



**ESSENDON FOOTBALL CLUB**  
ANNUAL REPORT 2012



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# CHAIRMAN'S REPORT

**T**he end of another year is already upon us and despite our disappointing finish to the 2012 season, it's important we all stay patient to the cause.

In the first half of the season, we played an exciting brand of football and demonstrated our football program is heading in the right direction with a number of quality performances against quality opposition. We caught a real glimpse of the football club we aspire to be and can take a lot of heart from the position we were in at the midway point of the season.

The cold reality is that we missed the opportunity to play finals football and I can guarantee you that nobody is happy with what happened and nor should they be. We understand how competitive this competition is and received a brutal reminder of how tough we need to be and how much hard work we have ahead of us to be a top four side in 2013.

Next year, we will enter a new chapter in the club's history, relocating to our new High Performance Centre at Melbourne Airport. Construction is progressing well and we look forward to delivering our players, coaches and staff with an elite environment every day they go to work.

The Flight Plan fundraising has helped the club secure nearly \$19 million towards our target of \$25.5 million. Importantly, we are on track to deliver the project on time and on budget. If the fundraising effort falls short, the club will be forced to take on debt over the next few years. We are confident the club's strong financial position will allow us to manage this debt. However, we will continue to challenge our members and supporters, who haven't donated, to dig deep and support the Flight Plan.

A recent visit to the headquarters of Spanish soccer giant Real Madrid provided a rare opportunity to learn from one of the biggest clubs in the world. The professionalism and attention to detail both in the way they train their players and the way they manage their club on and off the field has set a new benchmark for us all.

We need look no further than our skipper, Jobe Watson for inspiration. On behalf of everyone at the Essendon Football Club, I would like to extend our congratulations to Jobe on his outstanding achievement winning the 2012 Brownlow Medal. Jobe's win is a huge highlight for our club and wonderful recognition for Jobe after his fantastic season in the red and black.

To the members, you are the heart and soul of our football club and your passion and loyalty continues to be a driving force behind our team. Unfortunately, after reaching 50,000 members for the first time in 2011, we were unable to reach that milestone again this year.

We understand there were a number of factors contributing to this decrease and importantly we have listened to our members and acted on the feedback we received by making a number of changes to our membership structure.

We have now introduced flexible options so members can support the club on game day without having to book a reserved seat for the

season and made our entry level packages among the most affordable in the AFL.

We were the first Melbourne based club to introduce a seat re-sale program in 2012 that was deemed a huge success. Again, we have listened to member feedback and will implement new steps to make sure seats go to Essendon fans instead of opposition supporters wherever we can in 2013.

We want over 50,000 members in 2013 and every coach, player, administrator and supporter must now unite together behind our team and do whatever it takes to drive our club forward.

Congratulations to Mark McVeigh on a wonderful career at Windy Hill. Mark has enhanced the Essendon legend of the number 10 jumper and I wish the McVeigh family all the best for the next chapter in their lives. On behalf of the club, I would also like to wish Sam Lonergan, Kyle Reimers, Henry Slattery, Anthony Long, Angus Monfries, Ricky Dyson, Michael Ross and Brendan Lee all the best for their future endeavours.

This year, we sadly lost two of our premiership players and Essendon family members in 1984 premiership player Merv Neagle and 1946 premiership player George Hassell. On behalf of the club, I wish to again express our deepest condolences to the Neagle and Hassell families.

I'd also like to pay tribute to Jim Stynes, who passed away this year after a long battle with cancer. Jim had a profound effect on the game of AFL football and the community across so many levels and will be deeply missed.

I would like to formally acknowledge and thank Ian Robson, his executive team and the administration at the club for their tireless hard work this year.

To the Board of the Essendon Football Club, thank you for your wise counsel and direction of our club. As volunteers, the time and passion that you continue to bring to the club is much appreciated.

It is fantastic to have such wonderful backing from our commercial partners and sponsors and I'd like to personally thank our co-major partners KIA Motors Australia and True Value Solar for their ongoing support this year.

I would like to thank and acknowledge the hard toil of the coaches and our hardworking football department staff in season 2012. Not forgetting the countless volunteers and support staff who give up their time week in, week out for the betterment of our club.

Finally, I would like to again thank our loyal and passionate members. Your dedication and positive energy this year has been unwavering and I encourage you all to stay with us and sign up for 2013.

David Evans  
Chairman  
Essendon Football Club





# MANAGING DIRECTOR AND CEO'S REPORT

**A**s we enter one of the most important periods in the history of the Essendon Football Club, both on and off the field we are confident the foundations have been laid for strong future growth and sustained success.

The challenge, as it is every year, is to stay ahead of the curve. The Board, administration, players and coaches are doing whatever it takes to gain the edge that will put us ahead of our opposition.

I am pleased to be able to announce a positive trading profit of \$401,429 in 2012.

As a result of funds received to date for the development of the new High Performance Centre at Melbourne Airport of \$11.9 million, the club reports an overall operating profit of \$12.3 million. The trading cash surplus from normal operations exceeded \$2.5 million.

A number of factors have contributed to this result including the strengthening of commercial partnerships and improved return on investments from Windy Hill Venue and Melton Country Club.

