



Hawthorn Football Club Limited

ACN 005 068 851

Annual Financial Report

Year ending 31 October 2010



Naming rights partner



Principal partner



Major partners



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 2010

The Directors present their report together with the financial report of Hawthorn Football Club Limited ("the Club") and of the Group, being the Club and its controlled entities, for the year ended 31 October 2010 and the auditor's report thereon.

Directors

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

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

* Appointed to the board 18 October 2010

** Resigned from the board 23 March 2010

Principal activities

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

Dividends

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

Controlled Entities

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

The Club is the sole unit holder of CSFT, which in turn, owns a 66.67% interest in a Caroline Springs Joint Venture (CSJV), the nominee for which is CSJV Nominees Pty Ltd.

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

Operating and financial review

The Club is delighted to announce a net operating profit for the year ended 31 October 2010 of \$2,326,545 (Club 2009: \$2,724,245).

In April 2009 the Club acquired 100% of the units in CSFT. At that time CSFT became a 50% venturer in the CSJV, a greenfield entertainment and accommodation complex in Caroline Springs, due to open prior to Christmas 2010.

On 11 October 2010 the Club, through its ownership of the CSFT, obtained effective control of the CSJV by way of the CSFT acquiring an additional 16.67% interest of the venture. As a result of this acquisition the venture is now deemed, under accounting standards, to be a subsidiary of CSFT and therefore included within the group consolidated results.

As a further requirement of accounting standards, recognition of the CSFT's control of the venture requires that the initial 50% investment in the CSJV be re-valued to fair value. In the opinion of the Directors, based on independent valuations received and the price paid for the further 16.67%, the 50% CSJV interest's fair value is approximately \$6.239m.

The CSFT's re-measurement to the above fair value of its initial 50% interest in the CSJV results in a gain of that \$6.239m which has been recognised as a one-off item of income in the statement of comprehensive income within the group's consolidated financial statements

The consolidated net operating profit of the group for the year ended 31 October 2010 is \$8,565,545 (Consolidated 2009: \$2,724,245). The group's consolidated net asset position as at 31 October 2010 by comparison to 31st October 2009 has increased from \$17.3m to \$25.9m.

Short and long term objectives of the Club

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

Many of the primary objectives of the Five 2 Fifty business plan have now been achieved (with one of the two premierships remaining still to be secured). Management is currently preparing a new business plan for the board to consider that will cover the new objectives of the Club until the year 2020, to be titled "HFC's 20/20 vision".

Performance Management

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

Hawthorn Football Club Limited and its controlled entities

Directors' report (continued)

For the year ended 31 October 2010

Operating and financial review (continued)

Football Department

The 2010 year, from a football perspective, was disappointing with the Club being eliminated in the first week of the finals series. We continue to invest in our football program and will challenge each and every individual to deliver the level of contribution required for the Club to achieve further premiership success.

With one of the youngest playing lists in the AFL Competition we have increased our investment in development to allow our list to reach its full potential. We congratulate Box Hill on consecutive VFL finals appearances and acknowledge their role in developing our younger players.

The Club welcomed two established AFL names in Shaun Burgoyne and Josh Gibson in 2010. In addition the Football Department continued its focus on quality and talented young players through the recruitment of the players of the calibre of Ben Stratton, Taylor Duryea, Jordan Williams and Sam Grimley. Ben Stratton debuted in the senior team during the season, and went on to play 21 games, highlighted by his nomination for the NAB Rising Star award in Round 14.

Campbell Brown, Trent Croad, Beau Dowler, Rhan Hooper, Beau Muston, Simon Taylor, Michael Johnston, Jarrod Kayler-Thomson, Garry Moss, Carl Peterson, Wayde Skipper and Cameron Stokes have concluded their football careers at the Club and we sincerely thank them all for their contribution and wish them well in their future endeavours.

The preparation and planning for 2011 has been underway since our exodus from the finals series. The 2011 season sees a new Club captain, Luke Hodge, following Sam Mitchell's gracious decision to pass the baton at the 2010 Peter Crimmins Medal. On behalf of the Club, we congratulate Luke Hodge on this appointment and on winning the 2010 Peter Crimmins medal.

Tasmania

The relationship with both the Tasmanian Government as our major naming rights partner and the Tasmanian Community continues to grow and deliver benefits to both parties. The success of the fourth year of this five-year partnership has been outstanding, and we will continue to work closely with Tasmania to further enhance, develop and extend this relationship in coming years.

Facilities

The Club has continued to develop its Waverley Park headquarters with completion of expanded administration and football facilities during the year. The football facilities upgrade included a significant revamp to the players' locker rooms and the player development, leisure and welfare areas.

Hawthorn Football Club Limited and its controlled entities

Directors' report (continued)

For the year ended 31 October 2010

Operating and financial review (continued)

Membership & Merchandise

Following on from last year's record achievement, the Club consolidated its strong performance in this area, growing membership by 2.9% to 54,473 (2009 - 52,929). This is a very satisfying result, again achieving one of our Five 2 Fifty Business Plan objectives. Our membership support continues to grow each year in Tasmania with membership levels growing 12% from 7,335 in 2009 to 8,222 in 2010.

