



ANNUAL FINANCIAL REPORT

HAWTHORN FOOTBALL CLUB LIMITED

| YEAR ENDING 31 OCTOBER 2018 |

**HAWTHORN FOOTBALL CLUB LIMITED
AND ITS CONTROLLED ENTITIES
ACN 005 068 851
ANNUAL REPORT
FOR THE YEAR ENDED
31 OCTOBER 2018**

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 2018

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 2018 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 AC (President)	P W Nankivell (Vice-President)*	R J Garvey
A D W Gowers **	A H Kaye AM	L J Kristjanson AO * (former Vice-President)
L J Nolan	R Sali ***	T Shearer ***
R P Vandenberg		

* Appointed Vice-President 19 February 2018, replaced L J Kristjanson

** Retired from the board 14 December 2017

*** Appointed to the board 15 February 2018

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. In 2018 the Club also fielded a Womens team in the Victorian Football League (VFL). 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") as trustee of the 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 & Entertainment Complex.

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 2018

Operating and Financial Review

The Club is delighted to announce a net profit for the year ended 31 October 2018 of \$2,011,363 (Club 2017: \$2,107,556).

The consolidated net profit attributable to the members of the Group for the year ended 31 October 2018 is \$4,626,038 (Consolidated 2017: \$4,763,638).

Short and Long Term Objectives of the Club

At its 2017 AGM the Club launched its 2050 vision. The vision aims to see Hawthorn's premierships tally rise to a total of 20 premierships by 2050, two of which the Club aims to achieve in the next five years.

The 33-year vision will guide the Club to deliver long term objectives of continual growth, innovation and on-field success.

The Club's grand vision is formed by a series of five-year strategic plans; HFC1 2018 to 2022, HFC2 2023 to 2027, HFC3 2028 to 2032 and beyond.

The Club is currently in the first five-year strategic plan titled 'Dare to be Different' which will drive the Club's priorities and decision making through to 2022.

There are several strategic priorities outlined within 'Dare to be Different' including winning two premierships, achieving 100,000 members, developing a new training and administration facility at the Kennedy Community Centre, securing an AFLW licence and extending the Club's Tasmanian Government partnership.

The Club is progressing well with regards to the goals outlined in 'Dare to be Different' having reached its target of 81,000 members in 2018, beginning surcharge trial earth works at the Kennedy Community Centre and continuing to build its presence in women's football.

Performance Management

In the current strategic plan, the Club measures its performance across five key strategic pillars, namely; Football, Commercial Growth, People, Family and Facilities.

An Executive restructure was undertaken in 2018 to ensure the Club was fit for purpose and best placed to succeed across all strategic pillars.

The Club continues to focus on the development and wellbeing of its people, having elevated the People and Culture portfolio onto the Executive team. In addition to this, the area of integrity has had significant growth in the past 12 months with the appointment of an Integrity & Facility Manager and the restructured Integrity and Compliance Board Sub Committee. These steps move to ensure the Club is safe guarded against the growing threats to the AFL industry, especially in the areas of gambling, anti-doping; and respect and responsibility.

The Club's focus on innovation remains unwavering, with the introduction of the Hawks Abroad program. Hawks Abroad is an annual program which offers several staff within the business the opportunity to undertake an overseas study tour. The first Hawks Abroad trip took place in October 2018.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Performance Management (continued)

Hawthorn is well placed and ready to embrace the challenges that lie ahead. With a strong Board and unified executive team the Club looks forward to setting higher aspirational goals as it continues to work towards the targets outlined in 'Dare to be Different.'

Board of Directors

On 15 February 2018 the Board welcomed Radek Sali and Tim Shearer as Directors. The Board farewellled Andrew Gowers who retired as Director on 14 December 2017. On behalf of all members the Board extends our sincere thanks to Andrew for his contribution to the Club. Peter Nankivell was appointed as Vice President of the Board on 19 February 2018.

Football

Season 2018 was one of progress for the Hawks, with the Club returning not only to the top eight, but also securing a top four finish and a double chance in the 2018 finals.

While the side fell short in both finals played, the 2018 finals series still provided invaluable experience for the Club's younger players, many of whom had not yet been exposed to finals football.

Regardless of the result, 2018 was an exciting season for Hawks fans with the emergence of a new generation of players. Four players made their AFL debut while James Sicily, Blake Hardwick, Harry Morrison and James Worpel all continued their development at AFL level. Worpel and Morrison were also nominated for the 2018 AFL Rising Star Award.

Hawthorn celebrated one of the most decorated servants of the game with Shaun Burgoyne celebrating his 350th game milestone. The milestone was celebrated by the Hawks with a big win over the Adelaide Crows at the MCG.

The Club also farewellled Cyril Rioli, who retired from AFL football to return home to Darwin to be with his family. Paul Puopolo, Jack Gunston and Ben Stratton all celebrated their 150 games milestone, while Tom Mitchell notched his 100th AFL game and James Frawley his 200th.

A highlight of the season was the form of Tom Mitchell, who became the fifth Hawthorn player to be awarded the Charles Brownlow Medal.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Football (continued)

After a stunning 2018 campaign in which he broke the AFL record for most disposals in a season, Mitchell polled 28 votes to take out the prestigious award.

The ball magnet averaged 35.3 disposals a game this season, on eleven occasions gathering 40 touches or more.

The award was another in a string of accolades Mitchell received in 2018. He won his second Peter Crimmins Medal, was voted by his peers as the AFLPA's MVP and was named in the All Australian team along with teammates Jack Gunston and Luke Breust.

Talented young defender Blake Hardwick was named runner-up in the Peter Crimmins Medal, with co-vice-captain Isaac Smith rounding out the top three. Hardwick also won the award for most promising player, Jack Gunston most consistent, Liam Shiels best player in finals, James Worpel best first year player and Taylor Duryea was celebrated as best clubman.

Hawthorn President Jeff Kennett announced to a packed Crown Palladium that Alastair Clarkson had signed a contract extension, which would keep him at the Club until at least the end of the 2022 season.

Throughout the season, the Club extended the contracts of several players including Shaun Burgoyne, Jack Gunston, Harry Morrison, Kaiden Brand, Conor Nash, Mitchell Lewis and Oliver Hanrahan.

Unfortunately, the Club was hit hard on the injury front late in the 2018 season, with Ben Stratton and Jaeger O'Meara both ruled out of the Club's semi-final clash with Melbourne Football Club. Grant Birchall also had a frustrating year with injury, unable to play a single senior game all year.

