



ANNUAL FINANCIAL REPORT

HAWTHORN FOOTBALL CLUB LIMITED

| YEAR ENDING 31 OCTOBER 2016 |

**HAWTHORN FOOTBALL CLUB LIMITED
AND ITS CONTROLLED ENTITIES
ACN 005 068 851
ANNUAL REPORT
FOR THE YEAR ENDED
31 OCTOBER 2016**

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

CONTENTS

	<i>Page</i>
Directors' report	3
Lead auditor's independence declaration	15
Statements of profit or loss and other comprehensive income	16
Statements of changes in equity	17
Statements of financial position	18
Statements of cash flows	19
Notes to the consolidated financial statements	20
Directors' declaration	39
Independent auditor's report	40
Appendix 1 – Foundation Report	42

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2016

The Directors present their report together with the financial report of Hawthorn Football Club Limited ("Club") and the Group, (being the Club and its controlled entities), for the year ended 31 October 2016 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:

R J Garvey (President)	P A Newbold (former President)*	L Kristjanson (Vice-President)
R C Amos**	A D W Gowers	A H Kaye
P W Nankivell	L J Nolan***	B A Stevenson
R P Vandenberg***		

* Retired from the board 28 January 2016, replaced by R Garvey as President

** Retired from the board 6 April 2016

*** Appointed to the board 21 September 2016

Principal activities

The principal activities of the Club are to compete within the Australian Football League ("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 Club 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 financial accounts. The consolidated group ("Group") comprises the Club, HFC CS Fixed Trust ("CSFT"), Box Hill Hawks Football Club Ltd ("BHHFC"), HFC Foundation including the Public Ancillary Fund through its nominee HFC Foundation Nominees Pty Ltd ("Foundation") and HFC Land Pty Ltd ("HFC Land") through its trust, HFC Land Trust.

The Foundation is the trustee of the HFC Foundation (Public Ancillary Fund).

The Club is the sole unit holder of HFC Land Trust for which HFC Land Pty Ltd is the trustee.

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. CSJV is the leasehold operator of the WestWaters Hotel.

While the 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 2016

Operating and financial review

The Club is delighted to announce a net operating profit for the year ended 31 October 2016 of \$2,573,491 (Club 2015: \$3,332,972, excluding a specific donation of \$2,000,000).

The consolidated net profit attributable to the members of the group for the year ended 31 October 2016 is \$4,523,369 (Consolidated 2015: \$5,374,299).

Short and long term objectives of the Club

The Club's short and long term objectives are identified in the Club's 5 year business plan, "All for One". This business plan was released in February 2013, with the vision to become the Destination Club of the AFL, where committed people are developed through the strength of the Hawthorn Culture to deliver and celebrate exceptional performance.

Performance Management

The Club measures its performance across 6 key strategic pillars, namely; Football Operations, Financial Management, Fan and Community Engagement, Commercial Operations, People and Facilities and Infrastructure.

Management conducted a business wide strategic plan health check. This was presented to and accepted by the Board of Directors at its meeting in September 2016.

The Board is very pleased with the progress the Club has made in achieving most of the ambitious objectives set out in the 'All for One' Strategic Plan. The Club has achieved unprecedented success both on and off the field, and we are proud of our efforts. We are however confronting significant challenges which include being able to regenerate our playing list through draft, trade and free agency with the objective to remain a team in the Top 4. The new AFL funding model provides us with limited increases in AFL distributions and will require us to develop additional non-football related income streams if we are to achieve our longer term strategic goals.

Our Club is well placed and ready to embrace the challenges that lie ahead. We look forward to setting higher aspirational goals in our next strategic plan, to be launched in 2018.

AFL Equalisation

In 2016, the AFL continued a number of equalisation measures as part of their competitive balance strategy. Specifically, the soft-cap on football department expenditure, as well as revenue share payments (HFC: \$500,000) and unfunded salary cap increases for certain clubs (HFC: \$150,000). Furthermore, an equalisation gate levy is also imposed on home club match returns for just over half of the AFL clubs.

For the year ended 31 October 2016, Hawthorn Football Club made a total of \$1,301,588 in AFL Equalisation payments (2015: \$1,349,107).

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Football

There was a chance to create history in 2016, however the Hawks fell short bowing out to the Western Bulldogs in the semi-finals.

The team finished in the top-four for the sixth consecutive year and once again had an impressive home and away season with 17 wins, only missing out on top spot by percentage.

Despite the season not ending with silverware, 2016 was a success by other measures. Eight players pulled on the brown and gold for the first time and showed fans what the next crop of Hawthorn players are capable of.

While James Sicily, Daniel Howe, Billy Hartung, Tim O'Brien and Jonathan O'Rourke were all exposed to more consistent senior football, it was also a season of many milestones. Sam Mitchell and Shaun Burgoyne reached 300 games whilst Jordan Lewis and Josh Gibson reached 250 and 200 games respectively.

Cyril Rioli also earned All Australian honours for the third time (2012, 2015) and was the only Hawthorn player to receive selection in 2016.

Throughout the season, the Club extended the contracts of several players including Luke Hodge, Shaun Burgoyne, Josh Gibson, Paul Puopolo, Teia Miles and Kade Stewart.

The challenges faced both on and off the field were again large but once again the Club demonstrated its resilience.

The news of Jarryd Roughead's diagnosis affected everyone, from Hawthorn people to general football fans alike, however Jarryd has responded well to his medical treatment and has continued to provide invaluable guidance and direction to the playing group in an off the field role.

2016 also saw the departure of Chris Fagan, GM of Football Operations, who took up the role of Senior Coach at the Brisbane Lions. All at Hawthorn wish Chris and his family all the best in his new endeavour.

The Club also parted ways with three multiple premiership players during the 2016 trade period.

Sam Mitchell, Jordan Lewis and Bradley Hill all found new homes across the course of the 2016 trade period. Mitchell landed at West Coast Eagles, Jordan Lewis became a Demon and Bradley Hill joined brother, Stephen, at Fremantle.

These were incredibly hard decisions for us to make, but the trades have produced the right outcomes for all parties involved. Hill has returned to his family in Perth whilst Mitchell and Lewis were able to guarantee their futures. For our Club, their departures open opportunities for a new generation of Hawks.

