



# ANNUAL FINANCIAL REPORT

Hawthorn Football Club Limited

ACN 005 068 851

Year ending 31 October 2011



naming rights partner



principal partners



major partners



**Hawthorn Football Club Limited  
and its controlled entities  
ACN 005 068 851  
Annual report  
for the year ended  
31 October 2011**

# Hawthorn Football Club Limited and its controlled entities

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# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report**

### **For the year ended 31 October 2011**

The Directors present their report together with the financial report of Hawthorn Football Club Limited ("the Club") and of the Group, (being the Club and its controlled entities), for the year ended 31 October 2011 and the auditor's report thereon.

#### **Directors**

The Directors of the Club at any time during or since the end of the financial year are:

J G Kennett (President)	P A Newbold (Vice-President)	S P Cummins	J H Dunstall
R J Garvey	B C Growcott	G L Harris	A H Kaye*
M K Ralston			

\* Appointed to board 21 February 2011

#### **Principal activities**

The principal activities of the Hawthorn Football Club Limited are to compete within the AFL by maintaining, providing, supporting and controlling a team of footballers bearing the name of the Hawthorn Football Club. There were no significant changes in the nature of the principal activities during the year.

#### **Dividends**

The Constitution of the Hawthorn Football Club Limited prohibits the Club from the payment of dividends and accordingly no dividends were paid or declared during the year.

#### **Controlled Entities**

The Club is required to present consolidated information. The Consolidated Group comprises Hawthorn Football Club Ltd (HFC), HFC CS Fixed Trust (CSFT), Box Hill Hawks Football Club Ltd ("BHHFC") and HFC Foundation (HFC Foundation Pty Ltd Nominees)

The Club is the sole unit holder of CSFT, which in turn, owns a 73% interest in a Caroline Springs Joint Venture (CSJV), the nominee for which is CSJV Nominees Pty Ltd.

While Hawthorn Football Club does not hold an ownership interest in BHHFC, the Club is deemed to have the ability to govern the financial and operating policies of BHHFC; and consequently consolidates this entity.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2011**

#### **Operating and financial review**

The Club is delighted to announce a net operating profit for the year ended 31 October 2011 of \$1,712,428. (Club 2010: \$2,326,545).

The consolidated net operating profit attributable to the members of the Group for the year ended 31 October 2011 is \$594,323 (Consolidated 2010: \$8,565,545).

#### **Short and long term objectives of the Club**

The Club's short and long term objectives have been identified in the Club's business plan, "Five 2 Fifty". The 5 year business plan was released at the November 2007 AGM in which the primary measurables were to win two premierships and to secure 50,000 members. The business plan also identified the Club's aspirations of achieving a minimum \$2m profit per annum and to achieve a net assets position of \$20m.

Many of the primary objectives of the Five 2 Fifty business plan have now been achieved (with one of the two premierships remaining still to be secured). Management is currently preparing a new strategic plan, scheduled to be finalised in early 2012.

#### **Performance Management**

The Club measures its performance by setting targets for its primary strategic goals including stakeholder welfare, football and financial sustainability at the start of the season. These targets are then reported and monitored in detail on a regular basis throughout the season.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2011**

#### **Operating and financial review (continued)**

##### **Football Department**

The 2011 year, from a football perspective, was ultimately disappointing. Nevertheless the team produced an extremely consistent home and away season, despite being presented with some on field challenges throughout the course of the season. The Club was pleased to reach the Top 4 of the ladder, with the team displaying consistent improvement along the journey especially in the face of serious injuries to several key players. The team rebounded strongly against Sydney in the Semi-Final to progress into the Preliminary Final, after a disappointing display against Geelong in week one. The Preliminary Final saw an epic battle, which finally ended in heartache. The Club will continue to invest in our football program and will challenge each and every individual to deliver the level of contribution required for the Club to win our 11<sup>th</sup> premiership in 2012.

The Club increased our investment in development to allow our list to reach its full potential. We congratulate Box Hill on reaching the VFL finals again in the senior division, whilst their development side won the premiership for the third successive year.

The Club welcomed established AFL players David Hale and Cameron Bruce in 2011. In addition the Football Department continued its focus on drafting quality and talented young players through the recruitment of players the calibre of Isaac Smith, Paul Puopolo, Mitch Hallahan and Angus Litherland. Both Isaac Smith and Paul Puopolo debuted during the season, playing 16 and 20 games respectively. Luke Breust also debuted for the Club in 2011, and he and Shane Savage were both rewarded with Rising Star nominations in rounds 15 and 8 respectively.

Rick Ladson, Jarryd Morton, Jordan Williams, Riley Milne, Sam Menegola, Jack Mahony and Paul Johnson have concluded their football careers at the Club and we sincerely thank them all for their contribution and wish them well in their future endeavours. In particular we would like to thank Rick Ladson for his 10 year service to the Club, which included 125 games and the 2008 premiership.

##### **Tasmania**

In 2011 the Club was delighted to reach an agreement with the Tasmanian Government, extending our alliance for a further 5 year period (2012-2016). The relationship with both the Tasmanian Government as our major naming rights partner and the Tasmanian Community continues to grow and deliver benefits to both parties. The success of this partnership throughout its tenure has been outstanding and we will continue to work closely with Tasmania to further enhance and develop this relationship in the coming years.

##### **Facilities**

The Club has continued to develop its Waverley Park headquarters with completion of an interior refurbishment of the administration area during the year.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2011**

#### **Operating and financial review (continued)**

##### **Commercial Ventures / Investments**

The West Waters entertainment complex opened in late 2010 and its initial operations were hampered by ongoing construction works and a slower start-up than originally expected. The Club is pleased to note the significant improvement in the venue's financial performance in recent months and believe the business is very well positioned to deliver on its financial forecasts.

The Club's Vegas at Waverley Gardens venue continues to perform strongly, especially post the completion of a major refurbishment undertaken at the venue mid year.

##### **Membership & Merchandise**

Following on from last year's outstanding membership achievement, the Club consolidated its strong performance in this area, growing membership by 4.0% to 56,643 (2010 – 54,473). This is a very satisfying result, exceeding one of our Five 2 Fifty Business Plan objectives. Our membership support continues to grow each year in Tasmania with membership levels currently approaching 8,500.

Merchandise gross sales increased by over 20% in season 2011. This was an outstanding result and a very solid base from which to build. The on-line sales continue to grow strongly making up 42% of total gross sales.

##### **Match Day Attendances**

Average attendances at Melbourne home games in 2011 were 48,161, with the highlights of the season being the Round 5 fixture against Geelong (78,579) and the Round 14 fixture against Essendon (64,537). The average in Tasmania was 15,716, with the highlight being the Round 20 fixture against North Melbourne (16,820).