Merchandise gross sales decreased by 26% in season 2010. However, the 2009 merchandise result included an overflow of the premiership excitement from 2008. The on-line sales continue to grow strongly making up 36% of total gross sales for the season.

Post season Greg Cook (General Manager Consumer Services and Community) and Brett Ibbott (Merchandise Manager) undertook an overseas study excursion in order to research methods of expanding this division of the Club. Renowned sporting franchises including the New York Mets, Chelsea FC and Tottenham FC were visited in order to gain an insight into their operations. We are currently implementing a range of new initiatives examined throughout this trip.

Match Day Attendances

For the third consecutive year, average attendances at Melbourne home games exceeded 50,000. Highlights were the Round 22 fixture against Collingwood (76,218) and Round 2 against Geelong (68,628).

Corporate and Fundraising

The Club experienced a net up-lift in our Corporate Sales revenues, increasing our net revenues by approximately 17%.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company, other than those addressed that occurred during the financial year under review.

Community

The Club recognises we have a Social Responsibility to engage with Community activities and organisations with much of the work carried out intentionally unnoticed as we strive to make a difference.

Community programs include an indigenous exchange with the town of Katherine in the Northern Territory where our players and staff visited on 3 occasions to engage with the local children and schools and deliver a healthy and active lifestyle message. We also welcomed 6 children from the Katherine region to Melbourne for a 6 day 'Hawks Experience' in conjunction with Hawthorn Auskick.

The Club has enjoyed relationships with many other organisations in 2010, providing match day experiences, raising funds or creating awareness campaigns for the following charities including; Down Syndrome Victoria, Odyssey House, The Leukaemia Foundation, The Rioli Fund for Aboriginal Health, Zaidee's Rainbow Foundation, The Beacon Foundation, The Kokoda Track Foundation, Make a Wish and the Victorian Blue Ribbon Foundation.

Youthbeyondblue have been appointed our Community Partner for the next 3 years. We will work on awareness campaigns at our matches, on our website and in the Northern Territory during the period of this partnership.

Hawthorn Football Club Limited and its controlled entities

Directors' report (continued)

For the year ended 31 October 2010

Operating and financial review (continued)

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

We now reach into international waters through our agreement with AFL New Zealand, sponsoring the KiwiKick program (the equivalent of our Auskick) and the Hawks Cup Secondary Schools competition.

Foundation

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

The Foundation received \$248,155 for the year in donations (2009: \$220,050) and generated \$74,184 in investment earnings (2009: \$40,921). Refer to Appendix 1 for the Foundation Report. In addition the Club transferred a further \$700,000 of Corpus funds into the Foundation during the year.

Environmental regulation

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

Throughout the year the Club has continued to construct a self sufficient water solution for the Waverley Park precinct. This project captures water from the roof of our neighbours, the Woolworths Distribution Centre, securing sufficient water for not only our own needs but potentially other public ovals in the area. This project is scheduled for completion in February 2011.

In addition the Club has undertaken a carbon emission audit of our operations and is currently implementing programs to reduce our electricity usage (refer Appendix 2 for the Environmental Report).

Likely Developments

The group is currently a 66.67% venturer in the CSJV, and has agreed in principle to purchase a further interest, which would take its total ownership to 73%. The venture holds the leasehold of the West Waters entertainment and accommodation complex, located in Caroline Springs, which is due to open prior to Christmas.

Events subsequent to Balance Date

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

Hawthorn Football Club Limited and its controlled entities Directors' report (continued) For the year ended 31 October 2010

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

- indemnified or made any relevant agreement for indemnifying against a liability incurred as auditor, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability as auditor incurred for the costs or expenses to defend legal proceedings.

Hawthorn Football Club Limited and its controlled entities
Directors' report (continued)
For the year ended 31 October 2010
Operating and financial review (continued)

Information on Directors / Company Secretary

Name	Qualifications / Club Portfolio	Experience	Date appointed / resigned
Directors:			
J G Kennett AC (President – since 14 December 2005)	Chairperson of the Board	Premier of Victoria 1992-1999, Chairman of Beyondblue - The National Depression Initiative, Chairman / Director of various Private and Public Companies	22 August 2005
P A Newbold (Vice President – since 28 January 2010)	Chairperson of the Corporate Governance & Legal Committee, Bachelor of Economics Bachelor of Laws	Company Director	16 June 2003
J S Allis	Member of the Marketing Sub-Committee	Founding Director Boost Juice	21 February 2006; Resigned – 23 March 2010
S P Cummins	Ba Llb (Law), BA (Journalism), Dip. Ed. Chairperson of the Marketing Sub-Committee	Company Director	19 October 2009
J H Dunstall	Chairperson of the Football Sub-Committee	Former HFC player – 269 AFL games, Media Commentator	20 April 2004
R J Garvey	Member of the Finance/Investment Sub-Committee, Bachelor of Commerce, FCA, MBA	Chartered Accountant and General Manager of Bruno Grollo Family Office	18 October 2010
B C Growcott	Chairperson of the Finance/Investment Sub-Committee. Bachelor of Commerce, FCA	Partner – PKF – Business Advisors	27 October 1998
G L Harris	Chairperson of the New Business Sub-Committee	Founder and former Director Flight Centre	22 June 2004
M K Ralston	Chairperson of HFC Foundation Committee, Bachelor of Economics	Consultant	22 August 2005
Company Secretary:			
T J Dillon	Bachelor of Business (Acc) CPA, MBA	12 seasons of AFL management	14 November 2005