We thank all departing players for their magnificent contribution to our Club over many years and we are forever indebted to them.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Football (continued)

In addition to debuting 8 new players in 2016, the Club also added impressive, young talent to its list; with Jaeger O'Meara, Tom Mitchell and Ty Vickery all joining the Hawks during the trade period.

Hawthorn's VFL affiliate Box Hill Hawks missed out on finals, finishing 10th with seven wins and 11 losses, however, the Box Hill Hawk's development side were named 2016 Premiers after their 105-point victory against Casey Scorpions.

The Club also congratulates Chris Newman who will take on the role as Senior Coach at Box Hill next season.

Former Box Hill Coach Marco Bello will move into the role of Head of Development Academy at Hawthorn while Rob McCartney, previous Head of the Development Academy, will return to teaching, as principal of Shepparton Primary School, where he had previously spent eight years.

2013 Premiership player Max Bailey will return to the Club where he spent eight years as a player to commence a role as a Development Coach.

Jason Burt has been appointed GM of Football Operations and Damian Carroll becomes Head of Coaching & Development and we congratulate both Jason and Damian. Both have been with our Club for some years and we are pleased to continue to promote from within wherever practicable.

Finally, the Club announced an exciting step in our commitment to women's football, announcing Box Hill Hawks will enter a team in the 2017 VFL Women's competition. The Box Hill Hawks VFL women's team will provide a clear talent pathway for women in the eastern region and promote progression from junior through to elite level. Patrick Hill has been appointed the inaugural Senior Coach of the side.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Tasmania

This year was the final year of the Club's current 5 year sponsorship agreement with the Tasmanian Government. The Club and the Tasmanian Government agreed another 5 year extension taking the partnership to 2021. Reaching a record 9,249 members in our 15th year of operation in Tasmania is testimony to the success of the Club and our Tasmanian partners collective efforts in 2016.

A renewed focus on community programs saw a realignment to high profile educational needs in Tasmania, developed in consultation with the Departments of Education and Health and Human Services. Hawthorn's presence within the state-wide school network, supported by innovative new programs including a junior football short film competition, a Hawks Heroes community service program and the launch of Tasmania's first ever locally-produced television brand campaign have laid a strong foundation for continued brand dominance in an increasingly competitive market.

Facilities

In 2015 the Club announced plans to move its headquarters from Waverley Park to a purpose built training and administration facility on a parcel of land in Dingley, following the Club signing a conditional contract of purchase.

The Club has been granted a planning permit from the City of Kingston based on our proposed training and administration facility at Dingley.

The permit is yet another step in the Club's due diligence investigations into the Dingley site, which aims to assess whether the site is suitable to fulfil all the needs of the Club for the next 100+ years.

Notwithstanding these important planning process outcomes, the Club is still completing a thorough investigation of the site including formalising other planning approvals, continued environmental investigations and financial evaluations, to determine if the site is capable of housing a world-class training and administration facility that can attract the best players, coaches and staff.

Under the conditional contract of sale, the Club has until late 2016 to conduct further due diligence on the sites suitability as a long term base, before making a final decision on the future of the facility and site.

Any potential development would be a 5 to 10 year undertaking.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Commercial Ventures / Investments

The WestWaters Hotel and Entertainment Complex completed its 5th full year of operations in 2016. The venue has continued to establish itself as a high quality venue in the area which supports the growing local community. 2016 saw the Hotel increase its operations including receiving approval to expand the Mercure Hotel by an additional 40 rooms which are under construction.

The Club's Vegas at Waverley Gardens venue also remains an important investment for the Club and reached its 20th year of trade in 2016.

Sponsorship

In 2016 the Club's major partnerships continued with the Tasmanian Government, iiNet, and Adidas. Audi Australia joined as a new principal partner, featuring branding on the players shorts, coaches apparel and coaches box. Bupa and Ricoh extended their partnerships and new commercial partnerships were signed with VicHealth, Interisk and AFL Travel. The Club looks forward to continuing these strong and rewarding relationships with these and our other commercial partners over the years ahead.

Corporate Sales and Fundraising

Similar to other Victorian based AFL Clubs, HFC Corporate Hospitality (the Club's Corporate Sales division) faced a challenging year in a difficult Melbourne hospitality market. Despite this, for the first time in several years, the Club posted a 5% year-on-year sales growth result in Tasmania and over delivered in the areas of AFL Finals, Spring Racing and the Club's Inner Hawk program. HFC Corporate Hospitality continues to offer a diverse portfolio of products including; Grand Slam Tennis, Australian Grand Prix, International Cricket, State-of-Origin Rugby League, Spring Racing Carnival and major international concerts via www.hfccorporatehospitality.com.au.

Membership & Merchandise

Membership has again continued its longstanding trend by continuing to grow, this year at a rate of 3.3% to 75,351 (2015: 72,924). This was the 10th year in a row the Club has broken its membership record and includes 77% of members on the annual roll-over payment plan *HawksDirect*. The Club is also pleased to report finishing first on the AFL membership ladder ahead of Collingwood and Richmond. Our Tasmanian membership base broke the 9,000 barrier for the first time, with 9,249 members joining in 2016.

HFC's merchandise department recorded another solid result in 2016 with gross revenues exceeding \$3.7m - the 4th consecutive year above \$3m. HawksNest had 6 channels of sales during the year, including permanent stores at the Ricoh Centre Waverley Park, Glenferrie Oval, online fulfilment, home game operations at Aurora Stadium, match-day opportunities at the MCG and an online auction distribution. The online contribution is now over 50% of gross revenues and Adidas as our official apparel partner are responsible for 36% of gross revenues.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Match Day Attendances

The Club recorded an average attendance of 49,666 across 7 Melbourne home games in 2016 (2015: 52,783). Season highlights included the Round 9 fixture against eventual Grand Finalist Sydney (61,552) and for the Round 19 match against Carlton which provided a record crowd for a Launceston game of 18,112. The average attendance across 4 home games in Tasmania was 13,855.

Foundation

The Foundation was established to ensure our Club continues to thrive regardless of the competitive and complex environment in which it operates. Our history has taught us that even the most successful Clubs need to be future ready.

Foundation donations enable us to lead and respond to opportunities above and beyond the Club's core operational day-to-day activities and obligations.