##### **Corporate and Fundraising**

The Club experienced an up-lift in our Corporate Sales revenues, increasing our gross revenues by approximately \$550k.

Highlights of the year included the Gold'n Brown Jubilee (1961 premiership) and the Club's major fundraiser which was held at the Melbourne Museum in June.

##### **Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company, other than those disclosed in this report.



# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2011**

#### **Operating and financial review (continued)**

##### **Community**

The Club recognises we have a Social Responsibility to engage in Community activities and with organisations.

Community activities include a three year Partnerships Program with the region of Katherine in the Northern Territory, which sees players and staff visit the area three times a year to engage with the local children and schools to deliver healthy and active lifestyle messages. We also welcomed six children and carers from a community outside Katherine to Melbourne for a five day cultural exchange experience in conjunction with Hawthorn Auskick.

The Club has enjoyed relationships with a variety of charitable organisations in 2011, providing match day experiences, fundraising initiatives or awareness campaigns to help spread their message. In 2011, the Club's charities included; beyondblue, Down Syndrome Victoria, Odyssey House, The Leukaemia Foundation, The Rioli Fund for Aboriginal Health, Zaidee's Rainbow Foundation, The Beacon Foundation, SIDS and Kids Victoria, The Kokoda Track Foundation, Able Australia, Camp Quality, My Room, The Salvation Army, Starlight Children's Foundation and the Victorian Blue Ribbon Foundation.

Youthbeyondblue continue as the Club's Major Community Partner and the Club continues to foster a strong relationship, working together on awareness campaigns which help reduce the stigma associated with anxiety and depression in young people.

In 2011, Hawthorn formalised a partnership with the Eastern Football League, further committing to the development of football in the area. The partnership sees players involved in a variety of activities, most notably the Eastlink EFL Road Safety Program which sees Roadsafes Victoria present to a different EFL Club each week with the assistance of a specially filmed DVD featuring Hawks players.

Our Community programs in Tasmania have been extremely well received. The Club works closely with the Tasmanian Government to deliver meaningful and effective programs across the State including the Tassie Hawks Cup and Netball Shield, Tassie Hawks in Schools Program and Community Camp.

We continue our work overseas through our agreement with AFL New Zealand, sponsoring the KiwiKick program (the equivalent of our Auskick) and the Hawks Cup Secondary Schools competition. The Club hosted the New Zealand International team at Waverley Park during the International Cup in August.

# **Hawthorn Football Club Limited and its controlled entities**

## **Directors' report (continued)**

### **For the year ended 31 October 2011**

#### **Operating and financial review (continued)**

##### **Foundation**

The HFC Foundation continues to build its funds to provide the Club with a solid financial base. The Foundation now has four fundraising components comprising Major Donations, Bequests, Annual Appeal and Gala Event. The major objective of the Foundation is to enable the Club to carry out specific projects which may not otherwise be funded from normal profits and generally to secure the Club's long term future. Refer to Appendix 1 for the Foundation Report.

##### **Environmental regulation**

The Club's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Club should be environmentally responsible and with an objective to be a leader within the AFL and Sporting Community generally.

The Club completed the construction of a self sufficient water solution for the Waverley Park precinct in April 2011. This infrastructure captures water from the roof of our neighbours, the Woolworths Distribution Centre, providing sufficient water for not only our own needs but potentially other public ovals in the area. These water reserves are expected to be heavily utilised throughout the summer months.

##### **Events subsequent to Balance Date**

Other than the matters discussed above, no matters or circumstances have arisen in the interval between the end of the financial year and the date of this report, including any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future years.

##### **Indemnification and insurance of Officers and Auditors**

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses' insurance contracts; as such disclosure is prohibited under the terms of the contract.

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

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as auditor, 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 as auditor incurred for the costs or expenses to defend legal proceedings.

# Hawthorn Football Club Limited and its controlled entities

## Directors' report (continued)

### For the year ended 31 October 2011

#### Operating and financial review (continued)

#### Information on Directors / Company Secretary

Name	Qualifications / Club Portfolio	Experience	Date appointed / Resigned
<b>Directors:</b>			
J G Kennett AC (President - Since 14 December 2005)	Chairperson of the Board	Premier of Victoria 1992-1999, Chairman of beyondblue - The National Depression Initiative, Chairman / Director of various Private and Public Companies	22 August 2005
P A Newbold (Vice President – Since 28 January 2010)	Chairperson of the Corporate Governance & Legal Committee, Bachelor of Economics Bachelor of Laws	Company Director	16 June 2003
S P Cummins	Chairperson of the Marketing Sub-Committee, Ba Lib (Law), BA (Journalism), Dip Ed.	Company Director	19 October 2009
J H Dunstall	Chairperson of the Football Sub- Committee	Former HFC player – 269 AFL games, Media Commentator	20 April 2004
R J Garvey	Member of the Finance/Investment Sub- Committee, Bachelor of Commerce, FCA, MBA	Chartered Accountant Company Director / Consultant	18 October 2010
B C Growcott	Chairperson of the Finance/Investment Sub- Committee. Bachelor of Commerce, FCA	Partner – PKF – Business Advisors	27 October 1998
G L Harris	Chairperson of the New Business Sub-Committee	Founder and former Director Flight Centre	22 June 2004
A H Kaye AM	MB BS MD FRACS	Neurosurgeon Professor of Surgery Head, Dept of Surgery The University of Melbourne Director, Dept of Neurosurgery The Royal Melbourne Hospital	21 February 2011
M K Ralston	Chairperson of HFC Foundation Committee, Director BHHFC, Bachelor of Economics	Consultant	22 August 2005
<b>Company Secretary:</b>			
T J Dillon	Bachelor of Business (Acc) CPA, MBA	13 seasons of AFL management	19 October 2011 (Resigned)
T Silvers	Bachelor of Commerce Grad Dip (Acc), CPA	7 seasons of AFL management	19 October 2011

# Hawthorn Football Club Limited and its controlled entities

## Directors' report (continued)

### For the year ended 31 October 2011

#### Operating and financial review (continued)

The number of Directors' meetings and number of meetings attended by each of the Directors of the company during the financial year were:

Name of Director	Directors' meetings	
	A	B
J G Kennett AC (President)	12	12
P A Newbold (Vice-President)	12	10
S P Cummins	12	10
J H Dunstall	12	11
R J Garvey	12	10
B C Growcott	12	12
G L Harris	12	10
A H Kaye	9	8
M K Ralston	12	10

- A Reflects the number of meetings held during the time the Director held office during the year  
 B Number of meetings attended

#### Governance

##### Finance and Investment Committee

The Club's Finance and Investment Committee comprises: B Growcott, M Ralston, R Garvey (Directors), S Fox, T Silvers, B Dunlop (Executives), J Hatherley and I Silk (Independent Advisors) which meets monthly prior to the Board meetings, and is primarily responsible for reviewing the Club's financial position and providing recommendations to the Board.