As well as recording a healthy profit, the clubs trading cash has increased to \$12.2 million and, with total assets of \$42.4 million our net asset position is very strong at \$35.1 million.

The Flight Plan fundraising effort for the High Performance Centre has made steady progress in 2012 with nearly \$19 million of the \$25.5 million pledged. As a result of the likely capital shortfall, the club will take on a manageable amount of debt to complete construction by the middle of 2013. Importantly, the club remains in a strong position from a financial perspective to pay down this debt as quickly as possible, aiming to be debt free by 2015.

The High Performance Centre will deliver our players and coaches the best facilities in the AFL. With construction now underway, it is extremely exciting to see the building coming out of the ground, the ovals taking shape and the sheer size and scale of the development.

As a club, we will continue the process of seeking to improve and enhance the way we recruit, develop, train, educate, condition and rehabilitate our group of players to ensure they are getting the best possible results on the field. We are confident we have the right people in place to give the club the best opportunity to be successful.

On field success is an important measurement, but we are also committed to delivering our fans with unforgettable off field experiences. We are determined to ensure our members and supporters enjoy first class experiences - from match day with our Culinary Chairman's functions featuring master chef Shannon Bennett, to our new flexible membership options or visiting our website and mobile app, every time you engage with us, we are committed to providing the highest quality experience possible.

I would like to take this opportunity to thank KIA Motors Australia and True Value Solar as co-major partners of the club. To KIA President and CEO Charlie Kim and Chief Operating Officer Tony Barlow congratulations on a fantastic 'Rookie' year with the club. To True Value Solar CEO Doug Roem and Director Leon Siebel, thank you for your ongoing support of the club. We look forward to continuing our partnership for many years to come.

The club has enjoyed fantastic support in season 2012 and I would like to thank our corporate partners adidas, HostPLUS, Toll, Yakult, Antler, Red Energy, Treasury Wine Estates, Centrebet, Body Science, Coca-Cola, Jonsson Workwear, Caltex, Herald Sun and Australian Institute of Management.

To our coteries – the Coleman Club, Diamond Dons, Essendonians, Coaches Club, Hutchison Club, Essendon Women's Network, Dick Reynolds Club, Lawdons, Red and Blacks, Emerging Leaders and the Collins Street Dons – thank you for your invaluable support.



A view from the MCG sized oval of the indoor training facilities.



The framework of the High Performance Centre takes shape.



Construction continues on the High Performance Centre.

The club is also conscious of its community responsibility and again we placed a great deal of emphasis and effort in assisting a number of important programs.

There have been many highlights in a busy and rewarding year for the club's community activities. The Tiwi Bombers with whom the club has a long and proud partnership, won their first ever NTFL Premiership. The Wadeye Magic, another Indigenous affiliate club to Essendon, completed their second trial season in the NTFL and continue to build their club and culture.

Closer to home, Essendon has a number of important Victorian Indigenous community partnerships including those with Rumbalara Football Netball Club and the Indigenous Education Centre at Kangan TAFE.

The club's GLoBALL program reached a new level of engagement and participation. The GLoBALL program, in partnership with Cricket Victoria, uses football and cricket match-day experiences to help new migrants and international students assimilate into the Australian community. The program has run since 2009 and in that time has delivered a football experience to over 15,000 participants from 104 countries.

I would like to take this opportunity to thank all our community partners and program partners including Melbourne Airport, Bendigo Bank Strathmore, AFL, Australian Federal Police, Victoria Police, Rio Tinto, Cricket Victoria and Reconciliation Australia. It's the valued support of great organisations like those above that allow the club's community team to deliver meaningful and effective programs.

Thank you also to David Joss and Peter Lodewijks from the Bendigo Gold Football Club. 2012 marks the end of our 10-year VFL alignment with Bendigo after the club decided to field a stand-alone side in the VFL competition next season. Since 2002, the club has had a fantastic relationship with Bendigo and enjoyed great support from the local community. We wish them all the best for the future.

I wish to thank the Directors of the club and Chairman David Evans in particular, for the tireless work they put in and the support they have given our administration in 2012.

Finally, can I take this opportunity to thank everybody who enjoys the privilege, as do I, of working on a full time basis at the club for their energy and commitment across the last twelve months. In particular can I thank the Executive team, and my Assistant Lisa Raciti, for their enduring support.

I, like you, am now looking forward to the 2013 season with great anticipation and excitement and I'm confident our members and supporters will do whatever it takes to help our great club be successful.

Go Bombers and see you at the footy in 2013.

Ian Robson  
Essendon Football Club  
Managing Director & CEO



# FINANCE DIRECTOR'S REPORT

**O**n behalf of the Board I have the pleasure of presenting the Financial Report of the club for the year ended 31 October 2012.