Hawthorn Football Club Limited and its controlled entities
Directors' report (continued)
For the year ended 31 October 2010
Operating and financial review (continued)

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

Name of Director	Directors' meetings	
	A	B
J G Kennett AC (President)	12	11
P A Newbold (Vice-President)	12	12
J S Allis	5	5
S P Cummins	12	10
J H Dunstall	12	12
R J Garvey	1	1
B C Growcott	12	12
G L Harris	12	11
M K Ralston	12	11

A Reflects the number of meetings held during the time the Director held office during the year

B Number of meetings attended

Governance

Finance and Investment Committee

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

Corporate Governance and Legal Committee

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

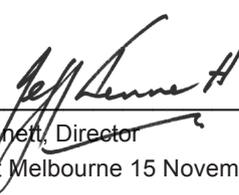
New Business Committee

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

The Board would like to acknowledge and thank management and staff of the Hawthorn Football Club for their professional and tireless contributions throughout the 2010 season.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 11 and forms part of the Directors' report for the year ended 31 October 2010. Signed in accordance with a resolution of the Board of Directors.



 J G Kennett, Director
 Dated at Melbourne 15 November 2010



 B C Growcott, Director

**Hawthorn Football Club Limited and its controlled entities
Directors' report (continued)
For the year ended 31 October 2010**

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 for the financial year ended 31 October 2010 there have been:

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

KPMG

KPMG



B W Szentirmay
Partner

Melbourne

15 November 2010

Hawthorn Football Club Limited and its controlled entities

Statements of comprehensive income

For the year ended 31 October 2010

	Note	Consolidated		The Club	
		2010	2009	2010	2009
Continuing operations					
Revenue	3	40,573,073	40,516,724	39,962,835	39,701,254
Cost of sales		<u>(1,610,604)</u>	<u>(2,134,864)</u>	<u>(1,590,754)</u>	<u>(2,111,240)</u>
Gross Profit		38,962,469	38,381,860	38,372,081	37,590,014
Other income	3	180,875	412,630	147,763	410,062
Sponsorship, membership & fundraising expenses		(8,891,136)	(8,467,131)	(8,789,640)	(8,381,275)
Employee and player expenses		(20,190,949)	(19,979,466)	(19,748,863)	(19,533,048)
Marketing expenses		(802,819)	(824,694)	(802,819)	(824,694)
Depreciation and amortisation		(693,194)	(576,397)	(666,334)	(558,775)
Waverley Gardens admin & management fees		(425,000)	(425,000)	(425,000)	(425,000)
Other football operations expenses		(2,282,842)	(2,125,224)	(2,313,556)	(2,144,494)
Other expenses in respect to ordinary activities		<u>(3,654,659)</u>	<u>(3,449,909)</u>	<u>(3,723,623)</u>	<u>(3,185,010)</u>
		<u>(36,759,724)</u>	<u>(35,435,191)</u>	<u>(36,322,072)</u>	<u>(34,642,234)</u>
Results from operating activities		2,202,745	2,946,669	2,050,009	2,947,780
Finance income		300,947	233,697	300,893	232,576
Finance expenses		<u>(24,545)</u>	<u>(456,121)</u>	<u>(24,357)</u>	<u>(456,111)</u>
Net finance income	4	<u>276,402</u>	<u>(222,424)</u>	<u>276,536</u>	<u>(223,535)</u>
Share of losses of equity accounted investees (CSJV)	5	(152,602)	-	-	-
Gain upon obtaining control of a joint venture (CSJV)	5	<u>6,239,000</u>	-	-	-
Profit before income tax		<u>8,565,545</u>	<u>2,724,245</u>	<u>2,326,545</u>	<u>2,724,245</u>
Income tax expense	1(q)	-	-	-	-
Net profit for the year		<u>8,565,545</u>	<u>2,724,245</u>	<u>2,326,545</u>	<u>2,724,245</u>
Other comprehensive income					
Net change in fair value of available for sale investments		5,293	553,467	5,293	553,467
Total comprehensive income for the year		<u>8,570,838</u>	<u>3,277,712</u>	<u>2,331,838</u>	<u>3,277,712</u>

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

Hawthorn Football Club Limited and its controlled entities

Statements of changes in equity

For the year ended 31 October 2010

Consolidated	Note	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2008		-	14,194,753	(570,078)	13,624,675
Fair value movement of available for sale Financial assets		-	-	553,467	553,467
Net change in value of available for sale Financial assets transferred to statement of comprehensive income		-	-	431,662	431,662
Profit for the period		-	2,724,245	-	2,724,245
Closing balance at 31 October 2009		-	16,918,998	415,051	17,334,049
Opening balance at 1 November 2009		-	16,918,998	415,051	17,334,049
Fair value movement of available for sale Financial assets		-	-	5,293	5,293
Net change in value of available for sale financial Assets transferred to statement of comprehensive income		-	-	(114,804)	(114,804)
Profit for the period		-	8,565,545	-	8,565,545
Non controlling interest (CSJV)		124,504	-	-	124,504
Closing balance at 31 October 2010		124,504	25,484,543	305,540	25,914,587