##### Corporate Governance and Legal Committee

The Club's Corporate Governance and Legal Committee comprises: A Newbold, G Harris (Directors), S Fox, M Evans, T Silvers (Executives), which meets monthly prior to the Board meetings, and is primarily responsible for reviewing the Club's corporate governance and risk profile, and providing recommendations to the Board.

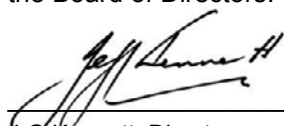
##### New Business Committee

The Club's New Business Committee comprises: G Harris (Director), S Fox, T Silvers, M Tiemens (Executives), M Tucker, A Drysdale and M Haddon (Independent Advisors) which meets bi-monthly prior to the Board meetings, and is primarily responsible for assessing and reviewing potential business opportunities for the Club and providing recommendations to the Board.

The Board would like to acknowledge and thank management and staff of the Hawthorn Football Club for their professional and tireless contributions throughout the 2011 season.

#### Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 11. Signed in accordance with a resolution of the Board of Directors.



J G Kennett, Director

Dated at Melbourne 14 November 2011



B C Growcott, Director

## **Hawthorn Football Club Limited and its controlled entities**

### **For the year ended 31 October 2011**

#### ***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2011***

To: the Directors of Hawthorn Football Club Limited and its controlled entities

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 October 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG

A handwritten signature in black ink, appearing to be 'B W Szentirmay', written over a horizontal line.

B W Szentirmay  
*Partner*

Melbourne

14 November 2011

# Hawthorn Football Club Limited and its controlled entities

## Statements of comprehensive income

For the year ended 31 October 2011

	Note	Consolidated		The Club	
		2011	2010	2011	2010
<b>Continuing operations</b>					
Revenue	4	48,872,326	40,573,073	42,035,270	39,962,835
Cost of sales		(3,256,909)	(1,610,604)	(1,885,342)	(1,590,754)
Gross Profit		45,615,417	38,962,469	40,149,928	38,372,081
Other Income	4	278,683	180,875	19,206	147,763
Sponsorship, membership & fundraising expenses		(9,864,531)	(8,891,136)	(9,841,765)	(8,789,640)
Employee and player expenses		(24,221,381)	(20,190,949)	(20,914,304)	(19,748,863)
Marketing expenses		(1,126,802)	(802,819)	(856,875)	(802,819)
Depreciation & amortisation		(1,166,313)	(693,194)	(763,934)	(666,334)
Venue management fees		(748,077)	(425,000)	(425,000)	(425,000)
Other football operations expenses		(2,316,797)	(2,282,842)	(2,301,798)	(2,313,556)
Other expenses in respect to ordinary activities		(6,153,251)	(3,654,659)	(3,599,160)	(3,723,623)
		<u>(45,318,469)</u>	<u>(36,759,724)</u>	<u>(38,683,630)</u>	<u>(36,322,072)</u>
<b>Results from operating activities</b>		296,948	2,202,745	1,466,298	2,050,009
Finance income		255,543	300,947	250,042	300,893
Finance expenses		(371,714)	(24,545)	(3,912)	(24,357)
<b>Net finance income</b>	5	<u>(116,171)</u>	<u>276,402</u>	<u>246,130</u>	<u>276,536</u>
Share of losses of equity accounted investees (CSJV)		-	(152,602)	-	-
Gain upon obtaining control of a joint venture (CSJV)	13	-	6,239,000	-	-
<b>Profit before income tax</b>		<u>180,777</u>	<u>8,565,545</u>	<u>1,712,428</u>	<u>2,326,545</u>
Income tax expense	3(p)	-	-	-	-
<b>Net profit for the year</b>		<u>180,777</u>	<u>8,565,545</u>	<u>1,712,428</u>	<u>2,326,545</u>
<b>Other comprehensive income</b>					
Net change in fair value of available for sale investments		(185,697)	5,293	(185,697)	5,293
Total comprehensive income for the year		<u>(4,920)</u>	<u>8,570,838</u>	<u>1,526,731</u>	<u>2,331,838</u>
<b>Total profit attributable to:</b>					
Members of Hawthorn Football Club		594,323	-	-	-
Minority Interests		<u>(413,546)</u>	-	-	-
		<u>180,777</u>	-	-	-
<b>Total comprehensive income attributable to:</b>					
Members of Hawthorn Football Club		408,626	-	-	-
Minority Interests		<u>(413,546)</u>	-	-	-
		<u>(4,920)</u>	-	-	-

The income statements are to be read in conjunction with the notes of the financial statements set out in pages 16 to 31

## Hawthorn Football Club Limited and its controlled entities

### Statements of changes in equity

#### For the year ended 31 October 2011 Consolidated

	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2009	-	16,918,998	415,051	17,334,049
Fair value movement of available for sale financial assets	-	-	5,293	5,293
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	(114,804)	(114,804)
Profit for the period	-	8,565,545	-	8,565,545
Minority interest (CSJV)	124,504	-	-	124,504
Closing balance at 31 October 2010	124,504	25,484,543	305,540	25,914,587
Opening balance at 1 November 2010	124,504	25,484,543	305,540	25,914,587
Fair value movement of available for sale financial assets	-	-	(185,697)	(185,697)
Net change in value of available for sale Financial assets Transferred to statement of comprehensive income	-	-	(89,043)	(89,043)
Profit/(Loss) for the period	(413,546)	594,323	-	180,777
Acquisition of Minority Interest without a change in control	(24,916)	(452,351)	-	(477,267)
Closing balance at 31 October 2011	(313,958)	25,626,515	30,800	25,343,357

#### For the year ended 31 October 2011 Club

	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2009	-	16,918,991	415,051	17,334,042
Fair value movement of available for sale financial assets	-	-	5,293	5,293
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	(114,804)	(114,804)
Profit for the period	-	2,326,545	-	2,326,545
Closing balance at 31 October 2010	-	19,245,536	305,540	19,551,076
Opening balance at 1 November 2010	-	19,245,536	305,540	19,551,076
Fair value movement of available for sale financial assets	-	-	(185,697)	(185,697)
Net change in value of available for sale financial assets transferred to statement of comprehensive income	-	-	(89,043)	(89,043)
Profit for the period	-	1,712,428	-	1,712,428
Closing balance at 31 October 2011	-	20,957,964	30,800	20,988,764