## TRADING RESULTS

The club has reported a net profit of \$12,345,536 for the year ended 31 October 2012, compared to a profit of \$1,609,379 in the previous year. However, this does not give a true picture of the results from our normal operations as revenue includes grants and donations received in relation to the High Performance Centre currently being developed at Melbourne Airport. A better picture of our underlying activity can be gained from the following table:

	2012	2011
	\$	\$
Net Profit for the year per Statement of Comprehensive Income	12,345,536	1,609,379
Less High Performance Centre grants & donations included in profit	11,944,107	585,293
<b>Underlying Profit from Operations</b>	<b>401,429</b>	<b>1,024,086</b>

The fact that the underlying result is lower than that which was achieved in 2011 is to a large extent reflective of the continuing difficult economic conditions, combined with the financial impact of the disappointing on-field performance in the second half of the 2012 season. Notwithstanding that, after adjusting for non-cash depreciation, amortisation and finance charges of \$2,184,238 and excluding the net revenue received in relation to the High Performance Centre, the club's cash earnings were positive to the extent of \$2,585,667 (2011: \$2,834,552).

Some of the key factors which affected our result for the year were:

- Our membership numbers fell from 50,271 to 47,708 paid up members, resulting in a reduction in net contributions from memberships of about \$400,000.
- We continued to receive great support from our major sponsors, whose net contribution increased by about \$400,000 over the previous year. Unfortunately, this was matched by a reduction in income from corporate and coterie functions, whose numbers were down primarily as a result of the economic climate.
- We continued to invest in the football department, with an increased spend of \$700,000.
- Our two licensed venues, at Windy Hill and the Melton Country Club increased their combined contribution by almost \$500,000.

## FINANCIAL POSITION

At 31 October 2012, the net assets of the club were \$35,059,757.

The major movement in the club's balance sheet at year end was the impact of the High Performance Centre, which is discussed in more detail below. As a result of donations and other funding received for the High Performance Centre, our cash balances at 31 October 2012 had risen to \$12,156,216, although all of this will be expended on construction costs in the coming year.

The other significant change has been the acquisition of gaming entitlements of \$3,673,038, which allows us to operate our own machines over the next 10 years. The cost of these entitlements will be repaid in equal quarterly instalments until 2017.

## HIGH PERFORMANCE CENTRE DEVELOPMENT

During the year the club recognised \$11,944,107 in grants and donations received in relation to the development of the High Performance Centre. Included in leasehold improvements at 31 October 2012 was an amount of \$5,485,002 which had been expended to that date on the development of the new facility.

Many of our members and other supporters have been extremely generous in donations to this point, but there will be a shortfall of funds raised against the final cost of the High Performance Centre, which will cause the club to go into debt sometime during 2013. The necessary arrangements have been put in place to cover any shortfall in funding. Our objectives are to minimise the amount of borrowings required, by continuing to control the cost of construction of the High Performance Centre and at the same time pursue other fundraising opportunities, and then work to ensure that the borrowings can be repaid in the shortest possible timeframe.

## LOOKING AHEAD

While our financial position is sound at 31 October 2012 the next twelve months will be tough and we are under no illusions about the need to continue to exercise strong financial discipline. Everything we do is motivated by our determination to achieve the sustainable on-field success that our loyal supporters crave. This means continuing to invest in our team and our football department, and it also means completing the High Performance Centre to a standard which will take us from having the worst facilities in the competition to the best. We are doing our best to listen to the voices of our supporters and need them in turn to sign up as members in 2013 and, for those who are in a position to do so, help us to pay for our capital project in the shortest time possible.

Paul Brasher  
Finance Director



## DIRECTORS' REPORT

Your directors submit their report on the Essendon Football Club (the 'Company') for the financial year ended 31 October 2012.

### 1. DIRECTORS

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

J. Albert	C. Heffernan
P. Brasher	D. Jackson
G. Brown	P. Little
K. Egan	P. Pryor
D. Evans	I. Robson

All of these directors have been in office since the start of the financial year to the date of this report.

### 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. OBJECTIVES AND STRATEGIES OF THE COMPANY

The Company's short term (2013) objectives are to:

- continue to invest in a high quality, success focussed football program;
- focus on the recruitment, improvement and development of our playing list driven through knowledge, learning and innovation and developing them for life beyond football;
- value and engage with our members, supporters, coterie groups and all other key stakeholders;
- complete construction of a best practice administration and training facility;
- deliver a healthy surplus to ensure the continuing financial strength of the Company;
- take our membership base to 55,000 and beyond;
- drive sustainable outcomes to maintain the Company's position as a leader in the community; and
- grow the level of football driven commercial returns with our sponsors and corporate/venue partners.

The Company's medium to long term (2014-2017) objectives are to:

- maintain and enhance levels of investment in the football program to deliver Premiership success;
- deliver a best practice administration and training facility that is adaptable to change for future generations;
- deliver ongoing and enhanced profitability to further strengthen the Company's financial position and to repay any debt required to finance the new administration and training facility as quickly as possible;
- grow our membership base;
- maximise the returns from investments whilst seeking other new complementary revenue opportunities;
- increase the number of collaborative partnerships delivering sustainable outcomes in the Community; and
- remain an industry leader.

In pursuing the achievement of these objectives the Company will always apply these underlying principles:

- innovate and invest in talented people and high quality operational facilities;
- preserve and grow the Essendon culture;
- employ and retain the best people; and
- never put the club at financial risk.