For the year ended 31 October 2010

Club	Note	Minority Interest \$	Retained earnings \$	Fair Value reserve \$	Total members' equity \$
Opening balance 1 November 2008		-	14,194,746	(570,078)	13,624,668
Fair value movement of available for sale Financial assets		-	-	553,467	553,467
Net change in value of available for sale Financial assets transferred to statement of comprehensive income		-	-	431,662	431,662
Profit for the period		-	2,724,245	-	2,724,245
Closing balance at 31 October 2009		-	16,918,991	415,051	17,334,042
Opening balance at 1 November 2009		-	16,918,991	415,051	17,334,042
Fair value movement of available for sale Financial assets		-	-	5,293	5,293
Net change in value of available for sale financial Assets transferred to statement of comprehensive income		-	-	(114,804)	(114,804)
Profit for the period		-	2,326,545	-	2,326,545
Closing balance at 31 October 2010		-	19,245,536	305,540	19,551,076

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

Hawthorn Football Club Limited and its controlled entities

Statement of financial position

As at 31 October 2010		Consolidated		The Club	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalents	6	4,417,521	6,063,489	4,345,430	6,056,387
Trade and other receivables	7	1,150,166	2,094,551	1,261,970	1,994,054
Inventory – Merchandise	8	1,049,452	839,864	1,049,452	839,864
Other	10	1,023,403	853,083	755,267	851,581
Total current assets		<u>7,640,542</u>	<u>9,850,987</u>	<u>7,412,119</u>	<u>9,741,886</u>
Non Current Assets					
Trade and other receivables	7	-	38,707	2,455,899	178,486
Investments	9	3,296,269	4,267,611	3,296,279	4,267,611
Investment property	11	4,108,855	4,183,851	4,108,855	4,183,851
Property, plant & equipment	12	10,080,451	6,466,990	8,875,597	6,322,154
Intangible assets	5	8,237,046	-	-	-
Total non-current assets		<u>25,722,621</u>	<u>14,957,159</u>	<u>18,736,630</u>	<u>14,952,102</u>
Total assets		<u>33,363,163</u>	<u>24,808,146</u>	<u>26,148,749</u>	<u>24,693,988</u>
Current Liabilities					
Payables	13	3,402,561	2,862,549	2,607,765	2,771,157
Interest bearing loans and borrowings	14	138,956	214,337	138,956	214,337
Employee entitlements	15	516,399	477,653	501,837	454,894
Other liabilities	16	2,752,288	2,967,176	2,710,743	2,967,176
Total current liabilities		<u>6,810,204</u>	<u>6,521,715</u>	<u>5,959,301</u>	<u>6,407,564</u>
Non Current Liabilities					
Interest bearing loans and borrowings	14	72,592	118,953	72,592	118,953
Employee entitlements	15	230,780	173,429	230,780	173,429
Other liabilities	16	335,000	660,000	335,000	660,000
Total non-current liabilities		<u>638,372</u>	<u>952,382</u>	<u>638,372</u>	<u>952,382</u>
Total liabilities		<u>7,448,576</u>	<u>7,474,097</u>	<u>6,597,673</u>	<u>7,359,946</u>
Net assets		<u>25,914,587</u>	<u>17,334,049</u>	<u>19,551,076</u>	<u>17,334,042</u>
Members' Equity					
Reserves		305,540	415,051	305,540	415,051
Non controlling interest (CSJV)		124,504	-	-	-
Retained profits		25,484,543	16,918,998	19,245,536	16,918,991
Total members' equity		<u>25,914,587</u>	<u>17,334,049</u>	<u>19,551,076</u>	<u>17,334,042</u>