The Club farewelled Kurt Heatherley, Jono O'Rourke, Kieran Lovell and Dallas Willmore all of whom were delisted. Hawthorn's 2018 best clubman, Taylor Duryea, was traded to the Western Bulldogs and Ryan Burton to Port Adelaide after three years at Waverley. Life member Brendan Whitecross finished his career at the Hawks after ten years in the brown and gold while Will Langford hung up the boots following eight seasons with the Club. The Hawks thanked each of the players for their commitment and contribution to the Club over the journey.

Director of High Performance Andrew Russell departed the Hawks for a new opportunity at the Carlton Football Club after 14 years of outstanding service to the club.

While the Club did not raise the 2018 premiership Cup, the Hawks still managed to secure two new pieces of silverware with both their men's and women's VFL sides winning their respective premierships.

The Hawthorn VFLW side completed a miraculous transformation in 2018 when it defeated Geelong by 11 points to claim the premiership at Etihad Stadium.

Defender Chantella Perera was awarded the Lisa Hardeman Medal as best afield after an excellent game in defence for the Hawks.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Football (continued)

After a season of stellar performances three Hawks were also named in the 2018 VFLW Team of the Year.

Emma Mackie, Rebecca Beeson and Jayde Van Dyk were all awarded the honour. While Van Dyk received double the honours on the night, also named the competition's 'Rising Star'.

To cap off her breakout season, she was also awarded Hawthorn's first ever VFLW Best and Fairest award with 63 votes. Van Dyk averaged 15 disposals while serving as an impenetrable force in Hawthorn's defence all season.

Rebecca Beeson came runner up in the women's best and fairest on 53 votes, with veteran Meg Hutchins finishing third on 49 votes.

Premiership players Jayde Van Dyk, Emmerson Woods and Mikala Cann were recognised for their exceptional seasons in the brown and gold, realising their AFLW dream in the 2018 Draft.

Van Dyk and Woods were drafted to Carlton with Picks 21 and 38 respectively, while Mikala was selected by Collingwood with Pick 13.

After an impressive season with the Eastern Ranges in the TAC Cup Girls competition which saw Cann earn Team of the Year honours, the 17-year-old went on to become the youngest player in the Hawks premiership side.

The Box Hill VFL side also had a fantastic 2018 season, taking home the premiership in a nail-biting victory over the Casey Demons to secure its second flag in six years.

The Hawks came from 25 points down in the opening term to post the 10.12 (72) to 8.14 (62) win.

It capped off a remarkable VFL finals series for Box Hill, who finished sixth after the home and away season and almost didn't progress past their elimination final, scraping past Port Melbourne in a match that went to extra time.

Box Hill's AFL-listed backman David Mirra won the Norm Goss Medal for best afield. Experienced Hawk Brendan Whitecross won his first premiership since being drafted in 2007, having seen Hawthorn win four flags in that time and Box Hill claim the VFL crown in 2013.

Tasmania

In April this year Hawthorn celebrated 17 years of playing in Tasmania with its first ever Premiership season night game against another Tasmanian favourite, St Kilda. In front of an almost-capacity crowd at UTAS Stadium in Launceston, the event kicked off with ARIA Award winner and Eurovision songstress Samantha Jade, whose high energy rendition of Firestarter was capped off by the largest fireworks display in AFL history, launching into the clear night sky from the entire roofline rim of the stadium. It was a fitting celebration for a club that has committed so much to its island home away from home. It's also a great example of how Tasmania's partnership with Hawthorn gives back in surprising and unusual ways.

The Hawks v Saints marquee game, resplendent with award-winning entertainers and fireworks, helped cement Launceston as a major events capital and shone a national spotlight on the city as a fantastic sporting event and tourism destination. The match was also significant in launching the results of a PriceWaterhouseCoopers independent review into the value of the Tasmania/Hawthorn relationship which revealed the partnership delivered an annual return of \$28.5 million dollars in direct expenditure into the local economy.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Facilities

The Club announced an extraordinary donation from former Director Geoff Harris and his family to ensure the Club continues to thrive long into the future.

The \$10 million gift (which is being pledged over 5 years) was the inaugural donation towards the Club's future capital campaign which will underpin the delivery of vital elite training and administration facilities and transform the Club for its players, staff, members and the local community.

Hawthorn plans to transform the Dingley site into the premier sporting and community facility in Melbourne's South East.

The development will go beyond the creation of an elite training and administration facility for Hawthorn's staff and players, and encompass community focused facilities, such as alternate sporting amenities and community hubs.

The Club continues to work closely with local community stakeholders to ensure any future facilities are inclusive and create greater opportunities for those living in and around Melbourne.

In 2018 the Club also announced its future home will be named the Kennedy Community Centre in honour of club Legend, John Kennedy Snr.

The statue of John Kennedy Snr which is currently situated at Waverley Park will be relocated to the entrance of the Kennedy Community Centre when the site officially becomes the new home of the Hawks.

Commercial Ventures / Investments

The Clubs' commercial investments continued to deliver strong results in 2018. WestWaters Hotel and Entertainment Complex maintained its status as a premier accommodation and entertainment venue in the western suburbs, completing a successful year across the business, bolstered by the first full financial year of the additional 40 Mercure-branded hotel rooms (bringing the total number of rooms to 98).

Vegas at Waverley Gardens completed its 22nd year of trade in 2018 and has performed well throughout the financial year. The venue remains an important investment for the Club.

Sponsorship

In 2018 the Club's major partnerships continued with the Tasmanian Government, iiNet, Audi, adidas and Bupa. New partnerships were signed with Thomson Geer, Carlton and United Breweries and Van Heusen along with major partnerships for the Hawthorn VFLW team, Bingo Industries and Budget Car and Truck Rental.

The Club continues to service strong and rewarding relationships with these and its other commercial partners and thanks all partners for their ongoing support.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Corporate Sales

The club's Corporate Hospitality team delivered a strong result in 2018. Year-on-year, our sales team delivered 5% growth overall. In particular, Melbourne home game events and miscellaneous (or on-sold) AFL products performed most strongly compared with our 2017 season. Pleasingly, our non-AFL events such as Melbourne Cup Carnival, Australian Grand Prix and other major events continue to act as a solid revenue raiser within our commercial team.

Membership and Merchandise

Hawthorn Football Club broke its all-time membership record for the 12th consecutive year, surpassing the 80,000 mark for the first time in the Club's history. This season's final membership tally finished at 81,017 (2017: 75,663) and includes over 9,000 Tasmanian members. 75% of members have joined our annual roll-over payment plan HawksDirect. The Club placed second on the AFL membership ladder behind Richmond.