### 4. OPERATING RESULT

For the year ended 31 October 2012 the Company had an operating profit of \$12,345,536 (2011 profit: \$1,609,379), which includes project funding income of \$11,944,107 (2011: \$585,293). Excluding these donations and grants, the underlying profit for the year ended 31 October 2012 was \$401,429 (2011: \$1,024,086).

### 5. 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
J. Albert	14	14	4	4
P. Brasher	14	13	4	4
G. Brown	14	12	-	-
K. Egan	14	14	-	-
D. Evans	14	14	4	3
C. Heffernan	14	13	-	-
D. Jackson	14	13	-	-
P. Little	14	13	-	-
P. Pryor	14	13	4	3
I. Robson	14	14	-	4*

\* attendance by invitation

### 6. INFORMATION ON CURRENT DIRECTORS

#### DAVID EVANS - CHAIRMAN

Bachelor of Economics

Elected to the Board in October 2006, David was appointed chairman in December 2009. He is executive chairman of Evans and Partners, an investment advisory firm he established in June 2007. Prior to this David was a director with Goldman Sachs JBWere, where he spent 18 years occupying senior roles such as CEO of both the firm's Retail Business and Equity Business. David is a director of the Shane Warne Foundation, Seven West Media, Export Finance and Insurance Corporation (EFIC) and Melbourne Stars T20 Cricket Team. David is also deputy chairman of Monash University Campaigns Committee.

#### DARYL JACKSON – DEPUTY CHAIRMAN

Degrees in Architecture: Dip.Arch., B.Arch. Hon. Doctorate Ballarat University.

Daryl joined the Board in 2004 and was elected Deputy Chairman in 2006. He is a distinguished architect and a Gold Medallist of RAlA, best known in sporting areas for his work at the MCG, Etihad Stadium, Subiaco and the Gabba. Daryl was captain of the Essendon Under 19s, an Essendon reserves player and a Coleman Club member for some 15 years. His former public roles include vice-president of Melbourne Cricket Club, National Gallery of Victoria and chairman of Wesley College Council, the Australian Film Institute and Melbourne Major Events Corporation. His current public role is Chairman of the Heritage Council of Victoria.

#### PAUL BRASHER – FINANCE DIRECTOR

Bachelor of Economics (Hons), FCA

Paul was appointed to the Board in October 2011 and is finance director and chairman of the Audit Committee. Paul was a partner in the accounting and professional services firm PricewaterhouseCoopers from 1982 to 2009. He chaired the Australian firm and was chairman of the global Board of PwC from 2005 to 2009. Paul is chairman of Incitec Pivot Limited and a director of Perpetual Limited. He was previously chairman of the Reach Foundation and a number of other philanthropic organisations and a board member of the Victorian Arts Centre Trust.

#### IAN ROBSON - CEO AND MANAGING DIRECTOR

Bachelor of Economics

Ian became Chief Executive and Managing Director of the Essendon Football Club in October 2009. From 2004 to 2009 he was chief executive of the Hawthorn Football Club. Previous roles include chief executive of the government's sports agency Sport in Scotland (the Scottish equivalent of the Australian Sports Commission), chief executive of the SuperLeague rugby league competition in Leeds, general manager of marketing of the Superleague competition in Sydney and inaugural chief executive of the Auckland Warriors.

## JO-ANNE ALBERT

Bachelor of Business; MAICD

Jo-Anne was elected to the Board in December 2008. She is currently chair of the corporate governance and nominations committee and a member of the audit, innovation and investment committees. Jo-Anne is managing director of an independent financial and business advisory practice that she founded in 1989. She is also a director of MicroHeat Technologies Pty Ltd, an Australian start up technology company.

Jo-Anne is active in club affairs as a founding member of the Essendon Women's Network and a member of the Dick Reynolds Club.

## GREG BROWN OAM

Greg was elected to the Board in December 2006. A life member of the club, Greg played 83 games and was a premiership player in 1965, the club's first marketing manager in 1978 and chairman of the Dick Reynolds Club until 2005. Greg was recently awarded an OAM in the Queen's Birthday Honours list for services to the community. He is past president of Rotary Club of Frankston and Wranglers Charity Club Frankston and is current chairman of the Lord's Taverners Australia. Greg is the owner of a Financial Planning business, life member of the AMP Advisers Association, Trustee of the EFC Past Players Foundation and Chairman of Pretlock Ltd.

## KEVIN EGAN

Kevin was elected to the Board in December 1995. He was a 1965 premiership player and is a life member of the club. Kevin played 65 games before transferring to play with Port Adelaide in the S.A.N.F.L. He coached successfully in the Diamond Valley Football League before returning to the Essendon Football Club in 1976 as a full time administrator, spending the next 16 years as football manager. Kevin is a former chairman of selectors.

## CHRIS HEFFERNAN

Bachelor of Business (Admin), Master of Applied Finance

Chris joined the Board in October 2011. He played 170 AFL games and was a member of the club's 2000 premiership team. After retiring in 2007, Chris worked with Deutsche Bank's asset management division in New York for three years. He returned to Melbourne in 2011 and joined Ernst and Young as a member of the mergers and acquisitions team that provides strategic and corporate finance advice to large private and ASX listed companies.