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

Hawthorn Football Club Limited and its controlled entities

Statements of cash flows

For the year ended 31 October 2010

	Note	Consolidated		The Club	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		44,698,069	44,497,064	43,970,364	43,616,516
Cash payments in the course of operations		(42,095,730)	(41,697,106)	(41,490,301)	(40,819,647)
Net cash from operating activities		<u>2,602,339</u>	<u>2,799,958</u>	<u>2,480,063</u>	<u>2,796,869</u>
Cash flows from investing activities					
Interest received	4	44,501	150,888	44,447	149,767
Dividends received	4	141,642	82,809	141,642	82,809
Payments for property, plant and equipment		(3,224,191)	(960,708)	(3,167,038)	(854,135)
Payments for investments		(2,000,000)	(3,838,707)	(2,000,000)	(3,838,707)
Advance to related party		-	-	(2,080,000)	-
Acquisition of a joint venture subsidiary		(2,080,000)	-	-	-
Proceeds from sale of investments		3,150,000	3,416,204	3,150,000	3,416,204
Net cash (used in) from investing activities		<u>(3,968,048)</u>	<u>(1,149,514)</u>	<u>(3,910,949)</u>	<u>(1,044,062)</u>
Cash flows from financing activities					
Borrowing costs paid		(24,545)	(24,459)	(24,357)	(24,449)
Lease expenses paid		(7,826)	(3,782)	(7,826)	(3,782)
Repayment of borrowings		(247,888)	(195,876)	(247,888)	(195,876)
Net cash (used in) financing activities		<u>(280,259)</u>	<u>(224,117)</u>	<u>(280,071)</u>	<u>(224,107)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,645,968)</u>	<u>1,426,327</u>	<u>(1,710,957)</u>	<u>1,528,700</u>
Cash and cash equivalents at 1 November 2009		<u>6,063,489</u>	<u>4,637,162</u>	<u>6,056,387</u>	<u>4,527,687</u>
Cash and cash equivalents at 31 October 2010	6	<u>4,417,521</u>	<u>6,063,489</u>	<u>4,345,430</u>	<u>6,056,387</u>

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies

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

The financial report was authorised for issue by the Directors on 15 November 2010.

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

(a) Statement of compliance

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

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

(b) Basis of preparation

The financial report is presented in Australian dollars. It is prepared on the historical cost basis, except for financial instruments that are available for sale which are stated at fair value.

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

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.

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

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

(c) Basis of Consolidation Subsidiaries

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies (continued)

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

Under the new accounting policy, acquisitions of a non controlling interest of itself is accounted for as transactions with equity holders in their capacity as equity holder and therefore no goodwill is recognised as a result of such transactions. However, to the extent the previously acquired interest when added to existing interests creates control, goodwill can be recognised.

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

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

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates and jointly controlled entities are accounted for using the equity method and are initially recognised at cost.

(d) 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 1 (j)).

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 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 1 (p).

Subsequent costs

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies

Depreciation

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

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

	2010	2009	Method of depreciation
Buildings	25-40	25-40	Straight line
Building improvements	5-40	5-40	Straight line
Plant and equipment	5-40	3-20	Straight line / Reducing balance
Building leasehold improvements	5-40	5-40	Straight line

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

(e) Investments

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

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

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

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

(f) 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 and subsequent measurement is consistent with the principles for other property plant and equipment held by the Club, outlined in Note 1(d)

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy 1 (j)).

(h) 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.

(i) Cash

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies (continued)

(j) Impairment

The carrying amounts of the Club's assets other, than inventories (see accounting policy 1 (h)) are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

Calculation of impairment loss

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

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

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.

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.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies (continued)

(k) 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.

(l) Employee Entitlements

Defined contribution superannuation funds

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

Long Service Leave

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

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

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.

(m) 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.

(n) 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.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies (continued)

(o) 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.

AFL distribution and prize money

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

Membership and match day revenue

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

Merchandise revenue

Merchandise revenue is recognised as it is earned.

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.

Gaming, bar and bistro revenue

Sales comprises 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 it is earned.

(p) 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.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

1. Statement of significant accounting policies (continued)

(q) 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.

(r) 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.

(s) Segment reporting

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

(t) Finance revenue and expenses

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

(u) Presentation of financial statements and reduced disclosure

The Club has applied revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statements of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. As the change in accounting policy only impacts presentation, there is no impact on earnings.

The Group and Club early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-02 *Amendments to Australian Standards arising from Reduced Disclosure Requirements*. This has resulted in a reduction of disclosures for items such as financial instruments, equity accounted investments and business combinations. Comparative information has been re-presented or removed so that it also conforms to the new disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on the statements of comprehensive income.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

3. Revenue	Consolidated		The Club	
	2010	2009	2010	2009
	\$	\$	\$	\$
AFL distribution and prize money	7,236,500	6,926,252	7,236,500	6,926,252
Membership income	7,529,776	7,361,738	7,490,453	7,354,579
Match day income	4,908,538	3,803,415	4,812,813	3,736,996
Marketing income	12,954,457	13,179,137	12,517,722	12,670,713
Merchandise income	2,490,651	3,394,506	2,488,663	3,391,420
Gaming, bar and bistro income	4,603,250	4,914,694	4,568,918	4,885,890
Donations and special fundraising	488,123	588,612	485,988	387,034
Rental income from investment property	361,778	348,370	361,778	348,370
Total Revenue	40,573,073	40,516,724	39,962,835	39,701,254
Other income	180,875	412,630	147,763	410,062
Total revenue and other income	40,753,948	40,929,354	40,110,598	40,111,316
4. Finance income and expense				
Interest income on bank deposits	44,501	150,888	44,447	149,767
Dividend income on available for sale investments	141,642	82,809	141,642	82,809
Net profit on disposal of available for sale Investments	114,804	-	114,804	-
Finance income	300,947	233,697	300,893	232,576
Interest expense	(24,545)	(24,459)	(24,357)	(24,449)
Net loss on disposal of available for sale investments	-	(431,662)	-	(431,662)
Finance expense	(24,545)	(456,121)	(24,357)	(456,111)
Net finance income and expense	276,402	(222,424)	276,536	(223,535)

5. Gain upon obtaining control of a joint venture

Deemed Acquisition of a Subsidiary & Equity Accounted Investees

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

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

Recognition of the CSFT's control of the venture requires that its initial 50% investment in the CSJV be re-valued to fair value. In the opinion of the Directors, based on independent valuations received and the price paid for the 16.67%, the 50% CSJV interest's fair value is approximately \$6.239m.