*The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 16 to 31*

## Hawthorn Football Club Limited and its controlled entities

### Statement of financial position

As at 31 October 2011

	Note	Consolidated		The Club	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	6	7,775,422	4,417,521	5,219,757	4,345,430
Trade & other receivables	7	1,411,805	1,150,166	1,353,086	1,261,970
Inventory	8	1,108,595	1,049,452	994,001	1,049,452
Other	10	1,311,752	1,023,403	958,278	755,267
<b>Total current assets</b>		<b>11,607,574</b>	<b>7,640,542</b>	<b>8,525,122</b>	<b>7,412,119</b>
<b>Non Current Assets</b>					
Trade & other receivables	7	240,000	-	4,480,296	2,455,899
Investments	9	1,744,600	3,296,269	1,744,600	3,296,279
Investment property	11	4,033,859	4,108,855	4,033,859	4,108,855
Property, plant & equipment	12	13,542,716	10,080,451	9,784,647	8,875,597
Intangible assets	13	17,277,437	8,237,046	-	-
<b>Total non-current assets</b>		<b>36,838,612</b>	<b>25,722,621</b>	<b>20,043,402</b>	<b>18,736,630</b>
<b>Total assets</b>		<b>48,446,186</b>	<b>33,363,163</b>	<b>28,568,524</b>	<b>26,148,749</b>
<b>Current Liabilities</b>					
Payables	14	6,949,317	3,402,561	3,779,617	2,607,765
Interest bearing loans & borrowings	15	618,130	138,956	18,130	138,956
Employee entitlements	16	831,337	516,399	736,099	501,837
Other liabilities	17	2,943,437	2,752,288	2,812,376	2,710,743
<b>Total current liabilities</b>		<b>11,342,221</b>	<b>6,810,204</b>	<b>7,346,222</b>	<b>5,959,301</b>
<b>Non Current Liabilities</b>					
Interest bearing loans & borrowings	15	11,581,531	72,592	54,461	72,592
Employee entitlements	16	179,077	230,780	179,077	230,780
Other liabilities	17	-	335,000	-	335,000
<b>Total non-current liabilities</b>		<b>11,760,608</b>	<b>638,372</b>	<b>233,538</b>	<b>638,372</b>
<b>Total liabilities</b>		<b>23,102,829</b>	<b>7,448,576</b>	<b>7,579,760</b>	<b>6,597,673</b>
<b>Net assets</b>		<b>25,343,357</b>	<b>25,914,587</b>	<b>20,988,764</b>	<b>19,551,076</b>
<b>Members' Equity</b>					
Reserves		30,800	305,540	30,800	305,540
Minority interest (CSJV)		(313,958)	124,504	-	-
Retained profits		25,626,515	25,484,543	20,957,964	19,245,536
<b>Total members' equity</b>		<b>25,343,357</b>	<b>25,914,587</b>	<b>20,988,764</b>	<b>19,551,076</b>

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 16 to 31



## Hawthorn Football Club Limited and its controlled entities

### Statements of cash flows

For the year ended 31 October 2011

	Note	Consolidated		The Club	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts in the course of operations		53,495,856	44,698,069	45,724,141	43,970,364
Cash payments in the course of operations		(51,222,062)	(42,095,730)	(42,983,510)	(41,490,301)
<b>Net cash from operating activities</b>		<b>2,273,794</b>	<b>2,602,339</b>	<b>2,740,631</b>	<b>2,480,063</b>
<b>Cash flows from investing activities</b>					
Interest received	5	60,794	44,501	55,293	44,447
Dividends received	5	105,706	141,642	105,706	141,642
Payments for property, plant & equipment		(2,522,140)	(3,224,191)	(1,601,323)	(3,167,038)
Payments for investments		-	(2,000,000)	-	(2,000,000)
Advance to controlled entity		-	-	(1,733,726)	(2,080,000)
Acquisition of minority interest		(477,267)	-	-	-
Acquisition of a joint venture subsidiary		-	(2,080,000)	-	-
Proceeds from sale of investments		1,457,470	3,150,000	1,457,470	3,150,000
<b>Net cash (used in) from investing activities</b>		<b>(1,375,437)</b>	<b>(3,968,048)</b>	<b>(1,716,580)</b>	<b>(3,910,949)</b>
<b>Cash flows from financing activities</b>					
Borrowing costs paid		(57,144)	(24,545)	(3,912)	(24,357)
Lease expenses paid		(6,856)	(7,826)	(6,856)	(7,826)
Loans granted		2,662,500			
Repayment of borrowings		(138,956)	(247,888)	(138,956)	(247,888)
<b>Net cash (used in) financing activities</b>		<b>2,459,544</b>	<b>(280,259)</b>	<b>(149,724)</b>	<b>(280,071)</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>		<b>3,357,901</b>	<b>(1,645,968)</b>	<b>874,327</b>	<b>(1,710,957)</b>
<b>Cash &amp; cash equivalents at 1 November 2010</b>		<b>4,417,521</b>	<b>6,063,489</b>	<b>4,345,430</b>	<b>6,056,387</b>
<b>Cash &amp; cash equivalents at 31 October 2011</b>	6	<b>7,775,422</b>	<b>4,417,521</b>	<b>5,219,757</b>	<b>4,345,430</b>

*The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 16 to 31.*

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **1. Reporting entity**

The Hawthorn Football Club Limited (the 'Club') is a company domiciled in Australia.

The financial report was authorised for issue by the Directors on 14 November 2011.

The significant policies which have been adopted in the preparation of this financial report are set out below.

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

The Group and Club has early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from reduced Disclosure Requirements* for the financial year beginning on 1 November 2009 to enable it to prepare Tier 2 general purpose financial statements, which reduce various reporting requirements not appropriate for the Club.

The consolidated financial report of the Group and the financial report of the Club are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDR's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

##### **(b) Basis of measurement**

###### **Functional Currency**

The financial report is presented in Australian dollars.

It is prepared on the historical cost basis, except for financial instruments that are available for sale which are stated at fair value.

The preparation of this financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be different from these estimates.

##### **(c) Use of estimates and judgements**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **3 Significant accounting policies**

The accounting policies set out below have been consistently applied to all periods presented in these consolidated financial statements, and have been applied consistently by group entities.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Key estimates and judgements in the context of the preparation of the financial report include the estimation of the fair value and recoverable amount of certain assets, and calculation of provisions.

##### **(a) Basis of Consolidation**

###### **Subsidiaries**

Subsidiaries are entities controlled by the group, such as CSJV and the Box Hill Hawks Football Club (BHHFC). Control exists when the Club has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the group's consolidated financial statements from the date that control commences until the date that control ceases.

The Club has adopted revised AASB3 Business Combinations (2008) and amended AASB127 Consolidated & Separate Financial Statements (2008) for business combinations occurring in the financial year starting 1 November 2009. All business combinations occurring on or after 1 November 2009 are accounted for by applying the acquisition method.