The merchandise department recorded a sound result in 2018 with gross revenues exceeding \$1.8 million and a healthy gross profit margin of 43%, with online sales contributing over 56% of sales and Adidas product sales contributing to 40% of total sales.

Match Day Attendances

The Club recorded an average attendance of 45,127 across seven Melbourne home games in 2018 (2017: 44,719). Season highlights included the Round 20 match against Essendon (68,857) and the Round 21 match against traditional rivals Geelong (59,529). The average attendance across 4 home games in Tasmania was 12,578, the highlight being Round 6 v St Kilda (15,741).

Foundation

The Hawthorn Football Club Foundation plays a vital role in supporting the Club whilst it builds towards a prosperous future. Our goal is to be the leading Australian sporting club in the philanthropic space by developing a sustainable culture of philanthropy across the Hawthorn family.

Its objective is to ensure the Hawthorn Football Club and its community survives and thrives today, tomorrow and always. The Foundation has six pillars:

Facility – Kennedy Community Centre

At Hawthorn's heart is the Kennedy family's spirit of inclusion, of giving back, and of working together as a community. The Foundation's vision is to create a world-class training and administration facility that is ours to own and incorporates fan and community expansion, integration and engagement.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Foundation (continued)

Community

The Foundation is committed to supporting the Club's community pillars of Mental Health, Indigenous and Social Inclusion. It is committed to growing the community engagement programs which inspire and educate; integrate and engage; mentor, lead and support the community to ensure a better outcome not just for Hawthorn supporters, but for everyone.

Innovation

The Foundation is committed to leading through innovation both on and off the field through talent pathways, women's football, Next Generation Academies and digital technologies.

Heritage

The Foundation is committed to preserving and honouring the past so all Hawthorn supporters and the wider community have the opportunity to understand the role Hawthorn has played in shaping the Australian sporting landscape of today.

Endowment

On field success doesn't equal survival. The Foundation has established an endowment funding program to help safe-guard the Club for generations to come.

Bequests

The Always Hawthorn Bequest Club was formed to ensure that the Club remains strong and viable for generations to come, ensuring that future generations will experience the same sense of joy and passion as those from yesterday and today. The Always Hawthorn Bequest Club has 59 confirmed bequestors.

In 2018, the Public Ancillary Fund received donations totalling \$2,727,470 and generated \$98,537 in investment earnings. These contributions have assisted in increasing the funds of the Public Ancillary Fund to \$7,513,148 at 31 October 2018.

Community

Hawthorn's vision is to be a recognised industry leader in providing community programs which lead to meaningful outcomes and promote social change and inclusion.

Our aim is to provide programs and partnerships that deliver positive community impact, through the strength of the Club's brand and players as role models within the community.

Partnerships with key philanthropic, community, government and commercial organisations enable the Club to reach deeply into the community, particularly in relation to health, education and social disengagement.

Guiding principles for the Club's community engagement help form decision making and ensure the Club and its partners remain true to its vision. All partnerships need to be effective with measurable outcomes to demonstrate their purpose. The programs and partnerships must have a shared value with high community impact and be focussed to ensure we deliver the greatest impact in the areas of most importance. Our community programs are tailored to meet the needs of the communities in which they are delivered but, most importantly, they are woven into the overall purpose and priorities of the Club and embedded into our every day.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Community (continued)

The Club's strategic priority is to deliver significant programs and outcomes for:

- Indigenous Australians
- Mental Health
- Social Inclusion

The Club recognises its social responsibility to engage in community activities and to this end is involved in a variety of activities nationally, in particular Eastern and South-East Melbourne, Gippsland, Tasmania and the Northern Territory.

Hawthorn's Indigenous Program continues to benefit from Epic Good Foundation's philanthropic donation of \$1 million over five years. This donation enables the Club's vision of assisting in closing the gap in Indigenous health and education with partnerships that enable delivery of key programs. Key partnerships include the Indigenous Literacy Foundation, Worawa Girls College and the Big River Hawks.

The Club's vision is for every Australian to have the knowledge of the necessary tools to tackle anxiety and depression so that they can help themselves and others on the road to recovery. The Club's Beyond Blue partnership is into its 13th year with the Beyond Blue Cup now a permanent fixture of the Hawthorn schedule.

Hawthorn is committed to social inclusion to empowering people of all abilities, gender and cultural background to collaborate, lead and create a sense of belonging. It works diligently to embrace the abilities of all people to create an integrated and inclusive environment. Highlights this year included the Club's involvement in the National Inclusion Carnival in Tasmania and the launch of our very own Wheelchair Football team.

The Club's broad contribution to Tasmania has been highlighted as the Hawks were named as a finalist in the 2018 Tasmanian Tourism Awards. This accolade is a strong endorsement of Hawthorn's commitment to delivering a broad range of benefits to the Tasmanian people. Whilst the Club delivered over \$300,000 worth of community investment throughout 2018 in the areas of grass roots football, health, nutrition and literacy partnerships with the state government and a range of community organisations, the realisation of the significant impact to the tourism economy delivered by Hawthorn matches in Launceston may be news to many. It's indicative of the multi-faceted, far reaching and innovative ways Hawthorn contributes to the people of Tasmania.

Hawks Museum

The Hawks Museum helps to tell the story of the Hawthorn Football Club. The museum highlights the people and events that have shaped the successful Club we know today. It ensures that the history, achievements and the ongoing development of the Hawthorn Football Club are preserved for future generations. The Hawks Museum actively embraces the achievements of the Club as a whole – past, present and future.

The Hawks Museum has enjoyed another successful year in 2018 welcoming more than 4,000 visitors, including many from interstate and overseas. More than 650 people have joined or re-joined the 'Friends of the Hawks Museum' program and the year has seen the addition of thirteen new 'Glenferrie Gold' Life Patrons of the Hawks Museum, bringing the number of Life Patrons to 145.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Hawks Museum (continued)

Major projects included the expansion of the Best and Fairest Cabinet, which has allowed the display of generous new acquisitions of trophies from players. An expansion of the Guernsey Chronology increased hanging space to accommodate at least eight more guernseys. This expansion presents a more complete narrative for the evolution of the Club's guernsey.

The Museum is also nearing the conclusion of the Museums Australia Re-Accreditation Program. This rigorous two-year process has ensured the Hawks Museum maintain its high standards and is the only Museum in the AFL to have this level of accreditation, a great credit to Peter Haby and Rachel Bradshaw.