In 2016, the Foundation received donations totalling \$593,897 and generated \$278,768 in investment earnings. These contributions have assisted in increasing the funds of the Foundation to \$6,896,627.

The Always Hawthorn Bequest Club had another strong year with 43 confirmed bequestors. These people/families have committed to leaving a bequest and ensuring the Club remains financially viable for the long-term.

The 2016 year was one for preparing for the possible purchase of the land at Dingley. If the conditional offer to purchase the land is approved, the Foundation will have a significant role to play in fundraising for a new facility.

The Foundation will work closely with the Club over the next few years to execute a fundraising strategy that will complement the redevelopment plans for the proposed new training and administration facility. Simultaneously, the Foundation also aims to provide annual cash distributions to support specific activities of the Club, with particular emphasis on supporting and growing our community programs.

Community

The Club recognises its social responsibility to engage in community activities and to this end are involved in a variety of activities throughout Australia, in particular Melbourne, Tasmania and the Northern Territory.

Hawthorn's Indigenous Program continues to benefit from Epic Good Foundation's philanthropic donation of \$1m over 5 years, boosting existing programs and generating additional support for new community partners such as ILF (Indigenous Literacy Foundation). Key highlights include the 2nd annual Big River Hawks Cultural Trip to Melbourne and partnering with Hawthorn Auskick to support six children and two carers from Beswick, in the Northern Territory, to travel to Melbourne for a six-day cultural exchange experience.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

Community (continued)

Despite a major rebranding and restructure, our major Community Schools Program Looking After ME maintained its reach to the Eastern Suburbs of Melbourne operating in 33 schools. Looking After ME draws on the knowledge of experts from Deakin University and Beyondblue in the nutrition and mental health field, allowing Hawthorn to develop a new program containing relevant and suitable information and activities for students aged 8-10 years old.

In 2016 Hawthorn Football Club directly supported the efforts of over twenty charitable and community organisations across Tasmania. The Club continues to work closely with the Tasmanian Government to deliver meaningful and effective programs across the state including Community Camp and the Tassie Hawks Cup / Netball Shield. However, the major highlight for 2016 was the launch of the Club's Tasmanian version of Looking After ME, an online program which will officially commence in Term 1, 2017.

Beyondblue, Starlight Children's Foundation, Cancer Council Tasmania, ILF, SEDA, Life Education and Give Me 5 for Kids are the Club's chosen community partners in 2016.

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 Club, other than those disclosed in this 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 have an objective to be a leader within the AFL and sporting community generally.

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 Club, to affect significantly the operations of the Club, the results of those operations, or the state of affairs of the Club in future years.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Operating and financial review (continued)

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 Club has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the Club 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 2016

Information on Directors / Company Secretary

Name	Qualifications / Club Portfolio	Experience	Date Appointed / Resigned
Directors:			
R J Garvey (President since 28 Jan'16)	Chairperson of the Board, Chairperson of the CSJV, Member of FRMC, Member of the Training and Administration Facility Committee, Bachelor of Commerce, FCA, MBA	Chartered Accountant, Company Director / Consultant	18 October 2010
P A Newbold (Former President)	Former Chairperson of the Board, Bachelor of Economics, Bachelor of Laws	Company Director	28 January 2016 (Resigned)
L J Kristjanson (Vice-President)	Chairperson of the Training and Administration Facility Committee, BN, MN, PhD, FAICD,	Vice-Chancellor and President of Swinburne University	21 March 2014
R C Amos	Former Chairperson of the Marketing Sub-Committee, BA (Legal / Sociology), BA (Public Relations)	Managing Director Royce Communications (1996-present), Corporate communications Adviser / Company Director	6 April 2016 (Resigned)
A D W Gowers	Chairperson of the Football Sub-Committee, BBus(Marketing), DFS(Financial Planning)	1991 HFC premiership player, 140 AFL games, Succession & Financial Consultant	17 April 2014
A H Kaye AM	Member of Integrity and Compliance Committee 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
P W Nankivell	Chairperson of FRMC, Chairperson of Integrity and Compliance Committee, Member of the CSJV Bachelor of Commerce, Bachelor of Laws, Masters of Law	Lawyer – Consultant Thomson Geer, Company Director	11 December 2014
L J Nolan	Member of Integrity and Compliance Committee Bachelor of Arts (Honours), Master of Arts, Graduate Diploma (Public Sector Management)	Company Director	21 September 2016 (Appointed)

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

Information on Directors / Company Secretary (continued)

Name	Qualifications / Club Portfolio	Experience	Date Appointed / Resigned
B A Stevenson	Chairperson of HFC Foundation, Member of the CSJV	Motor Vehicle dealer, Company Director, 1971 HFC premiership player 72 AFL games	28 June 2013
R P Vandenberg	Bachelor of Business	HFC Past Player, 145 AFL games Captain HFC 2005-07 Company Director / CEO	21 September 2016 (Appointed)

Company Secretary:

T Silvers	Member of FRMC, Member of the CSJV, Member of the Training and Administration Facility Committee, Member of Compliance and Integrity Committee, Bachelor of Commerce, Grad Dip (Acc), CPA,	12 seasons of AFL industry experience, Director BHHFC	19 October 2011
-----------	---	--	-----------------

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2016

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
R J Garvey (President)	12	12
P A Newbold (Former President)	3	3
L J Kristjanson (Vice President)	12	11
R C Amos	5	4
A D W Gowers	12	11
A H Kaye	12	11
P W Nankivell	12	12
L J Nolan	3	2
B A Stevenson	12	11
R P Vandenberg	3	3

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 Risk Management Committee

The Club's Finance and Risk Management Committee comprises: P Nankivell (Chair), R Garvey (Director), S Fox, T Silvers, J Lyford, A Singh, H Hogan (Executives) and Ed Sill (independent advisor) 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.

Caroline Springs Joint Venture

The board of directors of CSJV Nominees Pty Ltd (the JV manager) comprises: R Garvey (Chair), P Nankivell, B Stevenson, E Gauci, J Gauci (Directors), T Silvers and H Hogan (Executives). The board meets bi-monthly to review and assess the operations of WestWaters Hotel and Entertainment Complex and provide strategic direction.