Under the accounting policy, acquisitions of a non controlling interest of itself are accounted for as transactions with equity holders in their capacity as equity holder by comparison to outsiders and no goodwill is recognised. To the extent an acquired interest when added to existing interests creates control, goodwill will be recognised.

Intra-group balances and any income and expenses arising from intra-group transactions are eliminated in preparing the consolidated statements.

In the Club's financial statements, investments in subsidiaries are carried at cost, unless impaired.

###### **Associates and jointly controlled entities (equity accounted investees)**

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost. The Club has no such investments.

##### **(b) Property, plant and equipment**

###### **Owned Assets**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(i)).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 3. Statement of significant accounting policies (continued)

##### Leased Assets

Leases in terms of which the Club assumes substantially all the risks and rewards of ownership are classified as finance leases, by comparison to operating leases, and are consequently included as property, plant and equipment with a corresponding liability for future payments. Lease payments are accounted for as described in accounting policy (3(o)).

##### Subsequent costs

The Club recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the statements of comprehensive income as an expense as incurred.

##### Depreciation

Depreciation is charged to the statements of comprehensive income over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for each class of asset in the current and comparative period are as follows:

	2011	2010	Method of depreciation
Buildings	25-40	25-40	Straight line
Building improvements	5-40	5-40	Straight line
Plant and equipment	5-40	3-20	Straight line / Reducing balance
Building leasehold improvements	5-40	5-40	Straight line

#### (c) Intangible assets

##### Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets.

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

##### Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

##### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

##### Amortisation

Amortisation is based on the cost of an asset less its residual value.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Lease premium	40yrs
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### **(d) Investments**

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the statements of comprehensive income.

Other financial instruments held by the Club are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses. When these investments are sold, the cumulative gain or loss previously recognised directly in equity is recognised in statements of comprehensive income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statements of comprehensive income.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the statement of financial position date.

Financial instruments classified as held for trading or available-for-sale investments are recognised / derecognised by the Club on the date it commits to purchase / sell the investments.

#### **(e) Investment property**

Investment property is held to earn rental income and for capital appreciation, however is not for sale in the ordinary course of business, or used for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit and loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

#### **(f) Trade and other receivables**

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 3(i)).

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

##### **(g) Inventories**

Inventories comprise clothing, Club merchandise and food and beverage. All inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost of inventory is based on average cost and incorporates expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

##### **(h) Cash**

Cash assets are carried at face value of the amounts deposited.

##### **(i) Impairment**

The carrying amounts of the Club's assets other, than inventories (see accounting policy 3(g)) are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statements of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statements of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is then objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is then recognised in the statements of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the statements of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the statements of comprehensive income.

##### **Calculation of impairment loss**

The recoverable amount of the Club's receivables carried at amortised cost is calculated as the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at the initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each statement of financial position date.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. As the Club is a not for profit entity, value in use is determined with reference to the depreciated replacement cost of the asset, unless the asset generates independent cash flows.

#### **Reversals of impairment**

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statements of comprehensive income.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **(j) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statements of comprehensive income over the period of the borrowings on an effective interest basis.

#### **(k) Employee Entitlements**

##### **Defined contribution superannuation funds**

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statements of comprehensive income as incurred.

##### **Long Service Leave**

The provision for employee benefits for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wages and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth Government bonds at balance date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as a long service leave expense.

As a result of a federally certified long service leave agreement between the players and the Australian Football League ("AFL"), the Hawthorn Football Club has no obligation for long service leave in respect of players.

# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

##### **Liabilities for wages, salaries and annual leave**

Employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date. The provisions are calculated at undiscounted amounts based on remuneration rates the Club expects to pay including on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits are expensed based on the net marginal cost to the Club as the benefits are taken by the employees.

##### **(l) Provisions**

A provision is recognised in the statement of financial position when the Club has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### **(m) Trade and other payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

##### **(n) Revenue**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Taxation Office (ATO). No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

##### **Sales Revenue**

Sales revenue from football activities comprises revenue earned from the sales of memberships, corporate marketing, the sale of merchandise, gate receipts and AFL distributions. Membership, corporate marketing and merchandise income are all recognised as earned, whilst gate receipts and AFL distributions are recognised as received.

##### **AFL distribution and prize money**

AFL distribution and prize money revenue is recognised as it is received.

##### **Membership and match day revenue**

Membership revenue is recognised throughout the duration of the AFL Home and Away season. Match day revenue is recognised at the conclusion of each AFL home game.

##### **Merchandise revenue**

Merchandise revenue is recognised as the merchandise is provided.

##### **Marketing revenue**

Marketing revenue is recognised in proportion to the state of completion of the transaction at balance date in accordance with the terms and conditions of the sponsorship contract.

##### **Accommodation revenue**

Accommodation revenue is recognised as it is provided.



# **Hawthorn Football Club Limited and its controlled entities**

## **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **3. Statement of significant accounting policies (continued)**

##### **Gaming, bar and bistro revenue**

Sales comprise revenue earned (net of returns, discounts and allowances) from gaming machines and provisions of food and beverages. Gaming, bar and bistro revenue is recognised as they are provided.

#### **(o) Expenses**

##### **Operating lease payments**

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

##### **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### **(p) Income Tax**

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

#### **(q) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

#### **(r) Segment reporting**

The Club operates solely as a constituent member of the Australian Football League.

#### **(s) Finance revenue and expenses**

Finance revenue comprises interest revenue on funds invested, dividend revenue, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets. Finance expenses comprise interest expense on borrowings, changes in the fair value of financial assets and impairment losses recognised on financial assets.

#### **(t) Presentation of financial statements and reduced disclosure**

In 2010, the Group and Club early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from Reduced Disclosure Requirements*. This has resulted in a reduction of disclosures for items such as financial instruments, equity accounted investments and business combinations which are not appropriate for the Club.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 4. Revenue

	Consolidated		The Club	
	2011	2010	2011	2010
	\$	\$	\$	\$
AFL distribution and prize money	7,682,004	7,236,500	7,682,004	7,236,500
Membership income	7,895,676	7,529,776	7,891,608	7,490,453
Match day income	3,809,441	4,908,538	3,726,858	4,812,813
Marketing income	14,576,422	12,954,457	14,179,931	12,517,722
Merchandise income	3,065,244	2,490,651	3,063,523	2,488,663
Gaming, bar and bistro income	10,057,704	4,603,250	4,449,843	4,568,918
Accommodation income	741,654	-	-	-
Donations and special fundraising	669,558	488,123	666,880	485,988
Rental income from investment property	374,623	361,778	374,623	361,778
<b>Total Revenue</b>	<b>48,872,326</b>	<b>40,573,073</b>	<b>42,035,270</b>	<b>39,962,835</b>
Other income	278,683	180,875	19,206	147,763
<b>Total revenue and other income</b>	<b>49,151,009</b>	<b>40,753,948</b>	<b>42,054,476</b>	<b>40,110,598</b>