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 Dingley property owned by HFC Land is subject to environmental regulations and the Club actively manages its obligations in this respect.

The Club's day to day 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 2018

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 2018

Information on Directors / Company Secretary

Name	Qualifications / Club Portfolio	Experience	Date Appointed/ Resigned
Directors:			
J G Kennett AC (President)	Chairperson of the Board	Premier of Victoria 1992-1999 Chairman / Director of various Private and Public companies	9 October 2017
P W Nankivell (Vice-President)	Chairperson of the KCCC, Member of FRMC, Member of the D2BDC, Member of the CSJV, Bachelor of Commerce, Bachelor of Laws, Masters of Law	Consultant Lawyer Thomson Geer, Company Director	11 December 2014
R J Garvey	Chairperson of FRMC, Chairperson of the CSJV, Member of the F&FC Director Box Hill Hawks, Bachelor of Commerce, FCA, MBA	Chartered Accountant, Company Director / Consultant	18 October 2010
A D W Gowers	BBus(Marketing), DFS(Financial Planning)	1991 HFC premiership player, 140 AFL games, Succession & Financial Consultant	14 December 2017 (Resigned)
A H Kaye AM	Chairperson of the H&TC, Member of the P&CC, MB, BS, MD, FRACS	Neurosurgeon Professor of Surgery Head, Dept of Surgery The University of Melbourne Director, Dept of Neurosurgery The Royal Melbourne Hospital 1992- 2018	21 February 2011
L J Kristjanson AO (former Vice- President)	Chairperson of the P&CC Member of the I&CC BN, MN, PhD, FAICD, FTSE	Vice-Chancellor and President of Swinburne University	21 March 2014
L J Nolan	Chairperson of I&CC, Bachelor of Arts (Honours), Master of Arts, Graduate Diploma (Public Sector Management), Advanced Management Program, Harvard University	CEO, Ovarian Cancer Research Foundation, Company Director	21 September 2016

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Name	Qualifications / Club Portfolio	Experience	Date Appointed/ Resigned
R Sali	Chairperson of the D2BDC, Member of the CCC, Bachelor of Arts, Certificate of Finance, Certificate of Leadership, CEO in Residence – Melbourne University	Chairman & Founder Light Warrior Group, Swisse Wellness Pty Ltd: CEO Managing Director General Manager Operations Manager Partner, Village Cinemas and related entities.	15 February 2018 (Appointed)
T Shearer	Chairperson of the Hawthorn Football Club Foundation, Chairperson of the CCC Chairperson of the F&FC, Bachelor of Business (Economics/Marketing), Graduate Diploma of Education	Scotch College Director of Development, Scotch College Foundation Executive Director	15 February 2018 (Appointed)
R P Vandenberg	Chairperson of the FSC, Bachelor of Business	HFC Past Player, 145 AFL games, Captain HFC 2005-07, Company Director / CEO	21 September 2016
Company Secretary:			
T Silvers	Member of FRMC, Member of the CSJV, Member of the KCCC, Member of the I&CC, Member of the D2BDC Member of the F&FC, Member of the CCC Bachelor of Commerce, Grad Dip (Acc), Certified Public Accountant	14 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 2018

Operating and financial review (continued)

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

Name of Director	Directors' meetings	
	A	B
J G Kennett (President)	11	11
P W Nankivell (Vice President)	11	11
R J Garvey	11	10
A D W Gowers	2	2
A H Kaye	11	11
L J Kristjanson	11	9
L J Nolan	11	10
R Sali	9	8
T Shearer	9	8
R P Vandenberg	11	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 Risk Management Committee (FRMC)

The Club's Finance and Risk Management Committee comprises: R Garvey (Chair), P Nankivell (Director), J Reeves, T Silvers, A Klein, A Singh, H Hogan (Executives), E Sill and O Kysela (Independent members) 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.

Integrity and Compliance Committee (I&CC)

The Club's Integrity and Compliance Committee comprises: L Nolan (Chair), L Kristjanson (Director), T Silvers, C Pettyfor, J Burt (Executives), K Casey, B Buick, G Farrell (Independent members) which meets bi-monthly and is primarily responsible for reviewing the integrity and compliance regulatory requirements across the Club.

Caroline Springs Joint Venture (CSJV)

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

Kennedy Community Centre Committee (KCCC)

The Club's Kennedy Community Centre Committee comprises: P Nankivell (Chair), J Reeves, G Wright, T Silvers, T Gallina, K Brewer, C Pettyfor (Executives), J Deague (Independent member) which meets bi-monthly and is primarily responsible for providing strategic direction in the Club's relocation of its training and administration base to Dingley, and then providing recommendations to the board.

People and Culture Committee (P&CC)

The Club's People and Culture Committee comprises: L Kristjanson (Chair), A Kaye (Director), J Reeves, J Burt, C Matthews, P De Haan, J Millard (Executives), J Macintyre (Independent member) which meets bi-monthly and is primarily responsible for the review and strategic direction of the club's people and culture structure and human resources function.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2018

Operating and financial review (continued)

Football Sub Committee (FSC)

The Club's Football Sub Committee comprises: R Vandenberg (Chair), J Reeves, G Wright, J Burt, A Clarkson, A Russell, D Carroll, R McCartney (Executives) which meets monthly and is responsible for overseeing the operations, list management and integrity of the football department.

Dare to be Different Committee (D2BDC)

The Club's Dare to be Different Committee comprises: R Sali (Chair), P Nankivell (Director), J Reeves, T Silvers, A Klein, T Gallina, A Singh (Executives), B Harris, A Gregory, C Mills, M Berriman (Independent members) which meets bi-monthly and is primarily responsible for reviewing the development and implementation of strategic business development initiatives, and ensuring initiatives are consistent with the Club's Strategic Plan.

History and Tradition Committee (H&TC)

The Club's History and Tradition Committee comprises: A Kaye (Chair), J Burt, R Haas (Executives), D Harford, P Hudson, J Kennedy (Jnr), A Martello, B Sewell (Independent members) which meets bi-monthly and is primarily responsible for reviewing and providing ongoing direction for the preservation of the Club's history and traditions.

Foundation and Fundraising Committee (F&FC)

The Club's Foundation and Fundraising Committee comprises: T Shearer (Chair), R Garvey (Directors), T Silvers, K Brewer (Executives), A Badger (Independent member) which meets quarterly and is primarily responsible for reviewing and providing strategic direction across all the Club's fundraising initiatives.