Training and Administration Facility Development Project Steering Committee

The Club's Training and Administration Facility Development Project Steering Committee comprises: L Kristjanson (Chair), R Garvey (Director), S Fox, T Silvers, B Boger, C Fagan (until 5th October) and K Brewer (Executives) which meets bi-monthly and is primarily responsible for providing strategic direction when reviewing and assessing options of relocating the Club's Training and Administration facility, and then providing recommendations to the board.

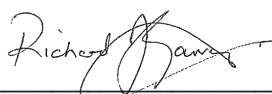
Other

The Club has board sub-committees which are responsible for Football, Integrity and Compliance and the HFC Foundation. Individual Club directors chair meetings of these sub-committees.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 15 and forms part of the Directors' report for the financial year ended 31 October 2016.

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



R J Garvey, Director

Dated at Melbourne 11 November 2016



P W Nankivell, Director

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 31 OCTOBER 2016



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

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 2016 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



B W Szentirmay
Partner

Melbourne

11 November 2016

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2016

	Note	Consolidated		The Club	
		2016	2015	2016	2015
Continuing operations					
Revenue	4	69,779,234	70,986,527	52,886,071	56,536,544
Cost of sales		(4,151,553)	(4,293,156)	(2,231,790)	(2,396,940)
Gross Profit		65,627,681	66,693,371	50,654,281	54,139,604
Other Income	4	248,999	324,916	54,759	36,859
Sponsorship, membership & fundraising expenses		(10,494,113)	(11,069,969)	(10,303,139)	(10,943,250)
Employee and player expenses		(32,467,052)	(32,470,181)	(27,007,462)	(27,370,008)
Marketing expenses		(1,826,510)	(2,333,240)	(1,172,876)	(1,677,198)
Depreciation & amortisation		(2,441,429)	(2,356,728)	(1,277,929)	(1,318,499)
Venue management fees		(800,000)	(800,000)	(425,000)	(425,000)
Other football operations expenses		(2,774,385)	(2,671,892)	(3,010,226)	(2,856,918)
Other expenses in respect to ordinary activities		(10,326,151)	(10,015,439)	(5,119,278)	(4,895,016)
Facility due diligence expenses		(541,119)	-	(541,119)	-
		<u>(61,421,760)</u>	<u>(61,392,533)</u>	<u>(48,802,270)</u>	<u>(49,449,030)</u>
Results from operating activities		4,205,921	5,300,838	1,852,011	4,690,574
Finance income		784,393	638,868	721,480	643,417
Finance expenses		(507,556)	(561,280)	-	(1,019)
Net finance income	5	<u>276,837</u>	<u>77,588</u>	<u>721,480</u>	<u>642,398</u>
Profit before income tax		<u>4,482,758</u>	<u>5,378,426</u>	<u>2,573,491</u>	<u>5,332,972</u>
Income tax expense	3(p)	-	-	-	-
Net profit for the year		<u>4,482,758</u>	<u>5,378,426</u>	<u>2,573,491</u>	<u>5,332,972</u>
Other comprehensive income					
Items that are or may be reclassified subsequently to the profit or loss					
Net change in fair value of available for sale investments		137,455	(225,574)	137,455	(225,574)
Total other comprehensive income for the year		<u>137,455</u>	<u>(225,574)</u>	<u>137,455</u>	<u>(225,574)</u>
Total comprehensive income for the year		<u>4,620,213</u>	<u>5,152,852</u>	<u>2,710,946</u>	<u>5,107,398</u>
Total profit attributable to:					
Members of Hawthorn Football Club		4,523,369	5,374,299	-	-
Minority Interests		(40,611)	4,127	-	-
		<u>4,482,758</u>	<u>5,378,426</u>	<u>-</u>	<u>-</u>
Total comprehensive income attributable to:					
Members of Hawthorn Football Club		4,660,824	5,148,725	-	-
Minority Interests		(40,611)	4,127	-	-
		<u>4,620,213</u>	<u>5,152,852</u>	<u>-</u>	<u>-</u>

The income statements are to be read in conjunction with the notes of the financial statements set out in pages 20 to 38.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2016

Consolidated	Minority Interest	Retained earnings	Fair Value reserve	Total members' equity
	\$	\$	\$	\$
Opening balance 1 November 2014	341,308	30,794,709	555,172	31,691,189
Total comprehensive income for the year				
Total other comprehensive income	-	-	(225,574)	(225,574)
Profit for the period	4,127	5,374,299	-	5,378,426
Total comprehensive income for the year	4,127	5,374,299	(225,574)	5,152,852
Minority Equity Contribution	-	-	-	-
Closing balance at 31 October 2015	345,435	36,169,008	329,598	36,844,041
Opening balance at 1 November 2015	345,435	36,169,008	329,598	36,844,041
Total comprehensive income for the year				
Fair value movement of available for sale financial assets	-	-	137,455	137,455
Profit for the period	(40,611)	4,523,369	-	4,482,758
Minority Equity Contribution	135,000	-	-	135,000
Total comprehensive income for the year	439,824	40,692,377	467,053	41,599,254
Closing balance at 31 October 2016	439,824	40,692,377	467,053	41,599,254
For the year ended 31 October 2016 Club	Minority Interest	Retained earnings	Fair Value reserve	Total members' equity
	\$	\$	\$	\$
Opening balance 1 November 2014	-	29,520,756	555,172	30,075,928
Total comprehensive income for the year				
Total other comprehensive income	-	-	(225,574)	(225,574)
Profit for the period	-	5,332,972	-	5,332,972
Total comprehensive income for the year	-	5,332,972	(225,574)	5,107,398
Closing balance at 31 October 2015	-	34,853,728	329,598	35,183,326
Opening balance at 1 November 2015	-	34,853,728	329,598	35,183,326
Total comprehensive income for the year				
Fair value movement of available for sale financial assets	-	-	137,455	137,455
Profit for the period	-	2,573,491	-	2,573,491
Total comprehensive income for the year	-	2,573,491	137,455	2,710,946
Closing balance at 31 October 2016	-	37,427,219	467,053	37,894,272

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 20 to 38.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2016