#### 5. Finance income and expense

Interest income on bank deposits	60,794	44,501	55,293	44,447
Dividend income on available for sale investments	105,706	141,642	105,706	141,642
Net profit on disposal of available for sale investments	89,043	114,804	89,043	114,804
Finance Income	255,543	300,947	250,042	300,893
Interest expense	(371,714)	(24,545)	(3,912)	(24,357)
<b>Finance expense</b>	<b>(371,714)</b>	<b>(24,545)</b>	<b>(3,912)</b>	<b>(24,357)</b>
<b>Net finance income and expense</b>	<b>(116,171)</b>	<b>276,402</b>	<b>246,130</b>	<b>276,536</b>

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 6. Cash assets

	Consolidated		The Club	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash on hand	954,771	510,477	498,380	509,857
Cash at bank	3,091,434	2,273,949	1,035,987	2,202,478
Short term deposit	3,726,122	1,619,990	3,682,295	1,619,990
Cash management	3,095	13,105	3,095	13,105
	<u>7,775,422</u>	<u>4,417,521</u>	<u>5,219,757</u>	<u>4,345,430</u>

Cash assets of the Club include \$2,590,899 (2010: \$2,305,329) which has been set aside for the Hawthorn Foundation.

#### 7. Trade and other receivables

##### Current

Trade receivables	1,225,171	881,150	1,108,169	880,369
Other debtors	186,634	269,016	244,917	170,301
Loan – CSJV	-	-	-	211,300
	<u>1,411,805</u>	<u>1,150,166</u>	<u>1,353,086</u>	<u>1,261,970</u>

##### Non Current

Prepayments	240,000	-	240,000	-
Amount receivable from related parties				
Box Hill Hawks Ltd	-	-	172,087	172,087
Less: Allowance for impairment	-	-	(28,111)	(8,782)
Loan to subsidiary – CSJV	-	-	1,226,257	212,594
Loan to subsidiary – CSFT	-	-	2,870,063	2,080,000
	<u>240,000</u>	<u>-</u>	<u>4,480,296</u>	<u>2,455,899</u>

#### 8. Inventories

##### Current

Inventory	<u>1,108,595</u>	<u>1,049,452</u>	<u>994,001</u>	<u>1,049,452</u>
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#### 9. Investments

##### Non-Current

Equity securities available for sale	<u>1,744,600</u>	<u>3,296,269</u>	<u>1,744,600</u>	<u>3,296,269</u>
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#### 10. Other assets

##### Current

Prepayments	<u>1,311,752</u>	<u>1,023,403</u>	<u>958,278</u>	<u>755,267</u>
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# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 11. Investment Property

	Consolidated		The Club	
	2011	2010	2011	2010
	\$	\$	\$	\$
Balance at 1 November 2010	4,108,855	4,183,851	4,108,855	4,183,851
Acquisitions	-	-	-	-
Depreciation	(74,996)	(74,996)	(74,996)	(74,996)
Balance at 31 October 2011	4,033,859	4,108,855	4,033,859	4,108,855

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property comprises the gymnasium at Waverley Park which is leased to a third party under commercial leasing terms and conditions.

#### 12. Property, plant and equipment

##### Consolidated reconciliation

	Land buildings & building improvements	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2010	3,076,875	9,652,590	105,958	12,835,423
Acquisitions	-	3,732,665	720,992	4,453,657
Disposals	-	(3,335)	-	(3,335)
Balance at 31 October 2011	3,076,875	13,381,920	826,950	17,285,745
<b>Depreciation</b>				
Balance at 1 November 2010	(262,503)	(2,457,827)	(34,642)	(2,754,972)
Depreciation/amortisation charge for the year	(63,568)	(914,137)	(10,352)	(988,057)
Balance at 31 October 2011	(326,071)	(3,371,964)	(44,994)	(3,743,029)
<b>Carrying amounts</b>				
At 1 November 2010	2,814,372	7,194,763	71,316	10,080,451
At 31 October 2011	2,750,804	10,009,956	781,956	13,542,716

##### Club reconciliation

	Land buildings & building improvements	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2010	3,076,875	8,425,734	-	11,502,609
Acquisitions	-	880,331	720,992	1,601,323
Disposals	-	(3,335)	-	(3,335)
Balance at 31 October 2011	3,076,875	9,302,730	720,992	13,100,597
<b>Depreciation</b>				
Balance at 1 November 2010	(262,503)	(2,364,508)	-	(2,627,011)
Depreciation/amortisation charge for the year	(63,568)	(622,655)	(2,716)	(688,939)
Balance at 31 October 2011	(326,071)	(2,987,163)	(2,716)	(3,315,950)
<b>Carrying amounts</b>				
At 1 November 2010	2,814,372	6,061,226	-	8,875,598
At 31 October 2011	2,750,804	6,315,567	718,276	9,784,647

\* The Waverley Park land, buildings and oval are subject to certain usage and disposal restrictions during the term of the redevelopment of the adjacent properties.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 13. Intangible Assets

##### Consolidated reconciliation

	Goodwill \$	Lease premium \$	Total \$
Balance at 1 November 2010	8,237,046	-	8,237,046
Acquisitions	-	9,150,000	9,150,000
Disposals	-	-	-
Balance at 31 October 2011	<u>8,237,046</u>	<u>9,150,000</u>	<u>17,387,046</u>
<b>Amortisation</b>			
Balance at 1 November 2010	-	-	-
Depreciation/amortisation charge for the year	-	(109,609)	(109,609)
Balance at 31 October 2011	<u>-</u>	<u>(109,609)</u>	<u>(109,609)</u>
<b>Carrying amounts</b>			
At 1 November 2010	<u>8,237,046</u>	<u>-</u>	<u>8,237,046</u>
At 31 October 2011	<u>8,237,046</u>	<u>9,040,391</u>	<u>17,277,437</u>

##### Goodwill

In early 2010 the Club initially held a 50% non controlling interest in the CSJV via the CSFT. On 11 October 2010, the Club obtained control of the CSJV by acquiring a further 16.67% of the venture, taking the group's consolidated interest to 66.67%. The venture, as a consequence of accounting standards, became a deemed subsidiary as a result of this controlling acquisition.

The total consideration paid for the 16.67% interest was \$2.08m with the associated net assets approximating \$80k, resulting in the effective acquisition by the consolidated group of approximately \$2m in goodwill.