Capital Campaign Committee (CCC)

The Club's Capital Campaign Committee comprises: T Shearer (Chair), R Sali (Director), J Reeves, T Silvers, K Brewer (Executives), P Hudson, P Knights, S Crawford, S Paterson, C Karagounis, J Dicker, M Ralston (Independent members). This newly formed Committee will meet monthly and is primarily responsible for raising funds through donations to deliver the Kennedy Community Centre.

Other

Individual Club Directors chair meetings of these Board Sub Committees. The Club is represented on the Board of the HFC Foundation and Box Hill Hawks Ltd.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 18 and forms part of the Directors' report for the financial year ended 31 October 2018.

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



J G Kennett, President



R J Garvey, Director

Dated at Melbourne 13 November 2018

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 31 OCTOBER 2018



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

To the Directors of Hawthorn Football Club Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Hawthorn Football Club Limited for the financial year ended 31 October 2018 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.

A handwritten signature in blue ink, appearing to read 'KPMG' followed by a flourish.

KPMG

A handwritten signature in blue ink, appearing to read 'Tony Romeo'.

Tony Romeo

Partner

Melbourne

13 November 2018

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2018

For the year ended 31 October 2018		Consolidated		The Club		
		Note	2018	2017	2018	2017
Continuing operations			\$	\$	\$	\$
Revenue	4	74,339,727	70,742,464	53,646,355	52,131,775	
Cost of sales		(3,064,354)	(3,106,135)	(1,139,445)	(1,219,538)	
Gross profit		71,275,373	67,636,329	52,506,910	50,912,237	
Other income	4	205,009	267,261	38,130	87,465	
Sponsorship, membership & fundraising expenses		(10,151,404)	(9,852,324)	(9,963,900)	(9,641,703)	
Employee and player expenses		(37,145,842)	(34,488,106)	(31,310,888)	(28,721,214)	
Marketing expenses		(1,504,766)	(1,573,512)	(833,799)	(942,427)	
Depreciation & amortisation		(2,417,382)	(2,405,005)	(1,076,668)	(1,106,736)	
Venue management fees		(399,715)	(454,472)	-	(54,051)	
Other football operations expenses		(2,709,738)	(2,960,708)	(2,924,568)	(3,310,217)	
Other expenses in respect to ordinary activities		(12,659,828)	(11,366,633)	(4,990,416)	(5,517,113)	
		(66,783,666)	(62,833,499)	(51,062,109)	(49,205,996)	
Results from operating activities		4,491,707	4,802,830	1,444,801	1,706,241	
Finance income	5	674,499	458,628	566,562	401,315	
Finance expenses	5	(438,828)	(466,213)	-	-	
Net finance income		235,671	(7,585)	566,562	401,315	
Profit before income tax		4,727,378	4,795,245	2,011,363	2,107,556	
Income tax expense	3(p)	-	-	-	-	
Net profit for the year		4,727,378	4,795,245	2,011,363	2,107,556	
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		333,195	137,883	333,195	137,883	
Total other comprehensive income for the year		333,195	137,883	333,195	137,883	
Total comprehensive income for the year		5,060,573	4,933,128	2,344,558	2,245,439	
Total profit attributable to:						
Members of Hawthorn Football Club		4,626,038	4,763,638	2,011,363	2,107,556	
Minority Interests		101,340	31,607	-	-	
		4,727,378	4,795,245	2,011,363	2,107,556	
Total comprehensive income attributable to:						
Members of Hawthorn Football Club		4,959,233	4,901,521	2,344,558	2,245,439	
Minority Interests		101,340	31,607	-	-	
		5,060,573	4,933,128	2,344,558	2,245,439	

The income statements are to be read in conjunction with the notes of the financial statements set out in pages 23 to 41.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 OCTOBER 2018

For the year ended 31 October 2018	Minority	Retained	Fair Value	Total
Consolidated	Interest	earnings	reserve	equity
	\$	\$	\$	\$
Opening balance 1 November 2016	439,824	40,692,377	467,053	41,599,254
Total comprehensive income for the year				
Total other comprehensive income	-	-	137,883	137,883
Profit for the period	31,607	4,763,638	-	4,795,245
Total comprehensive income for the year	471,431	45,456,015	604,936	4,795,245
Minority Equity Contribution		-	-	-
Closing balance at 31 October 2017	471,431	45,456,015	604,936	46,532,382
Opening balance at 1 November 2017	471,431	45,456,015	604,936	46,532,382
Total comprehensive income for the year				
Fair value movement of available for sale financial assets	-	-	333,195	333,195
Profit for the period	101,340	4,626,038	-	4,727,378
Minority Equity Contribution	-	-	-	-
Total comprehensive income for the year	101,340	4,626,038	333,195	5,060,573
Closing balance at 31 October 2018	572,771	50,082,053	938,131	51,592,955
Club	Minority	Retained	Fair Value	Total members'
	Interest	earnings	reserve	equity
	\$	\$	\$	\$
Opening balance 1 November 2016	-	37,427,219	467,053	37,894,272
Total comprehensive income for the year				
Total other comprehensive income	-	-	137,883	137,883
Profit for the period	-	2,107,556	-	2,107,556
Total comprehensive income for the year	-	2,107,556	137,883	2,245,439
Closing balance at 31 October 2017	-	39,534,775	604,936	40,139,711
Opening balance at 1 November 2017	-	39,534,775	604,936	40,139,711
Total comprehensive income for the year				
Fair value movement of available for sale financial assets	-	-	333,195	333,195
Profit for the period	-	2,011,363	-	2,011,363
Total comprehensive income for the year	-	2,011,363	333,195	2,344,558
Closing balance at 31 October 2018	-	41,546,138	938,131	42,484,269

The statements of changes in equity are to be read in conjunction with the notes of the financial statements set out on pages 23 to 41.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF FINANCIAL POSITION FOR THE YEAR ENDED 31 OCTOBER 2018