		Consolidated		The Club	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	6	18,521,795	14,631,827	14,636,668	12,656,503
Trade & other receivables	7	1,726,019	1,701,776	1,593,532	1,569,544
Inventory	8	843,622	1,022,446	734,680	902,165
Other	10	918,530	936,229	670,271	614,768
Total current assets		22,009,966	18,292,278	17,635,151	15,742,980
Non Current Assets					
Investments	9	8,341,622	7,938,448	8,341,622	7,938,448
Investment property	11	3,658,878	3,733,874	3,658,878	3,733,874
Property, plant & equipment	12	13,899,017	14,303,056	10,177,417	10,400,971
Intangible assets	13	14,504,634	14,001,667	216,074	248,203
Trade & other receivables	7	-	-	6,116,084	5,751,084
Total non-current assets		40,404,151	39,977,045	28,510,075	28,072,580
Total assets		62,414,117	58,269,323	46,145,226	43,815,560
Current Liabilities					
Payables	14	7,846,758	7,686,604	5,158,810	4,901,442
Interest bearing loans & borrowings	15	1,096,389	1,253,399	-	124,220
Employee entitlements	16	1,845,983	1,629,590	1,630,605	1,443,265
Other liabilities	17	1,505,523	2,362,397	1,384,139	2,044,805
Total current liabilities		12,294,653	12,931,990	8,173,554	8,513,732
Non Current Liabilities					
Payables	14	404,833	38,401	-	-
Interest bearing loans & borrowings	15	7,995,000	8,336,389	-	-
Employee entitlements	16	120,377	118,502	77,400	118,502
Total non-current liabilities		8,520,210	8,493,292	77,400	118,502
Total liabilities		20,814,863	21,425,282	8,250,954	8,632,234
Net assets		41,599,254	36,844,041	37,894,272	35,183,326
Members' Equity					
Reserves		467,053	329,598	467,053	329,598
Minority interest (CSJV)		439,824	345,435	-	-
Retained profits		40,692,377	36,169,008	37,427,219	34,853,728
Total members' equity		41,599,254	36,844,041	37,894,272	35,183,326

The statements of financial position is to be read in conjunction with the notes to the financial statements set out on pages 20 to 38.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2016

	Note	Consolidated		The Club	
		2016	2015	2016	2015
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		76,207,285	79,179,177	59,284,566	62,773,272
Cash payments in the course of operations		(69,282,789)	(69,899,673)	(56,121,248)	(55,699,435)
Net cash from operating activities		6,924,496	9,279,504	3,163,318	7,073,837
Cash flows from investing activities					
Interest received	5	260,915	187,856	241,328	176,202
Dividends received	5	468,124	457,820	468,124	457,820
Payments for property, plant & equipment		(1,750,354)	(1,218,265)	(942,248)	(969,755)
Payments for intangible assets		(1,732,170)	(530,414)	(124,220)	(61,146)
Investment in a controlled entity		-	-	(335,000)	-
Investment from a minority interest		165,000	-	-	-
Transfer to equity investments/managed funds		(500,000)	(1,350,000)	(500,000)	(1,350,000)
Proceeds from disposal of property, plant & equipment		427,745	22,164	8,863	1,533
Net cash used in investing activities		(2,660,740)	(2,430,839)	(1,183,153)	(1,745,346)
Cash flows from financing activities					
Borrowing costs paid		(507,556)	(561,280)	-	(1,019)
Proceeds from borrowings		785,000	-	-	-
Repayment of borrowings		(651,232)	(715,551)	-	(82,156)
Net cash used in financing activities		(373,788)	(1,276,831)	-	(83,175)
Net increase/(decrease) in cash & cash equivalents		3,889,968	5,571,834	1,980,165	5,245,316
Cash and cash equivalents at 1 November 2015		14,631,827	9,059,993	12,656,503	7,411,187
Cash and cash equivalents at 31 October 2016	6	18,521,795	14,631,827	14,636,668	12,656,503

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 20 to 38.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

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 11 November 2016.

The Club is a not for profit entity.

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 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.

(c) Use of estimates and judgements

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.

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.

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.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

3. Statement of significant accounting policies (continued)

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the group, such as CSJV and the Box Hill Hawks Football Club. Control exists where either parent entity is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent entity has power over the subsidiary, when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the group has the existing rights to direct the relevant activities of a subsidiary.

Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Where the group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests. The effects of all transactions between entities within the group have been eliminated.

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

Joint arrangements, associates and jointly controlled entities (equity accounted investees)

Joint arrangements exist when two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Associates are entities in which the Group holds significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control. If the group holds 20 per cent or more of the voting power of an entity, it is presumed that the group has significant influence, unless it can be clearly demonstrated that this is not the case. Significant influence can also arise when the group has less than 20 per cent of voting power but it can be demonstrated that the group has the power to participate in the financial and operating policy decisions of the associate. Investments in associates are accounted for using the equity method as described above.

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.

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)).

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

3. Statement of significant accounting policies (continued)

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 profit or loss and other comprehensive income as an expense as incurred.

Depreciation

Depreciation is charged to the statements of profit or loss and other 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:

	2016	2015	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 the statement of profit or loss and other comprehensive income 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 2016

3. Statement of significant accounting policies (continued)

Amortisation is recognised in statements of profit or loss and other comprehensive income 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
Gaming entitlements	10yrs

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

The CSJV Nominees purchased a further 10 gaming entitlements in 2016, and whilst the entitlements have an overall useful life of 10 years, will be amortised over the 7 years the venture holds them.

(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 profit or loss and other 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 profit or loss and other comprehensive income. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the statements of profit or loss and other 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 depreciated over the asset's useful life being 40 years.

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 2016

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. Goodwill and intangible assets are tested annually for impairment.

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 profit or loss and other 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 profit or loss and other comprehensive income.

Impairment losses recognised in respect of cash generating units (CGU's) are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU's) 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. Fair value less costs to sell is calculated using independent valuations.

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 2016

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 in which case value in use is determined with reference to discounted future 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.

An impairment loss in respect of goodwill is not reversed.

(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 the high quality corporate bond rate 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 AFL, the 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 2016

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, donations, 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.

Donations

Donations are recognised at the fair value of the contribution received or receivable.

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 to the customer.

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.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

3. Statement of significant accounting policies (continued)

Accommodation revenue

Accommodation revenue is recognised as it is provided.