Together with the \$2m goodwill acquisition and the re-value of the initial 50% interest to fair value, the consolidated group now carries approximately \$8.2m of goodwill in the statement of financial position.

A loan of \$211,300 has been made to the venture, as disclosed within note 7.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

	Consolidated		The Club	
	2010	2009	2010	2009
	\$	\$	\$	\$
6. Cash assets				
Cash on hand	510,477	539,271	509,857	538,651
Cash at bank	2,273,949	2,935,988	2,202,478	2,929,506
Short term deposit	1,619,990	2,585,772	1,619,990	2,585,772
Cash management	13,105	2,458	13,105	2,458
	<u>4,417,521</u>	<u>6,063,489</u>	<u>4,345,430</u>	<u>6,056,387</u>
Cash assets of the Club include \$2,305,329 (2009: \$1,282,990) which has been set aside for the Hawthorn Foundation.				
7. Trade and other receivables				
Current				
Trade receivables	881,150	1,721,959	880,369	1,686,960
Other debtors	269,016	372,592	170,301	307,094
Loan - CSJV	-	-	211,300	-
	<u>1,150,166</u>	<u>2,094,551</u>	<u>1,261,970</u>	<u>1,994,054</u>
Non-current				
Amount receivable from related parties:				
Box Hill Hawks Ltd	-	-	172,087	172,087
Less : Allowance for impairment	-	-	(8,782)	(32,308)
Loan to subsidiary – CSJV	-	38,707	212,594	38,707
Loan to subsidiary - CSFT	-	-	2,080,000	-
	<u>-</u>	<u>38,707</u>	<u>2,455,899</u>	<u>178,486</u>
8. Merchandise				
Current				
Inventory - Merchandise	<u>1,049,452</u>	<u>839,864</u>	<u>1,049,452</u>	<u>839,864</u>
9. Investments				
Non-current				
Units in fixed trust	-	-	10	10
Equity securities available for sale	<u>3,296,269</u>	<u>4,267,611</u>	<u>3,296,269</u>	<u>4,267,601</u>
	<u>3,296,269</u>	<u>4,267,611</u>	<u>3,296,279</u>	<u>4,267,611</u>
10. Other assets				
Current				
Prepayments	<u>1,023,403</u>	<u>853,083</u>	<u>755,267</u>	<u>851,581</u>

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

11. Investment Property

	Consolidated		The Club	
	2010	2009	2010	2009
	\$	\$	\$	\$
Balance at 1 November 2009	4,183,851	4,258,847	4,183,851	4,258,847
Acquisitions	-	-	-	-
Depreciation	(74,996)	(74,996)	(74,996)	(74,996)
Balance at 31 October 2010	4,108,855	4,183,851	4,108,855	4,183,851

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

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

12. Property, plant and equipment

Consolidated reconciliation

	Land buildings & building improvements	Plant and equipment	Building leasehold improvements	Total
	\$	\$	\$	\$
Cost				
Balance at 1 November 2009	3,076,875	5,470,196	56,523	8,603,594
Acquisitions	-	4,183,856	49,435	4,233,291
Disposals	-	(1,462)	-	(1,462)
Balance at 31 October 2010	3,076,875	9,652,590	105,958	12,835,423

Depreciation

Balance at 1 November 2009	(198,935)	(1,910,196)	(27,474)	(2,136,605)
Depreciation/amortisation charge for the year	(63,568)	(547,631)	(7,168)	(618,367)
Balance at 31 October 2010	(262,503)	(2,457,827)	(34,642)	(2,754,972)

Carrying amounts

At 1 November 2009	2,877,940	3,560,001	29,049	6,466,990
At 31 October 2010	2,814,372	7,194,763	71,316	10,080,451

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

12. Property, plant and equipment (continued)

Club reconciliation	Land buildings & building improvements	Plant and equipment \$	Building leasehold improvements \$	Total \$
Cost				
Balance at 1 November 2009	3,076,875	5,280,783	-	8,357,658
Acquisitions	-	3,146,413	-	3,146,413
Disposals	-	(1,462)	-	(1,462)
Balance at 31 October 2010	<u>3,076,875</u>	<u>8,425,734</u>	-	<u>11,502,609</u>
Depreciation				
Balance at 1 November 2009	(198,935)	(1,836,569)	-	(2,035,504)
Depreciation/amortisation charge for the year	(63,568)	(527,939)	-	(591,507)
Balance at 31 October 2010	<u>(262,503)</u>	<u>(2,364,508)</u>	-	<u>(2,627,011)</u>
Carrying amounts				
At 1 November 2009	<u>2,877,940</u>	<u>3,444,214</u>	-	<u>6,322,154</u>
At 31 October 2010	<u>2,814,372</u>	<u>6,061,226</u>	-	<u>8,875,598</u>