As at 31 October 2018		Consolidated		The Club	
	Note	2018	2017	2018	2017
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	6	25,978,402	19,933,290	16,216,503	13,155,644
Trade & other receivables	7	1,871,149	1,798,613	1,638,066	1,592,446
Inventory	8	755,044	838,535	622,629	711,634
Other	9	728,609	755,532	541,138	502,090
Total current assets		29,333,204	23,325,970	19,018,336	15,961,814
Non Current Assets					
Investments	10	3,889,908	3,656,845	3,889,908	3,255,075
Investment property	11	3,508,886	3,583,882	3,508,886	3,583,882
Property, plant & equipment	12	21,724,880	22,013,182	9,574,764	9,736,899
Intangible assets	13	13,175,940	13,850,844	154,688	195,938
Trade & other receivables	7	-	-	14,712,648	14,302,632
Other	9	447,159	-	127,289	-
Total non-current assets		42,746,773	43,104,753	31,968,183	31,074,426
Total assets		72,079,977	66,430,723	50,986,519	47,036,240
Current Liabilities					
Payables	14	8,527,299	6,956,767	5,394,652	3,800,467
Interest bearing loans & borrowings	15	8,380,000	1,000,000	-	-
Employee entitlements	16	2,063,458	1,696,913	1,733,104	1,410,560
Other liabilities	17	1,385,464	1,656,405	1,270,336	1,574,701
Total current liabilities		20,356,221	11,310,085	8,398,092	6,785,728
Non Current Liabilities					
Payables	14	-	205,056	-	-
Interest bearing loans & borrowings	15	-	8,245,000	-	-
Employee entitlements	16	130,801	138,200	104,158	110,801
Total non-current liabilities		130,801	8,588,256	104,158	110,801
Total liabilities		20,487,022	19,898,341	8,502,250	6,896,529
Net assets		51,592,955	46,532,382	42,484,269	40,139,711
Equity					
Reserves		938,131	604,936	938,131	604,936
Minority interest (CSJV)		572,771	471,431	-	-
Retained profits		50,082,053	45,456,015	41,546,138	39,534,775
Total equity		51,592,955	46,532,382	42,484,269	40,139,711

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 23 to 41.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2018

For the year ended 31 October 2018		Consolidated		The Club		
		Note	2018	2017	2018	2017
Cash flows from operating activities			\$	\$	\$	\$
	Cash receipts in the course of operations		81,755,734	78,188,985	59,311,679	57,632,814
	Cash payments in the course of operations		(73,254,952)	(67,161,886)	(55,891,804)	(56,257,180)
	Net cash from operating activities		8,500,782	11,027,099	3,419,875	1,375,634
Cash flows from investing activities						
	Interest received	5	391,146	393,704	283,209	336,390
	Dividends received	5	283,353	181,283	283,353	181,283
	Payments for property, plant & equipment		(1,379,182)	(9,877,990)	(798,289)	(658,692)
	Deposits paid for gaming entitlements		(447,159)	-	(127,289)	-
	Transfer to Inter Company entity		-	-	-	(8,940,676)
	Liquidation of managed funds		-	-	-	6,225,037
	Net cash used in investing activities		(1,151,842)	(9,303,003)	(359,016)	(2,856,658)
Cash flows from financing activities						
	Borrowing costs paid		(438,828)	(466,213)	-	-
	Proceeds from borrowings		-	500,000	-	-
	Repayment of borrowings		(865,000)	(346,388)	-	-
	Net cash used in financing activities		(1,303,828)	(312,601)	-	-
	Net increase/(decrease) in cash & cash equivalents		6,045,112	1,411,495	3,060,859	(1,481,024)
	Cash and cash equivalents at 1 November 2017		19,933,290	18,521,795	13,155,644	14,636,668
	Cash and cash equivalents at 31 October 2018	6	25,978,402	19,933,290	16,216,503	13,155,644

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 23 to 41.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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 13 November 2018.

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. 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.

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.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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 the 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 2018

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:

	2018	2017	Method of depreciation
Buildings	25-40	25-40	Straight line
Building improvements	5-40	5-40	Straight line
Plant and equipment	5-40	5-40	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 2018

3. Statement of significant accounting policies (continued)

(c) Intangible assets (continued)

Amortisation is recognised in the 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. The entitlements 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 2018

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 and cash equivalents in the balance sheet comprise cash at bank and on hand and highly liquid cash deposits with short-term maturities and are readily convertible to known amounts of cash with insignificant risk of change in value. The Club considers that the carrying value of cash and cash equivalents approximate fair value due to their short term to maturity.

(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 with an indefinite useful life 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.

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 2018

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 2018

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 2018

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 2018

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 plans to adopt this standard in 2019 and will elect to maintain the current policy with nil financial statement impact.

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 2019. 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 2018

4. Revenue

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating revenue				
AFL distribution and prize money	11,156,622	10,861,443	11,156,622	10,861,443
Membership income	12,253,371	12,446,104	12,247,389	12,443,750
Match day income	5,555,778	5,117,239	5,441,593	5,003,661
Marketing income	15,536,294	14,155,211	15,044,415	13,623,492
Merchandise income	1,840,054	2,088,983	1,837,842	2,084,355
Gaming income	12,058,536	11,857,828	5,870,534	5,968,025
Bar and bistro income	7,590,283	7,229,538	454,433	575,213
Accommodation income	3,808,746	2,765,123	-	-
Donations and special fundraising	1,115,644	1,337,833	1,115,644	1,008,674
Rental income	696,929	563,162	477,883	563,162
Total operating revenue	71,612,257	68,422,464	53,646,355	52,131,775
Non operating revenue*	2,727,470	2,320,000	-	-
Total revenue	74,339,727	70,742,464	53,646,355	52,131,775
Other income	205,009	267,261	38,130	87,465
Total revenue and other income	74,544,736	71,009,725	53,684,485	52,219,240

*HFC Foundation (Public Ancillary Fund) received donations of \$2.73m towards its Dingley facility project during the year (2017: \$2.32m).

5. Finance income and expense

Interest income on bank deposits	391,146	393,703	283,209	336,390
Dividend income from available for sale investments	283,353	181,283	283,353	181,283
Net profit/(loss) on disposal of PP&E	-	(116,358)	-	(116,358)
Finance Income	674,499	458,628	566,562	401,315
Interest expense	(438,828)	(466,213)	-	-
Finance expense	(438,828)	(466,213)	-	-
Net finance income	235,671	(7,585)	566,562	401,315

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

6. Cash and cash equivalents

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash on hand	841,302	936,822	378,510	432,027
Cash at bank	4,049,767	3,984,204	1,293,193	1,761,000
Short term deposit	21,087,333	15,012,264	14,544,800	10,962,617
	<u>25,978,402</u>	<u>19,933,290</u>	<u>16,216,503</u>	<u>13,155,644</u>

7. Trade and other receivables

Current

Trade receivables	1,715,312	1,684,717	1,518,953	1,512,085
Other debtors	155,837	113,896	119,113	80,361
	<u>1,871,149</u>	<u>1,798,613</u>	<u>1,638,066</u>	<u>1,592,446</u>