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, gains on extinguishment of financial liabilities 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) Changes in accounting policies

Except for where identified below, the Group has consistently applied its accounting policies for the years presented in these consolidated financial statements.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

3. Statement of significant accounting policies (continued)

(u) New accounting standards and interpretations not yet adopted

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 Financial Instruments becomes mandatory for the Group's financial statements for the period beginning on or after 1 January 2018 and could change the classification and measurement of financial assets, and the measurement of impairment on financial instruments. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers, which modifies the determination of when to recognise revenue and how much revenue to recognise, and becomes applicable for the period beginning and or after 1 January 2018. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 16 Leases

AASB 16 Leases was issued in February 2016 and is mandatory from 1 January 2019. The standard is likely to result in further leases being recognised on the balance sheet. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

4. Revenue

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
Operating revenue				
AFL distribution and prize money	9,788,488	10,415,840	9,788,488	10,415,840
Membership income	12,422,423	11,691,422	12,419,400	11,688,463
Match day income	4,372,640	4,515,057	4,249,614	4,393,626
Marketing income	14,947,662	15,732,142	14,438,182	15,310,400
Merchandise income	4,020,932	4,691,941	4,018,715	4,689,088
Gaming, bar and bistro income	18,338,797	18,358,614	6,404,046	6,687,877
Accommodation income	2,320,666	2,230,261	-	-
Donations and special fundraising	1,123,695	927,752	1,123,695	927,752
Rental income from investment property	443,931	423,498	443,931	423,498
Total operating revenue	67,779,234	68,986,527	52,886,071	54,536,544
Non operating revenue*	2,000,000	2,000,000	-	2,000,000
Total revenue	69,779,234	70,986,527	52,886,071	56,536,544
Other income	248,999	324,916	54,759	36,859
Total revenue and other income	70,028,233	71,311,443	52,940,830	56,573,403

*The Group received a specific donation of \$2m towards its Dingley facility project during the year (2015: \$2m).

5. Finance income and expense

Interest income on bank deposits	260,915	187,856	241,328	176,202
Dividend income available for sale investments	468,124	457,820	468,124	457,820
Gain on extinguishment of financial liability	-	-	-	-
Net profit/(loss) on disposal of PP&E	55,354	(6,808)	12,028	9,395
Finance Income	784,393	638,868	721,480	643,417
Interest expense	(507,556)	(561,280)	-	(1,019)
Finance expense	(507,556)	(561,280)	-	(1,019)
Net finance income	276,837	77,588	721,480	642,398

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

6. Cash and cash equivalents

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash on hand	886,343	862,353	429,173	437,129
Cash at bank	2,568,932	3,482,759	1,242,556	2,132,659
Short term deposit	15,066,520	10,286,715	12,964,939	10,086,715
	<u>18,521,795</u>	<u>14,631,827</u>	<u>14,636,668</u>	<u>12,656,503</u>

7. Trade and other receivables

Current

Trade receivables	1,564,406	1,467,769	1,458,010	1,355,023
Other debtors	<u>161,613</u>	<u>234,007</u>	<u>135,522</u>	<u>214,521</u>
	<u>1,726,019</u>	<u>1,701,776</u>	<u>1,593,532</u>	<u>1,569,544</u>

Non Current

Amount receivable from related parties

Loan to subsidiary – CSJV	-	-	3,246,021	2,881,021
Loan to subsidiary – CSFT	<u>-</u>	<u>-</u>	<u>2,870,063</u>	<u>2,870,063</u>
	<u>-</u>	<u>-</u>	<u>6,116,084</u>	<u>5,751,084</u>

8. Inventories

Current

Inventory	<u>843,622</u>	<u>1,022,446</u>	<u>734,680</u>	<u>902,165</u>
-----------	----------------	------------------	----------------	----------------

9. Investments

Non-Current

Term deposits	1,400,000	1,550,000	1,400,000	1,550,000
Equity securities/managed funds	<u>6,941,622</u>	<u>6,388,448</u>	<u>6,941,622</u>	<u>6,388,448</u>
	<u>8,341,622</u>	<u>7,938,448</u>	<u>8,341,622</u>	<u>7,938,448</u>

These investments are made up of Term Deposits, Corporate Bonds, Fixed Interest investments and Equities which are invested in line with the Club's investment policy.

10. Other assets

Current

Prepayments	<u>918,530</u>	<u>936,229</u>	<u>670,271</u>	<u>614,768</u>
-------------	----------------	----------------	----------------	----------------

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

11. Investment Property

	Consolidated	The Club
Cost	\$	\$
Balance at 1 November 2015	4,328,720	4,328,720
Acquisitions	-	-
Disposals	-	-
Balance at 31 October 2016	<u>4,328,720</u>	<u>4,328,720</u>
Depreciation		
Balance at 1 November 2015	594,846	594,846
Depreciation charge for the year	<u>74,996</u>	<u>74,996</u>
Balance at 31 October 2016	<u>669,842</u>	<u>669,842</u>
Carrying amounts		
At 1 November 2015	<u>3,733,874</u>	<u>3,733,874</u>
At 31 October 2016	<u>3,658,878</u>	<u>3,658,878</u>

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. Included in investment property is land totalling \$1,100,000 which is not depreciated.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

12. Property, plant and equipment Consolidated reconciliation

	Land buildings & building improvements*	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2015	3,820,679	19,226,456	1,004,374	24,051,509
Acquisitions	-	1,750,354	-	1,750,354
Disposals	(372,868)	(85,950)	-	(458,818)
Balance at 31 October 2016	3,447,811	20,890,860	1,004,374	25,343,045
Depreciation				
Balance at 1 November 2015	(605,420)	(8,966,315)	(176,718)	(9,748,453)
Depreciation/amortisation charge for the year	(75,472)	(1,662,861)	(30,423)	(1,768,756)
Disposals	-	73,181	-	73,181
Balance at 31 October 2016	(680,892)	(10,555,995)	(207,141)	(11,444,028)
Carrying amounts				
At 1 November 2015	3,215,259	10,260,141	827,656	14,303,056
At 31 October 2016	2,766,919	10,334,865	797,233	13,899,017