Recognition of the CSFT's control of the venture requires that its initial 50% investment in the CSJV be re-valued to fair value. In the opinion of the Directors, based on independent valuations received and the price paid for the 16.67%, the 50% CSJV interest's fair value is approximately \$6.239m. Together with the \$2m goodwill acquisition and the re-value of the initial 50% interest to fair value, the consolidated group carries approximately \$8.2m of goodwill in the statement of financial position as at 31 October 2011 (31 October 2010: \$8.2m).

##### Lease premium

As part of commercial arrangements in respect to the acquisition of the West Waters entertainment complex, the CSJV has entered into an agreement to pay \$9.15m as a lease premium for access to the site. The premium will be amortised over the 40 years of the joint venture's rental options.

The premium is payable by or before year four, 2016 with various trigger payments per annum and interest is payable on the facility (refer note 15).

**Hawthorn Football Club Limited and its controlled entities**  
**Notes to the consolidated financial statements**  
**For the year ended 31 October 2011**

**14. Payables**

	<b>Consolidated</b>		<b>The Club</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>				
Trade payables	5,297,982	2,368,262	2,630,554	1,586,965
Other creditors and accruals	1,651,335	1,034,299	1,149,063	1,020,800
	<u>6,949,317</u>	<u>3,402,561</u>	<u>3,779,617</u>	<u>2,607,765</u>

**15. Interest-bearing liabilities**

**Current**

Bank loan - secured	600,000	122,239	-	122,239
Hire Purchase	<u>18,130</u>	<u>16,717</u>	<u>18,130</u>	<u>16,717</u>
	<u>618,130</u>	<u>138,956</u>	<u>18,130</u>	<u>138,956</u>

**Non-current**

Hire Purchase	54,461	72,592	54,461	72,592
Bank loan - secured	2,062,500	-	-	-
Other financing facilities - unsecured	<u>9,464,570</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,581,531</u>	<u>72,592</u>	<u>54,461</u>	<u>72,592</u>

**Financing arrangements**

**Bank loan**

A fixed and floating charge exists over the assets and undertaking of CSJV Nominees Pty Ltd. Interest is charged on these loans at fixed and variable rates.

**Other**

Facilities provided by parties in respect to the leasehold premium (refer note 13).

**16. Employee provisions**

**Current**

Provision for annual leave	547,258	397,144	457,861	387,755
Provision for long service leave	<u>284,079</u>	<u>119,255</u>	<u>278,238</u>	<u>114,082</u>
	<u>831,337</u>	<u>516,399</u>	<u>736,099</u>	<u>501,837</u>

**Non-current**

Other	100,000	66,666	100,000	66,666
Provision for long service leave	<u>79,077</u>	<u>164,114</u>	<u>79,077</u>	<u>164,114</u>
	<u>179,077</u>	<u>230,780</u>	<u>179,077</u>	<u>230,780</u>

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### Defined contribution superannuation funds

The Club makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was \$1,030,777 for the financial year ended 31 October 2011 (2010: \$960,529).

#### 17. Other liabilities

	Consolidated		The Club	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Current</b>				
Unearned revenue	2,943,437	2,752,288	2,812,376	2,710,743
<b>Non-current</b>				
Unearned revenue	-	335,000	-	335,000

#### Multi-year non-cash sponsorship agreements

In 2005, the Club entered into an 8 year sponsorship agreement as part of the acquisition of the Waverley Park premises. The acquisition has been recognised based on the undiscounted fair value of the sponsorship benefits provided by the Club under the agreement. Revenue relating to the sponsorship is recognised within the statements of comprehensive income as detailed in note 3(n) on an annual basis and concludes during the 2012 year.

#### 18. Commitments

	Consolidated		The Club	
	2011	2010	2011	2010
	\$	\$	\$	\$

##### (a) Operating lease commitments

#### Leases as lessee

Non-cancellable operating lease rentals are payable:

Within one year	2,414,772	2,109,531	2,414,772	2,109,531
Between one and five years	9,251,131	8,781,657	9,251,131	8,781,657
More than five years	9,475,196	11,636,198	9,475,196	11,636,198
	<u>21,141,099</u>	<u>22,527,386</u>	<u>21,141,099</u>	<u>22,527,386</u>

During the year \$1,507,224 was recognised as an expense in the statements of comprehensive income in respect of operating leases (2010: \$622,758). Long term operating lease commitments relate to retail rental agreements in place for the West Waters entertainment complex and the Waverley Gardens venue.

The group has long term operating lease commitments within the CSJV in which the group has a 73% interest relating to a rental agreement commencing in December 2010 at the West Waters entertainment complex. The group has included the full amount of CSJV's operating lease commitments in the above disclosures.

# Hawthorn Football Club Limited and its controlled entities

## Notes to the consolidated financial statements

### For the year ended 31 October 2011

#### 18. Capital and Other Commitments (continued)

##### (b) Player commitments

Due to the contract terms varying considerably amongst players it is not practical to reliably measure the future commitments under player contracts. The Club will continue to comply with the prescribed Australian Football League's Total Player Payments limits.

##### (c) Capital and Other Commitments

On 10 May 2010 the Club entered into an agreement to acquire gaming machine entitlements at a total cost of \$412,500 for the "Vegas at Waverley Gardens" venue. The entitlements are for 10 years commencing 16 August 2012. The Club paid a 5% deposit of \$20,625 in June 2010 with the balance payable over 4 years in quarterly instalments commencing August 2012.

On 10 May 2010 the CSJV in which the Group has a 73% interest, entered into an agreement to acquire gaming machine entitlements at a total cost of \$2,668,000 for the West Waters entertainment complex. The entitlements are for 10 years commencing 16 August 2012. The CSJV paid a 10% deposit of \$266,800 in June 2010 with the balance payable over 4 years in quarterly instalments commencing August 2012.

#### 19. Related parties

##### Transactions with Directors

During the year a number of the Directors purchased Club membership packages, finals tickets, attended Club functions, made donations and contributed towards fundraising auctions. The terms and conditions of the transactions with the Directors and their Director related entities were no more favourable than those available, or which might be reasonably expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

##### Key management personnel compensation

The key management personnel compensation included in employee and player expenses is as follows:

Consolidated		The Club	
2011	2010	2011	2010
\$	\$	\$	\$
1,974,384	1,774,188	1,974,384	1,774,188

##### Other related parties

Amounts receivable from other related parties are shown in note 7 of these financial statements.

The Club advanced \$2,870,063 to the CSFT, a wholly owned subsidiary, by way of a loan. The amount is not repayable within twelve months, is non interest bearing and security is held over the assets of CSFT.

The Club also made operating payments totalling \$235,000 (2010: \$232,200) to the BHHFC. These payments were made in accordance with the Alignment Agreement, and have been eliminated in the consolidated financial statements.



