<u>1,902,464</u>

Trading amounts receivable from associated entities (Refer Note 15a)	68,800	42,320
	<u>2,263,027</u>	<u>1,944,784</u>

Trade receivables have been aged accordingly to their original due date in the ageing analysis below. The carrying value of trade receivables is considered a reasonable approximation of fair values due to the short term nature of the balances. The average credit period for trade receivables is 7 days.

The basis for our estimates of the doubtful debt provision required is that a provision for impairment of trade receivables is recognised when there is objective evidence that on individual trade receivables is impaired. An impairment loss of \$5,983 has been recognised by the club in the current year.

The clubs maximum exposure credit risk at the reporting date is the fair value of each class of receivable in the financial statements. No collateral is held over these impaired receivables.

Refer to note 17 for more information on the clubs' credit risk management policy.

The ageing of the trade receivables is:

	2008 Gross	2008 Allowance	2007 Gross	2007 Allowance
	\$	\$	\$	\$
Not past due	1,997,079	-	1,767,824	-
Past due 0-30 days	124,421	-	75,595	-
Past due 31-60 days	23,805	-	25,930	-
Past due 60 days	54,905	(5,983)	41,643	(8,528)
Total	2,200,210	(5,983)	1,910,992	(8,528)

A reconciliation of the movement in the provision for impairment at trade receivables is shown below.

	2008	2007
	\$	\$
Opening balance	8,528	25,000
Additional provisions	5,238	-
Amounts used	(7,783)	(16,472)
Total	<u>5,983</u>	<u>8,528</u>

The creation and release of the provision has been included in administration expenses in the income statement.

Receivables past due but not considered impaired are \$197,148 (2007:\$134,640). In determining the recoverability of trade receivables the club considers any change in the credit quality of the trade receivables from the date credit was granted up to the reporting date. Senior management has reviewed each of those outstanding balances and considers them to be recoverable in full based on history of trading.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

6. INVENTORIES

	2008	2007
	\$	\$
Merchandise - at cost	621,137	580,629
Less Provision for obsolescence	(60,204)	-
Food and liquor - at cost	80,371	69,819
	<u>641,304</u>	<u>650,448</u>

7. OTHER ASSETS

	2008	2007
	\$	\$
Prepaid expenses	415,765	511,160

8. FINANCIAL ASSETS

	2008	2007
	\$	\$
Current		
Financial asset – held for trading (a)	601,393	1,559,543

(a) These financial assets consist of externally managed investment funds. The carrying amount if investments were stated at cost is \$430,000 (2007 \$930,000)

9. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	\$	\$
Land – at independent valuation (a)	3,475,000	3,050,000
	<u>3,475,000</u>	<u>3,050,000</u>
Plant and Equipment – at cost	3,415,277	2,694,558
Provision for Depreciation	(1,865,193)	(1,658,480)
	<u>1,550,084</u>	<u>1,036,078</u>
Leasehold Improvements – at cost	14,243,975	11,234,954
Provision for Amortisation	(3,160,028)	(2,448,829)
	<u>11,083,947</u>	<u>8,786,125</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>16,109,031</u>	<u>12,872,203</u>

(a) An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 17th October 2008 by P.W. Stokes FAPI FREI. The valuation was based on the current market value of the land.

**9. PROPERTY, PLANT AND EQUIPMENT (Cont.)**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year:

2008	Land	Plant & Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
Beginning of the year	3,050,000	1,036,078	8,786,125	12,872,203
Additions	-	964,864	3,009,889	3,974,753
Disposals	-	(3,300)	-	(3,300)
Revaluations	425,000	-	-	425,000
Depreciation expense	-	(447,558)	(712,067)	(1,159,625)
End of financial year	<u>3,475,000</u>	<u>1,550,084</u>	<u>11,083,947</u>	<u>16,109,031</u>

2007	Land	Plant & Equipment	Leasehold Improvements	Total
	\$	\$	\$	\$
Beginning of financial year	2,785,000	634,926	6,283,290	9,703,216
Additions	-	683,019	3,040,077	3,723,096
Disposals	-	(4,576)	(10,140)	(14,716)
Revaluations	265,000	-	-	265,000
Depreciation expense	-	(277,291)	(527,102)	(804,393)
End of financial year	<u>3,050,000</u>	<u>1,036,078</u>	<u>8,786,125</u>	<u>12,872,203</u>

Carrying amount if land was stated at cost:

	2008	2007
	\$	\$
Freehold land at cost	1,277,500	1,277,500

10. TRADE AND OTHER PAYABLES

	2008	2007
	\$	\$
Trade Creditors	333,235	701,421
Trade Creditors – Building Contracts	-	447,060
Accruals	733,925	1,349,676
	<u>1,067,160</u>	<u>2,498,157</u>

Due to the short term nature of these payable, their carrying amount is assumed to approximate their fair value.