Club reconciliation

	Land buildings & building improvements*	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2015	3,447,811	13,649,268	754,059	17,851,138
Acquisitions	-	942,248	-	942,248
Disposals	-	(60,350)	-	(60,350)
Balance at 31 October 2016	3,447,811	14,531,166	754,059	18,733,036
Depreciation				
Balance at 1 November 2015	(605,419)	(6,743,029)	(101,719)	(7,450,167)
Depreciation/amortisation charge for the year	(75,472)	(1,065,875)	(20,483)	(1,161,830)
Disposals	-	56,378	-	56,378
Balance at 31 October 2016	(680,891)	(7,752,526)	(122,202)	(8,555,619)
Carrying amounts				
At 1 November 2015	2,842,392	6,906,239	652,340	10,400,971
At 31 October 2016	2,766,920	6,778,640	631,857	10,177,417

* 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 2016

13. Intangible Assets

Consolidated reconciliation

	Goodwill \$	Lease premium \$	Gaming entitlements \$	Total \$
Balance at 1 November 2015	8,237,046	9,150,000	2,695,327	20,082,373
Acquisitions	-	-	1,091,679	1,091,679
Disposals	-	-	-	-
Balance at 31 October 2016	<u>8,237,046</u>	<u>9,150,000</u>	<u>3,787,006</u>	<u>21,174,052</u>
Amortisation and impairment				
Balance at 1 November 2015	(4,200,000)	(1,029,377)	(851,329)	(6,080,706)
Amortisation charge for the year	-	(228,750)	(359,962)	(588,712)
Balance at 31 October 2016	<u>(4,200,000)</u>	<u>(1,258,127)</u>	<u>(1,211,291)</u>	<u>(6,669,418)</u>
Carrying amounts				
At 1 November 2015	4,037,046	8,120,623	1,843,998	14,001,667
At 31 October 2016	<u>4,037,046</u>	<u>7,891,873</u>	<u>2,575,715</u>	<u>14,504,634</u>

Club reconciliation

	Goodwill \$	Lease premium \$	Gaming entitlements \$	Total \$
Balance at 1 November 2015	-	-	350,460	350,460
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 October 2016	<u>-</u>	<u>-</u>	<u>350,460</u>	<u>350,460</u>
Amortisation and impairment				
Balance at 1 November 2015	-	-	(102,257)	(102,257)
Amortisation charge for the year	-	-	(32,129)	(32,129)
Balance at 31 October 2016	<u>-</u>	<u>-</u>	<u>(134,386)</u>	<u>(134,386)</u>
Carrying amounts				
At 1 November 2015	-	-	248,203	248,203
At 31 October 2016	<u>-</u>	<u>-</u>	<u>216,074</u>	<u>216,074</u>

Lease premium

As part of commercial arrangements in respect to the acquisition of the WestWaters Hotel & Entertainment Complex in 2010, the CSJV entered into an agreement to pay \$9.15m as a lease premium for access to the site. The premium is amortised over the 40 years of the joint venture's rental option period.

Gaming Entitlements

On 22 January 2016, the CSJV purchased an additional 10 gaming entitlements for the WestWaters Hotel & Entertainment complex. The entitlements are valid to 16 August 2022 and were purchased outright primarily using debt funding.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

14. Payables

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
Current				
Trade payables	2,929,980	2,762,244	2,129,378	1,727,502
Other creditors and accruals	4,916,778	4,924,360	3,029,432	3,173,940
	<u>7,846,758</u>	<u>7,686,604</u>	<u>5,158,810</u>	<u>4,901,442</u>
Non-current				
Other creditors and accruals	404,833	38,401	-	-

15. Interest-bearing liabilities

Current

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
Bank loan – secured*	1,000,000	500,000	-	-
Gaming entitlements	-	632,170	-	124,220
Hire Purchase	96,389	121,229	-	-
	<u>1,096,389</u>	<u>1,253,399</u>	<u>-</u>	<u>124,220</u>

Non-current

Bank loan – secured*	7,995,000	8,240,000	-	-
Hire Purchase	-	96,389	-	-
	<u>7,995,000</u>	<u>8,336,389</u>	<u>-</u>	<u>-</u>

Bank loan

- * In 2014, CSJV Nominees refinanced the existing bank loan and used the funds to extinguish the special rent liability. A general security interest exists over the assets and undertaking of CSJV Nominees Pty Ltd. Interest is charged on these loans at fixed and variable rates. The loan balance at 31st October 2016 totalled \$9.0m.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

16. Employee provisions

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
Current				
Provision for annual leave	996,929	922,124	804,180	756,556
Provision for long service leave	849,054	707,466	826,425	686,709
	<u>1,845,983</u>	<u>1,629,590</u>	<u>1,630,605</u>	<u>1,443,265</u>
Non-current				
Provision for long service leave	120,377	118,502	77,400	118,502
	<u>120,377</u>	<u>118,502</u>	<u>77,400</u>	<u>118,502</u>

Defined contribution superannuation funds

The Club and Group makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was Club \$1,510,999 (2015: \$1,526,822) and Group \$1,923,057 (2015: \$1,912,650) for the financial year ended 31 October 2016.

17. Other liabilities

Current

Unearned revenue	<u>1,505,523</u>	<u>2,362,397</u>	<u>1,384,139</u>	<u>2,044,805</u>
------------------	------------------	------------------	------------------	------------------

The Club has unearned revenue relating to 2017 memberships and prepaid corporate function ticket sales.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

18. Commitments

	Consolidated		The Club	
	2016	2015	2016	2015
	\$	\$	\$	\$
(a) Operating lease commitments				
Leases as lessee				
Non-cancellable operating lease rentals are payable:				
Within one year	2,932,835	2,634,105	874,010	638,423
Between one and five years	11,130,965	10,589,470	2,149,413	1,883,371
More than five years	<u>5,612,514</u>	<u>4,435,465</u>	<u>3,167,267</u>	<u>1,860,786</u>
	<u>19,676,314</u>	<u>17,659,040</u>	<u>6,190,690</u>	<u>4,382,580</u>

During the year \$2,862,163 was recognised as an expense in the statements of profit or loss and other comprehensive income in respect of operating leases (2015: \$2,715,197). Long term operating lease commitments relate to retail rental agreements in place for the WestWaters 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 WestWaters Entertainment Complex. The group has included the full amount of CSJV's operating lease commitments in the above disclosures.

In August 2016 a lease variation was signed in respect to an accommodation expansion, extending the current lease option to 2027. This will not officially commence until the accommodation build is complete.