## **Hawthorn Football Club Limited and its controlled entities**

### **Notes to the consolidated financial statements**

### **For the year ended 31 October 2011**

#### **20. Contributed equity and reserves**

HFC Ltd is a company limited by guarantee only and therefore does not have share capital. The amount capable of being called up only in the event of, and for the purpose of, the winding up of the Club is limited to \$2 per member, subject to the provisions of the Club's constitution.

The fair value reserve comprises the cumulative net change in the fair value of available for sale financial assets, until the investments are de-recognised or impaired.

#### **21. Group entities**

The Club presents consolidated information which comprises the Club, HFC CSFT, BHHFC and HFC Foundation. The Club is the sole unit holder of CSFT. The CSFT holds the Club's interest in the CSJV, which became a subsidiary on 11 October 2010 (see Note 13).

While the Club does not hold an ownership interest in BHHFC, the Club is deemed to govern the financial and operating policies of BHHFC and consequently the Club, is required to consolidate this entity.

#### **22. Hawthorn Foundation**

The Hawthorn Football Club Foundation ("Foundation") actively continued its role of providing the HFC with access to income and capital for specific projects which may not be otherwise funded from normal profits or reserves. The Foundation is a division within the Club. HFC Foundation Nominees Proprietary Limited ("Nominees") acts as nominee for the Foundation and is primarily responsible for its operation and governance. The Club owns all of the shares in Nominees and 1 of its 5 Directors are currently Directors of the Club. Nominees' relationship with the Club and its responsibilities are governed by both a charter and nominee agreement. The Foundation's financial operations and position are included within the Club's financial statements.

During the year the Foundation received \$291,183 in donations (2010: \$248,155) and generated \$137,096 in investment earnings (2010: \$74,184).

These contributions have assisted in increasing the funds set aside for the Foundation to \$2,685,758 (2010: \$2,305,329). Refer to the Appendix 1 to this financial report for further information in relation to the Foundation.

#### **23. Subsequent events**

No other matters or circumstances have arisen since 31 October 2011 that will significantly affect, or may significantly affect, the operations of the group, the results of the operations, or the state of affairs of the group in subsequent years.

#### **24. Other information**

Registered office:

3/2 Stadium Circuit  
Mulgrave, Victoria, Australia 3170

HFC Ltd incorporated and domiciled in Australia, is a company limited by guarantee.

## Directors' declaration

In the opinion of the Directors of HFC Ltd ("the Club") and its controlled entities:

- (a) the financial statements and notes, set out on pages 12 to 31, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Club and the Group as at 31 October 2011 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 14<sup>th</sup> day of November 2011.

Signed in accordance with a resolution of the Directors:



J G Kennett

*Director*



B C Growcott

*Director*



## **Independent auditor's report to the member of Hawthorn Football Club Limited Report on the financial report**

We have audited the accompanying financial report of Hawthorn Football Club Limited (the Club), which comprises the statements of financial position as at 31 October 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration set out on pages 12 to 32 of the Club and the Group comprising the Club and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

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

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we 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 entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – reduced Disclosure Requirements, a true and fair view which is consistent with our understanding of the Club's and the Group's financial position and of their performance.

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

## **Independent auditor's report to the member of Hawthorn Football Club Limited Report on the financial report**

### ***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 Hawthorn Football Club Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Club's and the Group's financial position as at 31 October 2011 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.



KPMG

A handwritten signature in black ink, appearing to be 'B W Szentirmay', written over a horizontal line.

B W Szentirmay  
*Partner*

Melbourne

14 November 2011

## Appendix<sup>1</sup>

### HFC Foundation Report (a division of HFC Ltd)

During the financial year the Foundation continued to increase its financial base. In August the Foundation received and approved a request from the Football Department to provide funds for the purchase of an Alter G Machine. Currently HFC is considering the purchase of the remaining retail space at Waverley. It is expected that should HFC decide to acquire some or all of the space that funds will be requested from the Foundation.

Our three donor programs continued this year. The major donor program conducted a number of functions including a gala dinner in May and an end of season lunch in September. In addition donors and potential donors were hosted at President's Room functions at MCG home games and at Aurora Stadium. The Bequest Society conducted functions in Launceston, Adelaide, Perth and the Gold Coast. All functions were well attended. Our annual appeal program, targeted at current members, was conducted during May/June with good results. On behalf of the Foundation I would like to sincerely thank all donors and bequestors for their generous contributions.

During the year three Directors, Mark Rowsthorn, Bruce Growcott and Sean Cummins retired and were replaced by Bruce Stevenson and Peter McKenzie. I would like to thank both retired and current Directors for their valuable assistance. I would also like to acknowledge the excellent contribution from Bequest Society ambassadors Graham Arthur, David Parkin and Peter Hudson. Finally I would like to acknowledge the work done by Morton Browne (General Manager), Jan Wade and Peter Knights in managing the activities of the Foundation.

Martin Ralston, Chairman

#### HFC Foundation (a division of HFC Ltd) Statement of Comprehensive Income (extract) For the year ended 31 October 2011

	2011 (\$)	2010 (\$)
<b>Income</b>		
Donations and Annual Appeal	291,183	248,155
Interest Received	137,096	74,184
HFC expense / reimbursement	<u>260,624</u>	<u>204,464</u>
<b>Total Revenue</b>	<b><u>688,903</u></b>	<b><u>526,803</u></b>

#### **Less Expenses**

Expenses	260,624	204,464
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#### **Net Surplus**

<b><u>428,279</u></b>	<b><u>322,339</u></b>
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#### Statement of Financial Position (extract) As at 31 October 2011

	2011 (\$)	2010 (\$)
<b>Current Assets</b>		
Term & Other Deposits	2,590,899	2,305,329
Debtors	<u>94,859</u>	<u>-</u>
<b>Total Assets</b>	<b><u>2,685,758</u></b>	<b><u>2,305,329</u></b>

#### **Equity**

Corpus Capital – HFC Ltd	1,700,000	1,700,000
Contribution – HFC Gym Equipment	<u>(47,850)</u>	<u>-</u>
<b>Net Corpus</b>	<b><u>1,652,150</u></b>	<b><u>-</u></b>

Current Year Surplus	428,279	322,339
Accumulated Surplus - 1 <sup>st</sup> November 2010	<u>605,329</u>	<u>282,990</u>
Total Surplus – as at 31 <sup>st</sup> October 2011	<u>1,033,608</u>	<u>605,329</u>

<b>Total Funds</b>	<b><u>2,685,758</u></b>	<b><u>2,305,329</u></b>
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<sup>1</sup> The information contained in this Appendix does not form part of the audited statutory financial report of the Club for the year ended 31 October 2011. It has been prepared solely for the information of members and report users.

Annual financial report ends



**HAWKS**