Non Current

Amount receivable from related parties

Loan to subsidiary – CSJV	-	-	3,246,021	3,246,021
Loan to subsidiary – CSFT	-	-	2,870,063	2,870,063
Loan to subsidiary – HFC Land	-	-	8,596,564	8,186,548
	<u>-</u>	<u>-</u>	<u>14,712,648</u>	<u>14,302,632</u>

8. Inventory

Current

Inventory	<u>755,044</u>	<u>838,535</u>	<u>622,629</u>	<u>711,634</u>
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9. Other assets

Prepayments - Current	728,609	755,532	541,138	502,090
Prepayment - Non Current	447,159	-	127,289	-
	<u>1,175,768</u>	<u>755,532</u>	<u>668,427</u>	<u>502,090</u>

10. Investments

Non-Current

Equity securities/managed funds	<u>3,889,908</u>	<u>3,656,845</u>	<u>3,889,908</u>	<u>3,255,075</u>
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These investments are made up of Term Deposits and Equities which are invested in line with the Club's investment policy.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

11. Investment Property

	Consolidated	The Club
Cost	\$	\$
Balance at 1 November 2017	4,328,720	4,328,720
Acquisitions	-	-
Disposals	-	-
Balance at 31 October 2018	<u>4,328,720</u>	<u>4,328,720</u>
Depreciation		
Balance at 1 November 2017	(744,838)	(744,838)
Depreciation charge for the year	<u>(74,996)</u>	<u>(74,996)</u>
Balance at 31 October 2018	<u>(819,834)</u>	<u>(819,834)</u>
Carrying amounts		
At 1 November 2017	<u>3,583,882</u>	<u>3,583,882</u>
At 31 October 2018	<u>3,508,886</u>	<u>3,508,886</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 2018

12. Property, plant and equipment

Consolidated reconciliation

	Land buildings & building Improvements*	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2017	11,682,424	22,344,448	1,054,515	35,081,387
Acquisitions	-	1,347,664	31,518	1,379,182
Disposals	-	-	-	-
Balance at 31 October 2018	11,682,424	23,692,112	1,086,033	36,460,569
Depreciation				
Balance at 1 November 2017	(751,104)	(12,079,024)	(238,077)	(13,068,205)
Depreciation/amortisation charge for the year	(67,179)	(1,571,403)	(28,902)	(1,667,484)
Disposals	-	-	-	-
Balance at 31 October 2018	(818,283)	(13,650,427)	(266,979)	(14,735,689)
Carrying amounts				
At 1 November 2017	10,931,320	10,265,424	816,438	22,013,182
At 31 October 2018	10,864,141	10,041,685	819,054	21,724,880

Club reconciliation

	Land buildings & building Improvements*	Plant and equipment	Building leasehold improvements	Total
Cost	\$	\$	\$	\$
Balance at 1 November 2017	3,447,811	15,050,210	754,059	19,252,080
Acquisitions	-	798,289	-	798,289
Disposals	-	-	-	-
Balance at 31 October 2018	3,447,811	15,848,499	754,059	20,050,369
Depreciation				
Balance at 1 November 2017	(751,104)	(8,623,024)	(141,054)	(9,515,182)
Depreciation/amortisation charge for the year	(67,179)	(874,392)	(18,852)	(960,423)
Disposals	-	-	-	-
Balance at 31 October 2018	(818,283)	(9,497,416)	(159,906)	(10,475,605)
Carrying amounts				
At 1 November 2017	2,696,708	6,427,186	613,005	9,736,899
At 31 October 2018	2,629,528	6,351,083	594,153	9,574,764

* The Waverley Park land, buildings and oval are subject to certain usage and disposal restrictions.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

13. Intangible Assets

Consolidated reconciliation	Goodwill	Lease premium	Gaming entitlements	Total
	\$	\$	\$	\$
Balance at 1 November 2017	8,237,046	9,150,000	3,849,046	21,236,092
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 October 2018	8,237,046	9,150,000	3,849,046	21,236,092
Amortisation and impairment				
Balance at 1 November 2017	(4,200,000)	(1,486,877)	(1,698,371)	(7,385,248)
Amortisation charge for the year	-	(228,750)	(446,154)	(674,904)
Balance at 31 October 2018	(4,200,000)	(1,715,627)	(2,144,525)	(8,060,152)
Carrying amounts				
At 1 November 2017	4,037,046	7,663,123	2,150,675	13,850,844
At 31 October 2018	4,037,046	7,434,373	1,704,521	13,175,940

Club reconciliation	Goodwill	Lease premium	Gaming entitlements	Total
	\$	\$	\$	\$
Balance at 1 November 2017	-	-	412,500	412,500
Acquisitions	-	-	-	-
Disposals	-	-	-	-
Balance at 31 October 2018	-	-	412,500	412,500
Amortisation and impairment				
Balance at 1 November 2017	-	-	(216,562)	(216,562)
Amortisation charge for the year	-	-	(41,250)	(41,250)
Balance at 31 October 2018	-	-	(257,812)	(257,812)
Carrying amounts				
At 1 November 2017	-	-	195,938	195,938
At 31 October 2018	-	-	154,688	154,688

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.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

14. Payables

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current				
Trade Payables	2,631,062	1,981,416	1,822,035	1,138,710
Other creditors and accruals	5,896,237	4,975,351	3,572,617	2,661,757
	<u>8,527,299</u>	<u>6,956,767</u>	<u>5,394,652</u>	<u>3,800,467</u>
Non-current				
Other creditors and accruals	-	205,056	-	-

15. Interest-bearing liabilities

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current				
Bank loan – secured*	8,380,000	1,000,000	-	-
	<u>8,380,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Non-current				
Bank loan – secured*	-	8,245,000	-	-
	<u>-</u>	<u>8,245,000</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 2018 totalled \$8.38m. The bank loan is due to mature during February 2019 and management are finalising negotiations relating to the facility and have received indicative offers from two banks, which are currently being considered.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

16. Employee provisions

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current				
Provision for annual leave	1,122,217	811,116	897,326	602,854
Provision for long service leave	941,241	885,797	835,778	807,706
	<u>2,063,458</u>	<u>1,696,913</u>	<u>1,733,104</u>	<u>1,410,560</u>
Non-current				
Provision for long service leave	130,801	138,200	104,158	110,801
	<u>130,801</u>	<u>138,200</u>	<u>104,158</u>	<u>110,801</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 \$1,753,818 (2017: \$1,659,949) and Group \$2,220,154 (2017: \$2,106,697) for the financial year ended 31 October 2018.