11. EMPLOYEE BENEFITS

	2008	2007
	\$	\$
Current		
Annual Leave	541,239	544,838
Long Service Leave	128,321	518,424
	<u>669,560</u>	<u>1,063,262</u>
Non Current		
Long Service Leave	<u>181,602</u>	<u>38,500</u>

12. INCOME RECEIVED IN ADVANCE

	2008	2007
	\$	\$
Trading Income received in Advance	494,457	441,980
Government grant received in advance	974,900	-
	<u>1,469,357</u>	<u>441,980</u>

13. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of Cash**

For the purposes of the Cash Flow Statement, the entity considers cash to include cash on hand, cash in banks and short-term investments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:

	2008	2007
	\$	\$
Cash on Hand	171,380	161,841
Cash at Bank	189,158	737,836
Short Term Deposits	1,598,810	3,026,131
	<u>1,959,348</u>	<u>3,925,808</u>

The effective interest rate on short term bank deposits was 6.9% (2007 6.5%). These deposits are on call.

(b) Reconciliation of net cash from operating activities to net profit from ordinary activities:

	2008	2007
	\$	\$
Operating profit from ordinary activities	755,142	2,013,923
<i>Adjustments for:</i>		
Loss from Disposal of Fixed Assets	3,300	14,716
Loss from Disposal of Instruments	122,866	-
Depreciation and Amortisation	1,159,625	804,393
Decrease in Value of Investments	250,929	31,635
Dividends reinvested	(104,393)	(169,680)
<i>Changes in assets and liabilities:</i>		
Increase in Receivables and Other Assets	(220,304)	(794,463)
Decrease in Provision for Doubtful Debts	(2,545)	(16,472)
Increase in Inventory	(51,060)	(228,374)
Increase/(Decrease) in Provision for Obsolete Stock	60,204	(12,000)
Increase/(Decrease) in Payables and Income in Advance	(403,621)	998,638
Increase/(Decrease) in Provision for Employee Entitlements	(250,600)	70,290
Net Cash Provided by (used in) Operating Activities	<u>1,319,543</u>	<u>2,712,606</u>

14. CAPITAL AND LEASING COMMITMENTS**(a) Operating Lease Commitments**

Non-cancellable Operating Leases contracted for but not capitalised in the accounts.

	2008	2007
	\$	\$
Payable:		
- not later than one year	188,883	188,333
- later than one year but not later than 5 years	70,000	258,333
	<u>258,883</u>	<u>446,666</u>

Operating lease commitments relate to the lease of freehold land.

(b) Capital Expenditure Commitments

Capital expenditure contracted for at reporting date but not recognised as a liability in the accounts

	2008	2007
	\$	\$
Payable:		
- not later than one year	38,000	1,463,102

(c) Other Commitments

The club has committed in principle to incurring \$1,000,000 net of government grants of \$1,500,000 to develop Cross Keys Reserve to enable the Essendon Cricket Club to relocate from Windy Hill. This will provide year round football training facilities at Windy Hill.



15. RELATED PARTIES

(a) Related Party Trading Balances

Trading amounts receivable from associated entities:

	2008	2007
	\$	\$
Current		
Melton Country Club Inc.	68,800	42,320

(b) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(i) Associated Entities	2008	2007
Rental income received or receivable from Melton Country Club Inc.	492,198	493,333
Management fees received or receivable from Melton Country Club Inc.	127,286	118,440

Discussions have taken place with the Melton Country Club Inc. with regards to a possible merger. If the merger proceeds the club will commit to spending \$1,000,000 to redevelop the Melton facility. The accounts do not reflect any changes that may be required if the merger goes ahead.