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

13. Payables

	Consolidated		The Club	
	2010	2009	2010	2009
Current	\$	\$	\$	\$
Trade payables	2,368,262	1,519,447	1,586,965	1,495,767
Other creditors and accruals	1,034,299	1,343,102	1,020,800	1,275,390
	<u>3,402,561</u>	<u>2,862,549</u>	<u>2,607,765</u>	<u>2,771,157</u>

14. Interest-bearing liabilities

	Consolidated		The Club	
	2010	2009	2010	2009
Current	\$	\$	\$	\$
Bank loan	122,239	170,254	122,239	170,254
Hire Purchase	16,717	44,083	16,717	44,083
	<u>138,956</u>	<u>214,337</u>	<u>138,956</u>	<u>214,337</u>
Non-current				
Hire Purchase	72,592	118,953	72,592	118,953
	<u>72,592</u>	<u>118,953</u>	<u>72,592</u>	<u>118,953</u>

Financing arrangements

The bank loans have a fixed charge over specific Waverley Park plant and equipment. Interest is charged on the loans at fixed and variable rates.

15. Employee provisions

	Consolidated		The Club	
	2010	2009	2010	2009
Current	\$	\$	\$	\$
Provision for annual leave	397,144	375,641	387,755	368,455
Provision for long service leave	119,255	102,012	114,082	86,439
	<u>516,399</u>	<u>477,653</u>	<u>501,837</u>	<u>454,894</u>
Non-current				
Other	66,666	66,666	66,666	66,666
Provision for long service leave	164,114	106,763	164,114	106,763
	<u>230,780</u>	<u>173,429</u>	<u>230,780</u>	<u>173,429</u>

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

15. Employee entitlements (continued)

Defined contribution superannuation funds

The club makes contributions to a defined contribution superannuation fund. The amount recognised as an expense was \$960,529 for the financial year ended 31 October 2010 (2009: \$951,973).

16. Other liabilities

	Consolidated		The Club	
	2010	2009	2010	2009
	\$	\$	\$	\$
Current				
Unearned revenue	2,752,288	2,967,176	2,710,743	2,967,176
Non-current				
Unearned revenue	335,000	660,000	335,000	660,000

Multi-year non-cash sponsorship agreements

In 2006, the Club entered into an 8 year sponsorship agreement as part of the acquisition of the Waverley Park premises. The acquisition has been recognised based on the undiscounted fair value of the sponsorship benefits provided by the Club under the agreement. Revenue relating to the sponsorship is recognised within the statements of comprehensive income as detailed in note 1(o) on an annual basis.

17. Commitments

	Consolidated		The Club	
	2010	2009	2010	2009
	\$	\$	\$	\$
(a) Operating lease commitments				
Leases as lessee				
Non-cancellable operating lease rentals are payable:				
Within one year	2,109,531	366,511	2,109,531	366,511
Between one and five years	8,781,657	4,627,446	8,781,657	4,627,446
More than five years	11,636,198	6,847,959	11,636,198	6,847,959
	22,527,386	11,841,916	22,527,386	11,841,916

During the year \$622,758 was recognised as an expense in the statements of comprehensive income in respect of operating leases (2009: \$639,063). Long term operating lease commitments relate to retail rental agreements in place relating to the Waverley Gardens venue.

The group has long term operating lease commitments within the CSJV in which the group has a 66.67% interest relating to a rental agreement commencing in December 2010 at the West Waters venue. The group has included the full amount of CSJV's operating lease commitments in the above disclosures.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

17. Commitments continued

(b) Player commitments

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

(c) Capital and Other Commitments

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

On 10 May 2010 the CSJV in which the group has a 66.67% interest, entered into an agreement to acquire gaming machine entitlements at a total cost of \$2,668,000 for the West Waters entertainment and accommodation complex. Each entitlement is for 10 years commencing 16 August 2012. The CSJV paid a 10% deposit of \$266,800 in June 2010 with the balance payable over 4 years in quarterly instalments commencing August 2012.

The CSJV has incurred a \$4.3m commitment for the fit-out and furnishings of the West Waters entertainment and accommodation complex, of which \$1m has been incurred prior to the end of the financial year.

The group has agreed in principle to purchase a further interest in the CSJV which would take its total ownership to 73%.

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

18. Related parties

Transactions with Directors

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

Key management personnel compensation

The key management personnel compensation included in 'employee and player expenses' in the statement of comprehensive income, is as follows:

Consolidated		The Club	
2010	2009	2010	2009
\$	\$	\$	\$
1,774,188	1,930,060	1,774,188	1,930,060

Other related parties

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

The Club advanced \$2,080,000 to the CSFT, a wholly owned subsidiary, by way of a loan. The amount is not repayable within twelve months, is non interest bearing and security is held over the assets of CSFT.

The Club advanced \$211,300 directly to the CSJV by way of a short term loan. The amount is interest bearing and payable at call.

The Club also made operating payments totalling \$232,200 (2009: \$230,000) to the BHHFC. These payments were made in accordance with the Alignment Agreement, and have been eliminated in the consolidated financial statements.