(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 AFL's Total Player Payments limits.

(c) Capital commitments

The Club has no capital commitments at 31 October 2016 (2015: \$0). Any contracted capital commitment in relation to the potential acquisition of the Dingley site will be determined after completion of the final due diligence and financial evaluation process, which is expected to be completed in late 2016.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

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	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries and incentives	2,031,831	2,131,557	2,031,831	2,131,557

Other related parties

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

The Club has a related party receivable totalling \$2,870,063 (2015: \$2,870,063) with CSFT, a wholly owned subsidiary. The amount is not repayable within twelve months, is non interest bearing and is unsecured.

The Club has a related party receivable totalling \$3,246,021 (2015: \$2,881,021) with CSJV of which it owns a 73% interest. The amount is not repayable within twelve months, is non interest bearing and is unsecured.

The Club also made operating payments totalling \$537,500 (2015: \$484,009) to the BHHFC. These payments 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 2016

20. Contributed equity and reserves

Hawthorn Football Club Limited 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 the outstanding annual membership fee per member in line with section 2a 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, HFC Foundation including the Public Ancillary Fund and HFC Land.

The Foundation is the trustee of HFC Foundation (Public Ancillary Fund), the trust being established on 10 March 2016.

The Club is the sole unit holder of HFC Land Trust. HFC Land Pty Ltd is the trustee, which became a subsidiary on 8 May 2015.

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.

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. HFC Foundation

The HFC Foundation actively continued its role of providing the Club with access to income and capital for specific projects which may not be otherwise funded from normal profits or reserves. HFC Foundation Nominees Pty Ltd ("Foundation") acts as nominee for the HFC Foundation and is primarily responsible for its operation and governance. The Club owns all of the shares in Nominees and one of its seven Directors are currently Directors of the Club. The Foundations' 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.

23. Subsequent events

No other matters or circumstances have arisen since 31 October 2016 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

Hawthorn Football Club Limited is incorporated and domiciled in Australia, is a company limited by guarantee.

Directors' declaration

In the opinion of the Directors of Hawthorn Football Club Limited ("the Club") and its controlled entities:

- (a) the financial statements and notes, set out on pages 20 to 38, 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 2016 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 – Reduced Disclosure Requirements 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 11th day of November 2016.

Signed in accordance with a resolution of the Directors:



R J Garvey
Director



P W Nankivell
Director



Independent auditor's report to the members 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 2016, and statement of profit or loss and other 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 16 to 38 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.

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 2016 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

KPMG



B W Szentirmay
Partner

Melbourne

11 November 2016

Appendix 1

HFC Foundation Report

The role of the HFC Foundation continues to grow and is a vital support to the Club.

The second half of 2016 saw the Foundation established as a Public Ancillary Fund, enabling it to receive tax deductible donations as a deductible gift recipient (DGR). Our Public Ancillary Fund is endorsed by the ACNC and this endorsement allows the donors to claim tax deductions directly through the HFC Foundation for eligible donations. In the past, all donations to the Foundation have had to be channelled through the ASF with Hawthorn specified as the project for the donation. The new structure will allow greater flexibility and control for the Foundation.

The Indigenous Program, proudly supported by the five-year Epic Good donation continues to grow from strength to strength. One of the highlights of the year was the partnership with the Indigenous Literacy Foundation who, with their support, enabled the workshop and subsequent launch of Shock 'Em. A book that was published by the Big River Hawks team and launched while they were in Melbourne. The appointment of a full-time Indigenous Community and Fan Engagement Coordinator was another highlight, due in part to the sustained financial support from Epic Good.

The Foundation welcomed another 16 new donors in 2016, each donating \$5,000 or more annually. We also continue to receive donations from our membership base on a regular basis and are forever grateful for those who give so generously to support our great Club.

During the year, many functions are held as a way of saying thank you to our donors for their continued loyalty and support. Family is always the key theme with events varied each year.

A highlight was a dedicated Foundation women's event held this year, aimed at building our network of women who all share the same passion; Hawthorn. This function came about after reviewing our Foundation donor base and realising that most of our donors are men. As a Club, we recognised a gap and wanted to hold a function to introduce women to not just our Club, but our Foundation.

The function was a success and the room was full of women who as passionate Hawthorn supporters were all keen to extend their support and further their involvement with Hawthorn. The Foundation will continue to look at ways we can engage a diverse range of people and grow the Hawthorn network of women not only in the corporate environment, but who can help shape our Club's future in a range of areas including community, philanthropy, leadership and corporate support.

Another highlight of the year was the exclusive event held at the MCG prior to the start of the finals series. The theme was "can we create history". The night was the perfect platform to launch the Club's finals campaign and discuss how momentous it would be if we were to win four in a row. Although the dream was not realised, all guests were thrilled with their inner sanctum experience.

Should the purchase of the land at Dingley proceed, the role the Foundation will play in partially funding the development will be critical.

A new facility will allow the greater Hawthorn family to come together by offering them a place to preserve old traditions and create new beginnings. A place that is at the very heart of their passion and generational support, where they can embrace Hawthorn and Hawthorn can embrace them. It is an exciting time for both the Club and the Foundation.

¹ 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 2016. It has been prepared solely for the information of members and report users.

The Foundation is built around great people who add significant credibility and respect to our vision and our brand. The tireless involvement of our Foundation Patron and Ambassadors is crucial. Ian Dicker, Graham Arthur, David Parkin, Peter Hudson, Peter Knights and Sam Mitchell all give their time and support without question. We acknowledge their on-going commitment and thank them for their passion and loyalty.

On behalf of the Club, I would also like to thank the Foundation Directors for their invaluable contribution over the year. Than you to existing Directors; Doug Battersby, Chris Voigt, Scott Patterson, Geoff Sammons and Geraldine Farrell and new in 2016, Maria Lui. I would also like to make special mention of Peter McKenzie who retired from the Board during the year but is someone who has worked tirelessly for the Foundation since it's inception. Thank you also to Martin Jolly who retired from the Board at the end of last year.

The Foundation is not about yesterday or today, it's about ensuring that there is a tomorrow, always.

A handwritten signature in black ink, appearing to read 'B Stevenson', with a stylized flourish at the end.

Bruce Stevenson

Chairman