(c) Directors & Director related entities

	2008	2007
Consulting fees for tax and valuation services paid or payable to Pitcher Partners of which Mr Tim Jonas was a former partner.	15,300	8,019

16. KEY MANAGEMENT PERSONNEL

Transactions with key management personnel

The key management personnel compensation included in 'employee expenses' are as follows:	2008	2007
Short term employee benefits	1,200,265	1,305,970
Post employment benefits	109,662	79,033
	<u>1,309,927</u>	<u>1,385,003</u>

17. FINANCIAL INSTRUMENTS

The club is exposed to variety of financial risks through its use of financial instruments. This note discloses the clubs objectives, policies and processes for managing and measuring these risks. The club's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The club does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the club is exposed to are described below.

Specific Financial Risks

These Comprise: Market Risk, Credit risk and Liquidity risk.

Categories of financial assets and liabilities

The principle categories of financial assets and liabilities at the club are: Cash at bank, short term deposits, Trade receivables, Managed funds, Trade payables

Objectives, Policies and Processes

The risk management policies of the club to mitigate the above risks and reduce volatility on the financial performance of the club is carried out by management with oversight from the Audit Committee.

Capital Risk Management

The club manages its capital to ensure that the club will be able to continue as a going concern while maximising returns through the optimisation of equity balances.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The following outlines the clubs exposure to interest rate risk.

	2008	2007
	\$	\$
Financial Assets		
Cash at bank	189,150	737,836
Short term deposits	1,598,810	3,026,131
Managed funds	601,393	1,559,543
Total	<u>2,389,353</u>	<u>5,323,510</u>

The following table demonstrates the impact on net profit if the average interest rate had either increased by 1% or decreased by 1% over the whole year ending 31 October 2008.

	2008 Interest Revenue	2008 Net Profit	2007 Interest Revenue	2007 Net Profit
Interest Rate Sensitivity	\$	\$	\$	\$
If interest rates were 1% higher with all other variables held constant.	26,994	26,994	64,354	64,354
If interest rates were 1% lower with all other variables held constant.	(26,994)	(26,994)	(64,354)	(64,354)

Other Price Risk

Other price risk relates to the clubs exposure to fluctuations in the price of the clubs investment in managed funds at \$601,393 (2007 \$1,559,543).

The following table demonstrates the impact on net profit if the managed fund were to increase by 10% or decrease by 10% over the whole year ending 31 October 2008.

	2008 Net Profit	2007 Net Profit
	\$	\$
If market value were 10% higher with all other variables held constant.	60,139	155,594
If market value were 10% lower with all other variables held constant.	(60,139)	(155,594)

Credit Risk

The club trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the clubs exposure to bad debts is not significant. The carrying amount of financial assets recorded in the financial statements, net of any provisions for impairment, represents the group maximum exposure to credit risk as disclosed in note 5. There are no significant concentrations of credit risk within the club.

Liquidity Risk

Liquidity risk arises from the club's management of working capital. It is the risk that the club will encounter difficulty in meeting its financial obligations as they fall due. The club manages its liquidity risk through frequent and periodic cash flow forecasting, reporting and analysis. The investment mix of short term deposits and managed funds is managed so as to provide adequate liquidity at all times. The table below represents a maturity analysis of financial assets and liabilities based on management's expectations.

	Interest Rate %	1-5 Years \$	Non Interest Bearing \$	Total \$
Financial Assets				
Cash at bank	6.15	102,067	87,443	189,510
Short term deposits	6.90	1,598,810	-	1,598,810
Managed funds		-	601,393	601,393
Trade receivables		-	2,200,210	2,200,210
Total financial assets		<u>1,700,877</u>	<u>2,889,046</u>	<u>4,589,923</u>
Financial Liabilities				
Trade payables		-	334,235	334,235
Total Financial Liabilities		<u>-</u>	<u>334,235</u>	<u>334,235</u>
Net Maturity		<u>1,700,877</u>	<u>2,554,811</u>	<u>4,255,688</u>



18. CONTINGENCIES

The directors are not aware of any contingencies that warrant disclosure in the Financial Report.

19. SUBSEQUENT EVENTS

No matters or circumstances have arisen between the end of the financial year and the date of this report which have, or may significantly affect the operations of the company or the state of affairs of the company in subsequent financial years.

20. RESERVES

Asset Revaluation Reserve

The asset revaluation reserve is used to record increase in the fair value of buildings and decreases to the extent such decreases relate to an increase on the same asset previously recognised in equity.



Essendon Football Club
Napier St. (PO Box 17)
Essendon, 3040
(03) 9230 0300
essendonfc.com.au