## PAUL LITTLE AO

FAICD, FCIT

Paul joined the Board in 2011 and is Chairman of the fundraising working group for the new elite training and administration facility at Melbourne Airport. Paul was managing director of Toll Holdings from 1986 to 2011. He is chairman and founder of Little Property and a director of Little Projects. Paul won the inaugural Trans-Tasman Business Leader Award in 2005, the CA/Zurich Business Leader Award in 2002 and in 2008 he was awarded the Doctor of Business Honoris causa by RMIT University. In 2010 Paul received an Officer of the Order of Australia for service to the transport and logistics industries and to the community.

## PHIL PRYOR

Bachelor of Economics; FAICD

Phil was elected to the Board in 2008 and is a member of the audit committee. He played in the under 19s and Reserves. He has been a senior company manager and director for over 30 years. He has worked for prominent Australian and International companies with extensive experience in Asia. Phil is currently managing director of IMP Aust Pty Ltd and a director of Ezybonds UK PLC.

## 7. 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 does 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 2012:

	\$
Taxation services	50,000
Other assurance services	19,000
	<u>69,000</u>

## AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration has been provided by the Company's auditor, Grant Thornton Audit Pty Ltd. This is set out on page 9 of this financial report.

## 8. MEMBERS' GUARANTEE

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the Company. At 31 October 2012 the number of members was 47,708 (2011: 50,271).

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



D. Evans  
Director



P. Brasher  
Director

Signed this 13th day of November, 2012.

## DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) the financial statements and notes, as set out on pages 10 to 15, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the company as at 31 October 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (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.



D. Evans  
Director



P. Brasher  
Director

Signed this 13th day of November, 2012.



## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ESSENDON FOOTBALL CLUB

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Essendon Football Club for the year ended 31 October 2012, 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 AUDIT PTY LTD  
 Chartered Accountants



A. J. PITITTO  
 Partner - Audit & Assurance

13 November 2012,  
 Melbourne, Australia.

## INDEPENDENT AUDITOR'S REPORT

To the Members of Essendon Football Club,

We have audited the accompanying financial report of Essendon Football Club (the "Company"), which comprises the statement of financial position as at 31 October 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

### DIRECTORS RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements 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 are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report 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 Company'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.

## ELECTRONIC PRESENTATION OF AUDITED FINANCIAL REPORT

This auditor's report relates to the financial report of Essendon Football Club for the year ended 31 October 2012 included on Essendon Football Club's web site. The Company's Directors are responsible for the integrity of Essendon Football Club's web site. We have not been engaged to report on the integrity of Essendon Football 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.


### INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### AUDITOR'S OPINION

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

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



GRANT THORNTON AUDIT PTY LTD  
 Chartered Accountants



A. J. PITITTO  
 Partner - Audit & Assurance

13 November 2012,  
 Melbourne, Australia.

**ESSENDON FOOTBALL CLUB ABN 22 004 286 373**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2012**

	Note	2012	2011
		\$	\$
Revenues from ordinary activities	3(a)	65,431,425	51,416,731
Expenses from ordinary activities	3(b)	(53,085,889)	(49,807,352)
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</b>		<u>12,345,536</u>	<u>1,609,379</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Gains on property revaluation	7	-	450,000
<b>OTHER COMPREHENSIVE INCOME FOR YEAR</b>		<u>-</u>	<u>450,000</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>12,345,536</u>	<u>2,059,379</u>

**STATEMENT OF FINANCIAL POSITION AS AT 31 OCTOBER 2012**

	Note	2012	2011
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14(a)	12,156,216	6,118,392
Trade and other receivables	4	1,255,553	2,106,943
Inventories	5	626,056	640,781
Other	6	378,258	267,705
<b>TOTAL CURRENT ASSETS</b>		<u>14,416,083</u>	<u>9,133,821</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	24,353,823	19,336,029
Intangibles	8	3,597,010	229,721
<b>TOTAL NON-CURRENT ASSETS</b>		<u>27,950,833</u>	<u>19,565,750</u>
<b>TOTAL ASSETS</b>		<u>42,366,916</u>	<u>28,699,571</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	2,343,884	3,794,518
Employee benefits	10	1,008,175	1,035,121
Income in advance	11	515,707	1,113,337
Financial liabilities	12	658,809	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>4,526,575</u>	<u>5,942,976</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	10	79,008	42,374
Financial liabilities	12	2,701,576	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>2,780,584</u>	<u>42,374</u>
<b>TOTAL LIABILITIES</b>		<u>7,307,159</u>	<u>5,985,350</u>
<b>NET ASSETS</b>		<u>35,059,757</u>	<u>22,714,221</u>
<b>MEMBERS' FUNDS</b>			
Accumulated funds		32,112,257	19,766,721
Asset revaluation reserve		2,947,500	2,947,500
<b>TOTAL MEMBERS' FUNDS</b>		<u>35,059,757</u>	<u>22,714,221</u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 31 OCTOBER 2012**