17. Other liabilities

Current

Unearned revenue	<u>1,385,464</u>	<u>1,656,405</u>	<u>1,270,336</u>	<u>1,574,701</u>
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The Club has unearned revenue relating to 2019 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 2018

18. Commitments

	Consolidated		The Club	
	2018	2017	2018	2017
	\$	\$	\$	\$
(a) Operating lease commitments				
Leases as lessee				
Non-cancellable operating lease rentals are payable:				
Within one year	3,510,295	3,050,699	766,686	782,112
Between one and five years	14,380,008	12,314,861	2,411,107	2,418,227
More than five years	14,952,941	17,609,164	1,218,352	3,160,698
	<u>32,843,244</u>	<u>32,974,724</u>	<u>4,396,145</u>	<u>6,361,037</u>

During the year \$3,448,536 was recognised as an expense in the statements of profit or loss and other comprehensive income in respect of operating leases (2017: \$3,065,806). 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 officially commenced in July 2017 when the accommodation expansion was 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's capital commitments as at 31 October 2018 were \$10,849,245 (2017: \$0) which relate to the gaming entitlements to take effect from 2022 to 2032. The club was required to apply and make a deposit towards the gaming entitlements during the 2018 financial year of \$447,159. This deposit is classified as a prepayment at note 9.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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. It's the clubs policy 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and incentives	2,791,151	2,190,190	2,791,151	2,190,190

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 (2017: \$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 (2017: \$3,246,021) 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 \$502,500 (2017: \$734,307) to the BHHFC. These payments have been eliminated in the consolidated financial statements.

The Club has a related party receivable totalling \$8,596,564 (2017: 8,186,548) with HFC Land Trust, a wholly owned subsidiary. The amount is not repayable within twelve months, is non interest bearing and is unsecured.

HAWTHORN FOOTBALL CLUB LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2018

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 2016.

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 nine 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 2018 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 19 to 41, 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 2018 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

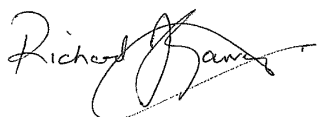
(b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 13th day of November 2018.

Signed in accordance with a resolution of the Directors:



J G Kennett
President



R J Garvey
Director



Independent Auditor's Report

To the members of Hawthorn Football Club Limited

Opinion

We have audited the **Financial Report** of Hawthorn Football Club Limited (the "Club").

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

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

The **Financial Report** comprises:

- Statements of financial position as at 31 October 2018;
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Club and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group and Club in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Hawthorn Football Club Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Club's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Club or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

Tony Romeo

Partner

Melbourne

13 November 2018

Appendix 1

HFC Foundation Report

Engaging meaningfully with the Hawthorn Family will be central to achieving our vision to be the leading Australian sporting club in the philanthropic space by developing a sustainable culture of philanthropy. Six fundraising pillars underpin the work of the Hawthorn Football Club Foundation; facilities, community, innovation, heritage, future fund and bequests.

The Foundation will play a significant role in bringing the Kennedy Community Centre to life. The centre will provide the club and the community with state of the art facilities to educate, plan, prepare and execute an integrated grass roots through to elite performance program with a 'one club' approach. I have always said that fundraising is the ultimate team sport, and this transformational project will require the support of our entire community as we look to bring it to life.

The Foundation also enables the Club to reach out and engage with the community. Sport is a powerful facilitator and conduit to unifying people and to building strong, healthy and safe communities.

As a club, we want to provide community programs which lead to meaningful outcomes that promote social change and inclusion. Partnerships with key philanthropic, community, government and commercial organisations enable the club to reach deeply into community, particularly in the areas of health, education, social disengagement and inclusion. The club's strategic priority is to deliver significant programs which deliver positive outcomes in the areas of Mental Health and Social Inclusion, and our commitment to the welfare of indigenous communities is another focus.

I'd like to thank the Epic Good Foundation for its ongoing support of our Indigenous program. We are extremely grateful for the contribution the Foundation continues to make in helping close the gap by driving ongoing opportunities to create sustainable social change in indigenous communities nationally.

In the competitive AFL landscape we need to ensure we are committed to leading through innovation, both on and off the field. The Foundation will play a key role in identifying programs and opportunities within our VFLW program and the Next Generation Academy.

Importantly, the Foundation will ensure we preserve and honour the past so all Hawthorn supporters and the wider community have the opportunity to understand the role Hawthorn has played in shaping the Australian sporting landscape. We are also committed to providing the club with a reliable and growing income stream through our Endowment Fund.

Bequests from members of the Hawthorn Family will continue to play a critical role in shaping our club's future. This year we were fortunate to receive a bequest totalling \$135,000. These members of our community had both the foresight and the generosity of spirit to invest in the future of their club.

Foundation supporters and their families enjoyed an array of functions throughout the year. These functions allowed Foundation members to get to know each other, and provided an avenue for the club to thank them for their support. We love these opportunities to get Hawthorn people and their families together to celebrate all that we love about the club.

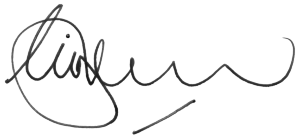
¹ The information contained in this Appendix does not form part of the audited statutory financial report of the Club for the year ended 31 October 2018. It has been prepared solely for the information of members and report users.

People are the most important ingredient of the Foundation. The Foundation is built upon the work ethic and values of great people who add significant credibility and respect to our vision and our objectives. The ongoing involvement of our Foundation Patron and Ambassadors is fundamental to our success. Ian Dicker, Graham Arthur, David Parkin, Peter Hudson, Peter Knights and Liam Shiels all give their time and support without question. We acknowledge their ongoing commitment and thank them for their passion, loyalty and support.

On behalf of the Club I take this opportunity to thank my fellow Foundation Directors for their contribution over the year; Doug Battersby, Chris Voigt, Scott Patterson, Geoff Sammons, Geraldine Farrell, Maria Lui, Brad Harris and Ian Fullagar have all welcomed me to the team and played their part in leading the way. I also would like to acknowledge the commitment made by Kerrie Brewer and her office team who 'ride the bumps with a grin' and understand better than most that 'teamwork is the thing that talks.'

I have saved the most important thank you for last. Thank you for investing so generously in your club. Thank you for your ongoing generosity, and thank you for your loyalty. Together I believe we can achieve an even brighter future for the Hawthorn Football Club.

Your club. One for All. Always.

A handwritten signature in black ink, appearing to read 'T Shearer', with a stylized flourish at the end.

T Shearer

Director - Hawthorn Football Club

Chairman – Hawthorn Football Club Foundation

NOTES:

