

North Melbourne Football Club Limited
ABN 21 006 468 962

Financial Report

Year Ended 31 October 2016



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North Melbourne Football Club Limited
ABN 21 006 468 962
Directors' Report

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company in respect of the financial year ended 31 October 2016.

Directors

The following directors were in office during the period from 1 November 2015 to the date of this report, unless otherwise stated:

James Brayshaw	Appointed Director on 28 February 2007 Appointed Chairman on 6 December 2007 Resigned as Director and Chairman on 19 October 2016 Co-host of The Footy Show – Channel 9 Football Commentator – Triple M
Carl Dilena	Appointed Director on 21 December 2007 Managing Director and Chief Executive Officer
Geoff Lewis	Appointed Director on 21 December 2007 Member – Finance & Audit Committee CEO and Co-Founder ASG Group
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven
Brady Scanlon	Appointed Director on 17 July 2012 Chairman – Finance & Audit Committee Executive Chairman of Alady Group
Ben Buckley	Appointed Director on 14 May 2013 Appointed Chairman on 19 October 2016 Executive Director – Sport and Foxtel Victoria
Glenn Archer	Appointed Director on 15 April 2015 Director – Kode Entertainment Group
Brian Walsh	Appointed Director on 19 October 2016 Managing Director – Bastion Reputation Management

Company Secretary

Chris Simmonds	Appointed as Secretary on 5 June 2012
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Directors' Meetings

The number of directors' meetings and the number of meetings attended by each of the directors during the financial year was:

Director	Number of meetings attended	Number of meetings eligible to attend
James Brayshaw	8	9
Carl Dilena	10	10
Geoff Lewis	10	10
Julie Laycock	6	10
Brady Scanlon	9	10
Ben Buckley	8	10
Glenn Archer	7	10
Brian Walsh	1	1

Directors' Report (continued)

The Company has the following subcommittees made up of the following members:

Finance & Audit Committee – Brady Scanlon (Chairman), Geoff Lewis, Rodney Piltz, John Magowan

Integrity Committee – Will Houghton QC (Chairman), Julie Laycock, Andrew Harris, Xavier Walsh, Paul Stevens, Geoff Walsh

Principal Activities

North Melbourne Football Club Limited is a member of the Australian Football League. The principal activities of the Company during the financial year consisted of promoting the playing of Australian Rules football by providing a team of footballers bearing the name of the North Melbourne Football Club.

There has been no significant change in those activities.

Objectives and Strategies of the Company

The Company's short term objectives (2017) are:

- To meet targets set that will allow the Company to continue to invest in the football department, in particular player payments, which will give us the best opportunity to achieve on-field success.
- To investigate innovative ways to grow football revenue above 2016 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To grow non-football revenue.
- To establish a strong new market of supporters by further developing relationships in Hobart and developing regions in Victoria.
- To continue to reduce the Company's debt with ongoing supporter and member driven campaigns involving member contributions, unique events and products.

The Company's long term objectives (2018 – 2020) are:

- To deliver sustained on-field success.

To achieve these objectives, the Company has adopted the following strategies:

- To actively engage with members, supporters and communities.
- To explore strategies for new markets in Hobart and Wyndham whilst continuing to maintain its existing strong Melbourne based supporter areas.
- To develop a best practice football department.
- To ensure strong and effective financial management along with sound risk management and integrity practices.
- To ensure strong alignment with the AFL and other key stakeholders.

North Melbourne Football Club Limited
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Directors' Report (continued)

Operating Results

The operating result of the Company for the year ended 31 October 2016 was a profit of \$470,046 (2015: \$529,507).

The net profit of the Company was \$83,039 (2015: \$148,852) after non-operating items for the year ended 31 October 2016.

Review of Operations

2016 was a fluctuating year for the Club on-field. The team set a new Club record in winning the first nine games but ended up finishing 8th, losing in the first week of finals. Off-field we achieved another solid operating profit and further reduction of our debt. The continuation of the debt reduction program and achievement of operating profits has enabled the Club to reduce commercial debt by a further \$400k. Pleasingly, this puts the Club in a position of zero net debt as at 31 October 2016 (net of cash and cash equivalents).

Overall revenue for the Club grew to over \$38m, an increase of \$1.09m on 2015. Growth in revenue came from gate receipts, membership and merchandise. Key challenges for the Club's revenue remain continued growth in membership and sponsorship, obtaining better returns from gate receipts and establishing non-football revenue streams.

In 2016, the Club has again directed a large portion of the increased revenue to football operations with football expenditure increasing by \$496k on 2015. The investment in football operations is critical to ensuring that the Club has the best possible opportunity for sustained on-field success. On-field performance has a direct impact on multiple commercial areas of the Club.

The Club's key challenges for 2017 and beyond remain further reducing debt levels, growing core football related revenue and ensuring the Club has the ability to fund a competitive football department with continued capability to fully pay up to all Total Player Payment limits.

James Brayshaw resigned as Chairman in October after serving his maximum three terms in office as stipulated by the Club's Constitution. The Directors wish to note James' outstanding contribution and the achievements made during his tenure as Chairman. This includes the following key accomplishments since 2007:

- The building of elite training facilities at Arden Street
- Returning the Club to a member-based club in line with other AFL clubs
- The establishment of The Huddle – leading edge community program developed to reach, engage, support and empower young people to participate in society and contribute to more socially inclusive communities
- Significant reduction in debt position to a zero net debt position (net of cash and cash equivalents)

The following table is a summary of changes in the key metrics over the last 9 years:

Metric	2007	2016	Change
Membership	22,516	45,118	22,602
Gross sponsorship revenue	\$ 4,302,721	\$ 8,559,657	\$ 4,256,936
Football department expenditure	\$ 11,968,155	\$ 22,337,950	\$ 10,369,795
No. of permanent staff	36	97	61
Total player payments (% of limit)	92%	96%	4%
Top 8 finishes in last 9 years			5
Finals played in last 9 years			9

Significant changes in the State of Affairs

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

Significant Events after Year End

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 October 2016.

Dividends

The constitution of the North Melbourne Football Club Limited prohibits the payment of dividends. No dividends were declared or paid during the year.

Rounding of Amounts

The North Melbourne Football Club Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in the financial report have been rounded to the nearest dollar.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings.

Likely developments

Information on likely developments in the Company's operations and the expected results have not been included in this report because there are no known future developments that will have a material impact on future operations.

Environmental regulation

The operations of the Company are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

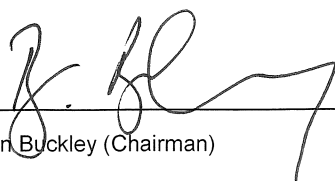
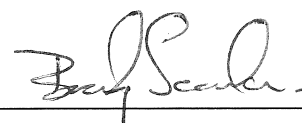
Indemnification of Officers and Auditors

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate indemnified against a liability incurred as an officer, including costs and expenses in defending legal proceedings.

Auditor Independence

The directors received the declaration on page 5 from the auditor of North Melbourne Football Club Limited which forms part of this report.

This report has been made in accordance with a resolution of directors.


Ben Buckley (Chairman)
Brady Scanlon (Director / Chairman – Finance
& Audit Committee)

Dated: 30th November 2016

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of North Melbourne Football Club Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of North Melbourne Football Club Limited for the year ended 31 October 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance

Melbourne, 30 November 2016

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North Melbourne Football Club Limited

ABN 21 006 468 962

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 October 2016

	Notes	2016 \$	2015 \$
Revenue from operating activities	3	38,548,700	37,459,141
<u>Operating expenses</u>			
Administration expenses		5,563,571	5,407,538
Commercial business, events and fundraising		1,883,157	1,693,863
Depreciation		284,731	259,709
Football operations		22,337,950	21,842,042
Membership		3,348,008	3,088,444
Merchandise		1,403,545	1,092,074
Sales and sponsorship		3,116,817	3,359,683
Finance costs		91,028	128,932
Other expenses		49,847	57,349
Total expenses from operating activities		38,078,654	36,929,634
Profit from operating activities		470,046	529,507
<u>Non-operating expenses</u>			
Amortisation on Arden Street redevelopment		387,007	380,655
Total expenses from non-operating activities		387,007	380,655
Loss from non-operating activities		(387,007)	(380,655)
Profit before income tax		83,039	148,852
Income tax expense	2(d)	-	-
Net profit after tax		83,039	148,852
Other comprehensive income		-	-
Total comprehensive income		83,039	148,852
Attributable to:			
Members of North Melbourne Football Club Limited		83,039	148,852

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
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Statement of Financial Position
As at 31 October 2016

	Notes	2016 \$	2015 \$
Current Assets			
Cash and cash equivalents	6	1,475,807	1,005,817
Trade and other receivables	7	153,147	251,093
Inventories	8	103,751	179,921
Other assets	9	431,566	326,993
Total Current Assets		2,164,271	1,763,824
Non-Current Assets			
Investment accounted for using the equity method		28,570	-
Property, plant and equipment	10	13,719,121	13,858,639
Total Non-Current Assets		13,747,871	13,858,639
Total Assets		15,911,962	15,622,463
Current Liabilities			
Trade and other payables	11	1,703,645	1,584,711
Interest bearing loans and borrowings	12	1,250,000	51,500
Employee benefits	13(a)	714,022	627,606
Income received in advance	14	2,353,990	1,891,615
Total Current Liabilities		6,021,657	4,155,432
Non-Current Liabilities			
Interest bearing loans and borrowings	12	-	1,650,000
Employee benefits	13(b)	142,459	152,224
Total Non-Current Liabilities		142,459	1,802,224
Total Liabilities		6,164,116	5,957,656
Net Assets		9,747,846	9,664,807
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		6,159,238	6,076,199
Total Equity		9,747,846	9,664,807

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
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Statement of Changes in Equity
For the year ended 31 October 2016

	Member funds	Accumulated profits/(losses)	Total Equity
	\$	\$	\$
Balance at 1 November 2014	3,588,608	5,927,347	9,515,955
Total Comprehensive Income for the period	-	148,852	148,852
Balance at 31 October 2015	3,588,608	6,076,199	9,664,807
Balance at 1 November 2015	3,588,608	6,076,199	9,664,807
Total Comprehensive Income for the period	-	83,039	83,039
Balance at 31 October 2016	3,588,608	6,159,238	9,747,846

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
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Statement of Cash Flows
For the year ended 31 October 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		39,894,853	37,564,599
Payments to suppliers and employees		(38,327,024)	(35,884,356)
Interest received		6,670	2,278
Interest and other finance costs paid		(91,028)	(128,932)
Net operating cash flows	15	1,483,471	1,553,589
Cash flows from investing activities			
Purchase of property, plant and equipment		(533,411)	(142,163)
Payments for investment accounted for using the equity method		(28,570)	-
Net cash flows used in investing activities		(561,981)	(142,163)
Cash flows from financing activities			
Repayment of borrowings		(451,500)	(409,838)
Net cash flows from financing		(451,500)	(409,838)
Net increase in cash and cash equivalents held		469,990	1,001,588
Cash and cash equivalents at the beginning of the financial year		1,005,817	4,229
Cash and cash equivalents at the end of the financial year	6	1,475,807	1,005,817

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
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Notes to the Financial Statements
For the year ended 31 October 2016

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2016 was authorised for issue in accordance with a resolution of the directors on 30 November 2016.

North Melbourne Football Club Limited is a company limited by members' guarantee. Members shall not be required to contribute any funds to the Club upon winding up, in excess of the amount payable by the Member for an annual subscription. Members are not entitled to be paid or to receive distributions, upon winding up, if there are excess funds following the satisfaction of all debts and liabilities.

NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation and presentation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) – Reduced Disclosure Requirements (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report is prepared on a historical cost basis, modified by the revaluation of selected non-current assets, financial assets and liabilities for which the fair value basis of accounting has been applied.

The financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Company.

(b) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that have been adopted have not had a significant impact on the Company.

Any new, revised or amending Accounting Standards that are not yet mandatory have not been early adopted.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the reporting period ended 31 October 2016. The Company does not consider the Australian Accounting Standards and Interpretations that have been issued or amended but not yet mandatory to have a material impact upon the financial report with the exception of the following:

AASB 16 Leases

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, lease assets and financial liabilities on the balance sheet will both increase. Furthermore, EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for operating leases will be presented as part of finance costs rather than being included in operating expenses.

(c) Critical accounting estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future period affected.

(d) Income tax

Income tax has not been provided for in the financial statements of the Company as it is a tax-exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act 1997.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

(e) Going concern

The financial report has been prepared on the basis that the Company is a going concern.

(f) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates are increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company. Unrealised gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(g) Property, plant & equipment

Each class of property, plant and equipment is carried at cost, less any accumulated depreciation and impairment losses.

Plant & equipment

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	3 - 7%
Plant and equipment	5 - 33%

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

(h) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, on deposit with associated companies and on hand.

Bank overdrafts are shown within the interest bearing liabilities section of the statement of financial position.

(i) Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Notes to the Financial Statements (continued)
For the year ended 31 October 2016

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Recognition

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment.

Interest is recognised by applying the effective interest rate.

Amounts recognised using the percentage of completion method of accounting are shown as accrued revenue service fees. The outstanding balance of accrued revenue service fees is reviewed monthly for collectability and all items not considered collectable are written off.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(j) Employee benefits

Short-term benefits

Liabilities for 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 to reporting date. They are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government's bonds at the balance sheet date which have maturity dates approximating to terms of the Company's obligations.

As a result of a federally certified long service leave agreement between the players and the Australian Football League, the Company has no obligation for long service leave benefits to players.

Superannuation

The Company contributes to a defined contribution employee superannuation plan. Contributions are recognised as an expense in the statement of profit or loss as they are made.

(k) Inventories

Inventories are measured 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. Costs have been assigned to inventory quantities on hand at balance date using average cost per unit.

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

(l) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue for the following is recognised as follows:

- AFL-sourced income including distributions, prize money and gate receipts, is recognised on an accruals basis. The AFL committed to support the Company with financial assistance for the period 2012 to 2016. AFL funding assistance of \$3.75 million (2015: \$3.51 million) was paid in the year ended 31 October 2016.
- Revenue from the sale of memberships, corporate hospitality and sponsorships, is recognised in the relevant football year.
- Revenue from the sale of goods is recognised upon delivery of goods to the customer.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Donations are recognised upon receipt.

(m) Goods and services tax (GST)

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 Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as a part of the item of 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 component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Trade and other receivables

Trade and other receivables are recorded at amounts due less any provision for doubtful debts.

(o) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(p) Income received in advance

Income is brought to account in the period to which it relates. Income received prior to balance date, which relates to future periods, has been recorded as income received in advance, and will be brought to account in the forthcoming period.

(q) Comparative figures

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

(r) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Notes to the Financial Statements (continued)
For the year ended 31 October 2016

(s) Interest bearing liabilities and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred. The Company does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the statement of profit or loss as an integral part of the total lease expense.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

	2016	2015
	\$	\$
NOTE 3 – REVENUE FROM OPERATING ACTIVITIES		
AFL – Distributions	9,388,484	9,090,840
AFL – Prize Money	65,000	300,000
AFL – Future Funding	3,750,004	3,510,000
AFL – Stadium Bonus Money	200,000	200,000
AFL – Signage	400,000	400,000
Commercial Business, Events and Fundraising	3,141,171	3,310,822
Gate Receipts	2,265,583	1,995,298
Membership	7,263,161	6,511,612
Merchandise	1,764,335	1,421,461
Sales and Sponsorship	8,559,657	9,137,733
Other	1,751,305	1,581,375
	38,548,700	37,459,141

NOTE 4 – EXPENSES AND LOSSES/(GAINS)

Profit from continuing operations is arrived at after charging the following expenses:

a) Charge / (write-back) to Doubtful Debts expense	-	692
b) <i>Depreciation of non-current assets</i>		
- Plant & Equipment	284,731	259,709
<i>Amortisation of non-current assets</i>		
- Amortisation of Leasehold Improvements	387,007	380,655
Total depreciation & amortisation expense	671,738	640,364
c) Rent expense	67,106	67,754

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For the year ended 31 October 2016

	2016	2015
	\$	\$

NOTE 5 – AUDITOR’S REMUNERATION

Amounts received or due and receivable by Auditors for:

- auditing the accounts	36,000	27,000
- other services – total player payments audit	10,000	7,500
- other services – football department soft cap audit	7,000	5,250
	53,000	39,750

The auditors, Grant Thornton, received no other benefits.

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,475,807	1,005,817
Total cash and cash equivalents	1,475,807	1,005,817

The effective interest rate on bank deposits was 0.01% (2015: 0.01%). These deposits have no maturity date.

NOTE 7 – TRADE AND OTHER RECEIVABLES

Current

Trade receivables	47,123	140,186
Allowance for doubtful debts	-	-
	47,123	140,186
GST receivable	46,553	30,645
Other debtors	59,471	80,262
Total trade and other receivables	153,147	251,093

Trade receivables have been aged according to their original due date in the below ageing analysis, including where repayment terms for certain long outstanding trade receivables have been renegotiated.

We have used the following basis to assess the doubtful debt required for trade receivables:

- an individual account by account assessment based on past credit history;
- any prior knowledge of debtor insolvency or other credit risk; and
- working with sales manager on weekly basis to assess past due to determine recoverability.

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NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

As at 31 October 2016, trade receivables with a carrying amount of \$7,524 (2015: \$57,711) for the Company were past due but not doubtful. These trade receivables are not considered doubtful as they comprise customers with good debt history and are therefore considered recoverable.

The ageing of the trade receivables is:

	2016 Gross	2016 Allow- ance	2015 Gross	2015 Allow- ance
	\$	\$	\$	\$
Not past due	39,599	-	82,475	-
Past due 0-30 days	2,209	-	31,844	-
Past due 31-60 days	5,315	-	10,518	-
Past due 60 days	-	-	15,349	-
Total	47,123	-	140,186	-

The age of receivables past due but not impaired is as follows:

	2016	2015
	\$	\$
Not more than 3 months	7,524	46,711
More than 3 months but not more than 6 months	-	11,000
More than 6 months but not more than 1 year	-	-
Total	7,524	57,711

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

	2016	2015
	\$	\$
Opening balance	-	-
Additional provisions	-	-
Amounts used	-	-
Total	-	-

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

NOTE 8 – INVENTORIES	2016	2015
	\$	\$
Roo Shop merchandise – at lower of cost and realisable value	103,751	179,921

NOTE 9 – OTHER ASSETS

Prepayments	55,255	75,204
Unexpired contra	3,780	8,142
Accrued income	85,983	15,380
Arden Street Facility Capital Fund – Refer to Note 9(a)	286,548	228,267
Total other assets	431,566	326,993

(a) As part of the licence fee with City of Melbourne for the North Melbourne Recreation Reserve, the Company must contribute a proportion to a joint Capital Fund established and maintained by the landlord to provide for maintenance of the structure of the new facility or for the carrying out of capital repairs and replacement of items of a capital nature. The other joint tenants, Fencing Victoria and City of Melbourne also contribute to the Capital Fund.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Plant & Equipment – at cost	2,367,970	2,118,666
Less: Accumulated Depreciation	(1,479,960)	(1,230,572)
	888,010	888,094
Leasehold Buildings – at cost	15,466,386	15,218,813
Less: Accumulated Amortisation	(2,635,275)	(2,248,268)
	12,831,111	12,970,545
Total property, plant and equipment	13,719,121	13,858,639

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For the year ended 31 October 2016

	2016	2015
	\$	\$

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Plant & Equipment

Carrying amount at beginning	888,094	1,014,030
Additions	285,837	142,163
Write-offs	(1,191)	(8,390)
Depreciation expense	(284,731)	(259,709)
	888,009	888,094

Leasehold Buildings

Carrying amount at beginning	12,970,545	13,351,200
Additions	247,574	-
Write-offs	-	-
Amortisation expense	(387,007)	(380,655)
	12,831,112	12,970,545

Total Assets & Leasehold Buildings

Carrying amount at beginning	13,858,639	14,365,230
Additions	533,411	142,163
Write-offs	(1,191)	(8,390)
Depreciation & amortisation expense	(671,738)	(640,364)
	13,719,121	13,858,639

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

	2016	2015
	\$	\$
NOTE 11 – TRADE AND OTHER PAYABLES		
Trade creditors	516,466	272,524
Accruals	1,187,179	1,312,187
Total trade and other payables	1,703,645	1,584,711

NOTE 12 – INTEREST BEARING LIABILITIES

Current

Commercial bill – secured – Refer to Note 12(a)	1,250,000	-
Hire purchase	-	6,517
Loan	-	44,983
	1,250,000	51,500

Non-Current

Commercial bill – secured – Refer to Note 12(a)	-	1,650,000
	1,250,000	1,650,000

The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club Limited, a specific fixed Mortgage debenture charge from North Melbourne Football Club Limited, and a limited guarantee from the Australian Football League. The facility is due on 31 October, 2017. As this is within 12 months of balance date, the facility has changed from non-current to current. The borrowing facility will be renewed in 2 year intervals. The undrawn financial facilities at balance date were \$1.75m.

Facilities available at year end	3,000,000	3,000,000
Amounts drawn at year end	(1,250,000)	(1,650,000)
Available undrawn facilities at year end	1,750,000	1,350,000

NOTE 13 – EMPLOYEE BENEFITS

(a) Current

Provision for annual leave	389,492	417,358
Provision for long service leave	324,530	210,248
	714,022	627,606

(b) Non-Current

Provision for long service leave	142,459	152,224
Total employee benefits	856,481	779,830

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

	2016	2015
	\$	\$

NOTE 14 – INCOME RECEIVED IN ADVANCE

Current

Income received in advance	2,353,990	1,891,615
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NOTE 15 – RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

	2016	2015
	\$	\$
Net profit	83,039	148,852

Adjustments for:

Non cash items

Depreciation and amortisation	671,738	640,364
Impairment and write-off of non-current assets	1,191	8,390

Changes in assets and liabilities

(Increase) / decrease in receivables	97,946	(24,442)
(Increase) / decrease in other assets	(104,573)	297,098
(Increase) / decrease in inventories	76,170	(77,580)
Increase / (decrease) in payables	118,934	(246,294)
Increase / (decrease) in employee benefits	76,651	239,847
Increase / (decrease) in other liabilities	462,375	567,354
Net operating cashflow	1,483,471	1,553,589

NOTE 16 - COMMITMENTS

Operating Lease Commitments

Non-cancellable operating lease rentals of property, plant and equipment, not provided for in the financial statements and payable are:

	2016	2015
	\$	\$
Not later than one year	87,078	101,816
Later than one year and not later than five years	266,756	287,144
Later than five years	842,291	908,980
	1,196,125	1,297,940

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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

Hire Purchase Commitments

The Company had a hire purchase commitment for an item of property, plant and equipment that expired during the year.

	2016	2015
	\$	\$
Not later than one year	-	6,705
Later than one year and not later than five years	-	-
Total minimum lease payments	-	6,705
Less amounts representing finance charges	-	(188)
Present value of minimum lease payments	-	6,517

Remuneration Commitments

The Company negotiates individual contracts of varying length and terms for each of its football players and coaching staff. Certain players are entitled to receive base payments regardless of their level of performance or number of games played, as well as entitlements should player employer contracts be terminated before expiry. Other players and coaching staff are entitled to performance related payments. As contract terms in this regard vary considerably, with some future payments being dependent upon number of matches played, level of performance, whether players remain on approved lists and whether contracts are terminated early, it is not practical to estimate the total future commitments or contingencies under player and coaching contracts.

However, at balance sheet date, base contractual commitments are payable as follows:

	2016	2015
	\$	\$
Not later than one year	9,462,500	9,178,769
Later than one year and not later than five years	13,255,000	9,920,100
Later than five years	-	505,000
	22,717,500	19,603,869

NOTE 17 – RELATED PARTY TRANSACTIONS

The Company's related parties include its associates and key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Remuneration of Key Management Personnel

(i) Remuneration Policy

There is no separate Remuneration Committee. Therefore, all directors are responsible for determining and reviewing compensation arrangements for the Key Management Personnel (KMP). The directors assess the appropriateness of the compensation by reference to relevant employment market conditions with the overall objective of maximising stakeholder benefit from the retention of a high quality executive team. The executive team have the opportunity to receive their compensation in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2016

NOTE 17 – RELATED PARTY TRANSACTIONS (CONT.)

(ii) Remuneration Paid to Key Management Personnel

	2016	2015
	\$	\$
Short term employee benefits	1,315,070	1,253,882
Post employment benefits	64,930	61,118
	1,380,000	1,315,000

(b) Transactions with associates

The Company is entitled to an annual service fee of \$250,000 from its investment accounted for using the equity method. As at the balance date, the Company is owed this service fee. Payment of the service fee is contingent on there being sufficient cash flows in the related party. The Company has not recognised the service fee on the basis that as at balance date, receipt is not probable.

NOTE 18 – EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 19 – ECONOMIC DEPENDENCY

A significant portion of the income of the Company is derived from the holding of a licence issued by the Australian Football League.

The Company is dependent upon the continued financial support from the AFL which includes annual funding payments, the continued guarantee of the Company's borrowing facilities totalling \$3m (currently drawn to \$1.75m) and the availability of credit.

As part of this commitment, the AFL has agreed to continue to provide additional payments to the Company including annual funding in 2017 of \$4.561 million.

NOTE 20 – COMPANY DETAILS

North Melbourne Football Club Limited is incorporated in Australia.

The registered office and principal place of business of the Company is:

North Melbourne Football Club Limited
 204-206 Arden Street
 North Melbourne VIC 3051

NOTE 21 – FINANCIAL INSTRUMENT RISK MANAGEMENT

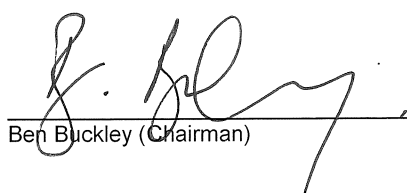
The Company's financial instruments consist mainly of cash, deposits with banks and commercial bills. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period, the Company's policy that no trading in financial instruments or derivatives shall be undertaken.

Directors' Declaration

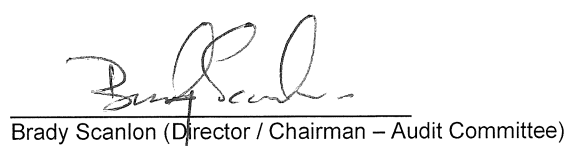
The directors of North Melbourne Football Club Limited declare that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 October 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of directors.



Ben Buckley (Chairman)



Brady Scanlon (Director / Chairman – Audit Committee)

Dated: 30th November 2016

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of North Melbourne Football Club Limited

We have audited the accompanying financial report of North Melbourne Football Club Limited (the "Company"), which comprises the statement of financial position as at 31 October 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

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

- a giving a true and fair view of the Company's financial position as at 31 October 2016 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance

Melbourne, 30 November 2016