	Asset Revaluation Reserve	Accumulated Funds	Members' Funds
	\$	\$	\$
<b>BALANCE AT 31 OCTOBER 2010</b>	<u>2,497,500</u>	<u>18,157,342</u>	<u>20,654,842</u>
Total comprehensive income for the year	450,000	1,609,379	2,059,379
<b>BALANCE AT 31 OCTOBER 2011</b>	<u>2,947,500</u>	<u>19,766,721</u>	<u>22,714,221</u>
Total comprehensive income for the year	-	12,345,536	12,345,536
<b>BALANCE AT 31 OCTOBER 2012</b>	<u>2,947,500</u>	<u>32,112,257</u>	<u>35,059,757</u>

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2012**

	Note	2012	2011
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members, sponsors, supporters and other operations		65,309,650	51,232,746
Payments to suppliers, employees and players		(52,460,970)	(46,201,582)
Interest received		398,077	182,481
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	14(b)	<u>13,246,757</u>	<u>5,213,645</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of investments		2,276	-
Payment for purchase of property, plant and equipment		(7,002,434)	(1,254,777)
Payment for purchase of intangibles		(208,775)	(10,000)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>(7,208,933)</u>	<u>(1,264,777)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		-	-
Net increase in cash and cash equivalents		6,037,824	3,948,868
Cash and cash equivalents at beginning of the financial year		6,118,392	2,169,524
<b>CASH AT END OF THE FINANCIAL YEAR</b>	14 (a)	<u>12,156,216</u>	<u>6,118,392</u>

The accompanying notes form part of these financial statements.

## NOTES TO AND FORMING PART OF THE ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2012

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Essendon Football Club (the “Company”) is an unlisted public company limited by guarantee and incorporated and domiciled in Australia. The Financial Report of the Company was authorised for issue by the directors on 13th November 2012.

The financial report has been prepared on an accruals basis and is based on historical costs 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 Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (“AASB”) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the Company.

No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

#### (b) Inventories

Inventories are measured at the lower of cost and net realisable value. Annually, the directors 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 instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### *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. Trade and other receivables of the Company fall into this category.

##### *Financial liabilities*

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables of the Company fall into this category.

##### *Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### (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 arm's length transaction), based on an annual valuation by external independent valuers. Land is not depreciated.

##### *Asset revaluation reserve*

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

##### *Plant and equipment/Leasehold improvements*

Plant and equipment and leasehold improvements are measured at cost less depreciation and impairment losses.

The depreciable amounts of all fixed assets including leasehold improvements, but excluding freehold land, are 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	4.2% - 10%
Plant & equipment	10% - 33.3%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### (e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and 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 Company 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 Statement of Comprehensive Income.

#### (g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year (benefits arising from wages and salaries and annual leave) have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.



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. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows. Probabilities have been applied in the calculation of long service leave entitlements in order to estimate the likelihood of an employee remaining with the Company until they are entitled to long service leave. These probabilities are based on historical trends and patterns. Employees with long service leave entitlements in excess of 7 years have been included as a current liability as the Company does not have an unconditional right of deferral at balance date.

Contributions are made by the Company to complying superannuation funds and are charged as expenses when incurred.

#### **(h) Income received in advance**

Income is brought to account in the period to which it relates. Income received prior to 31 October 2012 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) Football expenses**

Football expenses include football department related costs including total player payments, coaching and support staff remuneration, recruiting costs and costs in respect of our affiliation with VFL club, Bendigo Bombers.

#### **(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 Company 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.
- Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
- Fundraising donations which have been directly received by the club are recognised on receipt.
- Grant income from the Australian Sports Foundation is recognised when the approved grant has been received by the Company.
- Grant income from government and AFL special distributions are recognised where there is a reasonable assurance that the grant will be received and all the attached conditions will be complied with.

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 the item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the Statement of Cashflows 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, is classified as operating cash flows.

#### **(m) 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 Statement of Comprehensive Income and the net amount owing by the manager in the Statement of Financial Position.

#### **(n) Leases**

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

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

#### **(o) Intangible assets**

##### *Gaming entitlements*

Gaming entitlements acquired are recorded at fair value less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over the estimated useful economic lives of the assets. The useful lives of intangible assets can be either finite or indefinite.

Gaming entitlements have a finite useful life of 10 years commencing 16 August 2012. The gaming entitlements are amortised over a 10 year period.

#### **(p) Financial Liabilities**

##### *Gaming liabilities*

Gaming liabilities relate to instalment payments for the acquisition of gaming entitlements for the Windy Hill Venue and Melton Country Club. Gaming liabilities are included as non-current liabilities except those with maturities less than 12 months from the reporting date, which are classified as current.

Gaming liabilities are measured at amortised cost, using the effective interest method.

## **2. ESSENDON FOOTBALL CLUB**

Essendon Football Club is an unlisted public company limited by guarantee with a registered office and principal place of business in Napier Street, Essendon Victoria 3040. The liability of each member of the Company is limited to \$20.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 OCTOBER 2012**

**3. OPERATING PROFIT FROM ORDINARY ACTIVITIES**

	2012	2011
	\$	\$
(a) Revenue from ordinary activities		
(i) Operating revenue		
AFL annual distribution	7,956,876	7,382,004
AFL prizemonies	-	185,000
Marketing revenues	15,920,153	15,532,108
Membership revenues	9,367,066	9,400,589
Merchandise - sale of goods	3,226,302	2,563,026
Match receipts	726,504	963,101
Windy Hill Fitness Centre revenues	4,869,259	4,646,370
Venues revenue - sales of food and liquor	5,119,522	5,143,887
Venues revenue - other	5,838,661	4,774,092
Total operating revenue	<u>53,024,343</u>	<u>50,590,177</u>
(ii) Non-operating revenue		
Australian Sports Foundation grants	3,079,185	335,000
Donations received	374,182	250,293
Federal and State Government grants	7,115,740	44,091
AFL special distribution	1,425,000	-
Interest received	398,077	182,481
Rental income	14,898	14,689
Total non-operating revenue	<u>12,407,082</u>	<u>826,554</u>
<b>Total revenue from ordinary activities</b>	<u><b>65,431,425</b></u>	<u><b>51,416,731</b></u>

**(b) Expenses from operating and non-operating activities**

Administration	2,228,612	2,201,958
Football expenses	19,200,704	18,510,078
IT expenses	455,226	407,714
Marketing expenses	9,778,601	9,029,204
Membership expenses	3,660,889	3,294,996
Merchandise - cost of sales	1,846,638	1,420,361
Rental expenses	262,899	251,337
Site expenses	1,833,516	1,693,837
Loss on disposable assets	22,544	1,896
Windy Hill Fitness Centre expenses	3,845,147	3,646,613
Venue expenses	9,825,270	9,349,358
Financing costs	125,843	-
<b>Total expenses from ordinary activities</b>	<u><b>53,085,889</b></u>	<u><b>49,807,352</b></u>
<b>Profit from ordinary activities</b>	<u><b>12,345,536</b></u>	<u><b>1,609,379</b></u>

**(c) Profit from ordinary activities above has been determined after:**

Charging as Expenses:

Depreciation of:

- Plant and equipment 816,777 687,099

Amortisation of:

- Leasehold improvements 1,143,046 1,116,967

- Intangibles 76,028 -

Doubtful debts provided for or written off 29,235 62,302

Loss on disposal of plant and equipment 22,544 6,400

Venue cost of sales - food and liquor 1,683,866 1,644,155

**4. TRADE AND OTHER RECEIVABLES**

	2012	2011
	\$	\$
Trade and sundry debtors	1,307,683	2,174,140
Less provision for impairments	(52,130)	(67,197)
	<u>1,255,553</u>	<u>2,106,943</u>

The carrying value of trade receivables is considered a reasonable approximation of fair values due to the short term nature of the balances.

**Provision for impairment of receivables**

A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in administration expenses. A reconciliation of the movement in the provision for impairment of trade receivables is shown below.

	2012	2011
	\$	\$
Opening balance	67,197	27,413
Additional provisions	29,235	62,302
Amounts used	(44,302)	(22,518)
Closing balance	<u>52,130</u>	<u>67,197</u>

**5. INVENTORIES**

	2012	2011
	\$	\$
Merchandise - at cost	559,129	519,838
Less provision for obsolescence	(52,043)	(51,674)
Food and liquor - at cost	118,970	172,617
	<u>626,056</u>	<u>640,781</u>

**6. OTHER ASSETS**

	2012	2011
	\$	\$
Prepaid expenses	<u>378,258</u>	<u>267,705</u>

**7. PROPERTY, PLANT AND EQUIPMENT**

	2012	2011
	\$	\$
Land - at independent valuation (a)	4,864,438	4,650,000
Plant and equipment - at cost	5,375,477	5,482,897
Provision for depreciation	(2,637,884)	(3,736,912)
	<u>2,737,593</u>	<u>1,745,985</u>
Leasehold improvements - at cost	22,599,554	19,128,853
Provision for amortisation	(5,847,762)	(6,188,809)
	<u>16,751,792</u>	<u>12,940,044</u>
	<u>24,353,823</u>	<u>19,336,029</u>

(a) An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 24th October 2011 by P.W. Stokes CEA FAPI FREI. This valuation was booked in the financial report at 31 October 2011. An updated valuation was undertaken in October 2012, however the change in value was not deemed significant and no change to the valuation was made in the financial report at 31 October 2012.

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

2012	Land	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Beginning of the year	4,650,000	1,745,985	12,940,044	19,336,029
Additions	-	1,808,385	5,194,049	7,002,434
Transfers in/(out)	214,438	-	(214,438)	-
Disposals	-	-	(24,817)	(24,817)
Depreciation expense	-	(816,777)	(1,143,046)	(1,959,823)
End of financial year	<u>4,864,438</u>	<u>2,737,593</u>	<u>16,751,792</u>	<u>24,353,823</u>

2011	Land	Plant & equipment	Leasehold improvements	Total
	\$	\$	\$	\$
Beginning of the year	4,200,000	1,811,567	13,430,151	19,441,718
Additions	-	621,951	632,826	1,254,777
Disposals	-	(434)	(5,966)	(6,400)
Revaluations	450,000	-	-	450,000
Depreciation expense	-	(687,099)	(1,116,967)	(1,804,066)
End of financial year	<u>4,650,000</u>	<u>1,745,985</u>	<u>12,940,044</u>	<u>19,336,029</u>

Included in leasehold improvements is the amount of \$5,485,002 (2011: \$381,540) in respect of preliminary works on the development of the new High Performance Centre and Administration Facility at Melbourne Airport.

## 8. INTANGIBLES

	2012	2011
	\$	\$
Gaming entitlements	3,673,038	229,721
Accumulated amortisation	(76,028)	-
	<u>3,597,010</u>	<u>229,721</u>
Opening balance	229,721	219,721
Additions	3,443,317	10,000
Amortisation	(76,028)	-
Closing balance	<u>3,597,010</u>	<u>229,721</u>

## 9. TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Trade creditors	832,197	1,619,354
Accruals	1,511,687	2,175,164
	<u>2,343,884</u>	<u>3,794,518</u>

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

## 10. EMPLOYEE BENEFITS

	2012	2011
	\$	\$
<b>Current</b>		
Annual leave	618,144	643,120
Long service leave	390,031	392,001
	<u>1,008,175</u>	<u>1,035,121</u>
<b>Non current</b>		
Long service leave	<u>79,008</u>	<u>42,374</u>

## 11. INCOME RECEIVED IN ADVANCE

	2012	2011
	\$	\$
Trading income received in advance	515,707	247,597
Government grant received in advance	-	865,740
	<u>515,707</u>	<u>1,113,337</u>

## 12. FINANCIAL LIABILITIES

	2012	2011
	\$	\$
<b>Current</b>		
Gaming entitlement instalments	<u>658,809</u>	-
<b>Non current</b>		
Gaming entitlement instalments	<u>2,701,576</u>	-

## 13. BANK FACILITIES

Unused limits / facilities	Amount of facility	Unused
	\$	\$
Finance facility	<u>2,000,000</u>	<u>2,000,000</u>
<b>Covenants</b>		
The facility requires the Company to maintain specific financial covenants and is secured by the freehold land assets of the Company		

## 14. NOTES TO THE STATEMENT OF CASH FLOWS

### a) Reconciliation of Cash

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

	2012	2011
	\$	\$
Cash on hand	330,903	309,935
Cash at bank	923,821	1,832,439
Short term deposits	10,901,492	3,110,278
<b>Trading cash</b>	<u>12,156,216</u>	<u>5,252,652</u>
Short term deposits - trust account	-	865,740
<b>Total cash and cash equivalents</b>	<u>12,156,216</u>	<u>6,118,392</u>

The effective interest rate on short term bank deposits was 5.1% (2011 5.5%). These deposits are at call.

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

	2012	2011
	\$	\$
Profit for the year	12,345,536	1,609,379

### Adjustments for:

Loss from disposal of fixed assets	22,544	6,400
Financing costs	125,843	-
Depreciation and amortisation	2,035,851	1,804,066

### Changes in assets and liabilities:

Decrease in receivables and other assets	755,902	244,825
(Decrease)/ increase in provision for doubtful debts	(15,068)	39,784
Decrease in inventory	14,355	174,170
Increase in provision for obsolete stock	369	2,578
(Decrease)/increase in payables and income in advance	(2,048,263)	1,174,544
Increase in provision for employee entitlements	9,688	157,899
	<u>13,246,757</u>	<u>5,213,645</u>



## 15. CAPITAL AND LEASING COMMITMENTS

	2012	2011
	\$	\$
<b>(a) Operating lease commitments</b>		
Payable:		
- not later than one year	251,000	251,000
- later than one year but not later than 5 years	990,654	870,000
- later than 5 years	3,851,634	720,833
	<u>5,093,288</u>	<u>1,841,833</u>

Operating lease commitments relate to the lease of Windy Hill precinct, Melton and Melbourne Airport land.

## (b) Capital expenditure commitments

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

Payable:		
- not later than one year	16,442,088	1,157,768
- later than one year but not later than 5 years	-	3,507,971
- later than 5 years	-	438,496
	<u>16,442,088</u>	<u>5,104,235</u>

Capital expenditure commitments relate to the development of the new High Performance Centre at Melbourne Airport.

## 16. FUTURE FUNDING

	Amount currently received	Amount yet to be received
	\$	\$
The company has secured the following funding agreements for the development of the High Performance Centre. Future funding is subject to reaching various project milestones.		
State Government grant	1,700,000	100,000
Federal Government grant	5,500,000	500,000
AFL special distribution	1,425,000	3,325,000
	<u>8,625,000</u>	<u>3,925,000</u>

This funding is anticipated to be received within the next 12 months.

## 17. CONTINGENT LIABILITIES

From time to time the Company is in discussions with external and internal stakeholders in relation to claims or disputes arising in the normal course of business. The directors are of the view that there are currently no such matters outstanding which would result in a material liability to the Company.

## 18. KEY MANAGEMENT PERSONNEL

### Transactions with key management personnel

The key management personnel compensation included in employee expenses are as follows:

	2012	2011
	\$	\$
Short term employee benefits	1,832,941	1,659,582
Post employment benefits	106,978	95,894
	<u>1,939,919</u>	<u>1,755,476</u>

## 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.





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