19. Contributed equity and reserves

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

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

Hawthorn Football Club Limited and its controlled entities

Notes to the consolidated financial statements

20. Group entities

The Club presents consolidated information which comprises the Club, HFC CSFT, BHHFC and HFC Foundation. The Club is the sole unit holder of CSFT. The CSFT holds the Club's interest in the CSJV, which became a subsidiary on 11 October 2010 (see Note 5).

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.

21. Hawthorn Foundation

The Hawthorn Football Club Foundation ("Foundation") actively continued its role of providing the HFC with access to income and capital for specific projects which may not be otherwise funded from normal profits or reserves. The Foundation is a division within the Club. HFC Foundation Nominees Proprietary Limited ("Nominees") acts as nominee for the Foundation and is primarily responsible for its operation and governance. The Club owns all of the shares in Nominees and 3 of its 5 Directors are currently Directors of the Club. Nominees' relationship with the Club and its responsibilities are governed by both a charter and nominee agreement. The Foundation's financial operations and position are included within the Club's financial statements. The aim of the Foundation is to receive funds to ensure the Club remains viable for the long term and has the capital resources to achieve both its on field and off field objectives.

During the year the Foundation received \$214,000 in donations (2009: \$220,050) and generated \$74,184 in investment earnings (2009: \$40,921).

These contributions have assisted in increasing the funds set aside for the Foundation to \$2,305,329 (2009: \$1,282,990). Refer to the Appendix to this financial report for further information in relation to the Foundation.

22. Subsequent events

The group has agreed in principle to purchase a further interest in the CSJV which would take its total ownership to 73%.

No other matters or circumstances have arisen since 31 October 2010 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.

23. Other information

Registered office
3/2 Stadium Circuit
Mulgrave, Victoria, Australia 3170

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

Directors' declaration

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

- (a) the financial statements and notes, set out on pages 12 to 31, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Club and the Group as at 31 October 2010 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this 15th day of November 2010.

Signed in accordance with a resolution of the Directors:



J C Kennett
Director



B C Growcott
Director

Independent auditor's report to the members of Hawthorn Football Club Limited and its controlled entities

Report on the financial report

We have audited the accompanying financial report of Hawthorn Football Club (the Club), which comprises the statements of financial position as at 31 October 2010, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 23 and the directors' declaration of the Group comprising the Club and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Club are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, a view which is consistent with our understanding of the Club's and the Group's financial position and of their performance.

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

Independence

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

Auditor's opinion

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

- (a) giving a true and fair view of the Company's and the Group's financial position as at 31 October 2010 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

KPMG

KPMG



B W Szentirmay

Partner

Melbourne

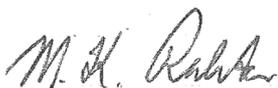
15 November 2010

APPENDIX¹

HFC FOUNDATION REPORT (a division of HFC Ltd)

During the financial year the Foundation continued to increase its financial base which was largely established in the prior financial years. Three donor programs are now in place to enable members of the Hawthorn family to make a donation to the Foundation. The first program which is targeted at major donors held a number of functions during the year. These included inviting potential donors to attend President's Room functions at Hawthorn home games at the MCG and Aurora Stadium, an annual dinner and several information sessions. The second program, which is targeted at those donors who may wish to make a bequest to the Foundation held successful functions at Launceston and Mornington. The third program, the annual giving program which is targeted at our members, successfully launched in June 2010.

On behalf of the Board I would like to thank donors to all three programs for their generous contributions. I would also like to thank the Directors of HFC Nominees Pty. Ltd, Mark Rowsthorn, Guy Kurzman, Bruce Growcott and Sean Cummins for their assistance. In addition I would like to acknowledge the contribution of Graham Arthur, David Parkin and Peter Hudson in their roles as ambassadors of the Bequest Society. Finally I would like to thank both John Allen (General Manager) and Jan Wade for the excellent work they do or have done in supporting the activities of the Foundation.



Martin Ralston, Chairman

HFC Foundation (a division of HFC Ltd)

Statement of Comprehensive Income (extract) For the year ended 31 October 2010

	2010 (\$)	2009 (\$)
Income		
Donations and Annual Appeal	248,155	220,050
Interest Received	74,184	40,921
HFC Reimbursements	<u>204,464</u>	<u>66,515</u>
Total Revenue	<u>526,803</u>	<u>327,486</u>
Less Expenses		
Salaries	135,854	57,205
Administration	<u>68,610</u>	<u>9,310</u>
Total Expenses	<u>204,464</u>	<u>66,515</u>
Net Surplus	<u>322,339</u>	<u>260,971</u>

Statement of Financial Position (extract) As at 31 October 2010

	2010 (\$)	2009 (\$)
Current Assets		
Term & Other Deposits	<u>2,305,329</u>	<u>1,282,990</u>
Total Assets	<u>2,305,329</u>	<u>1,282,990</u>
Equity		
Corpus Capital – HFC Ltd	<u>1,700,000</u>	<u>1,000,000</u>
Current Year Surplus	322,339	260,971
Accumulated Surplus	<u>282,990</u>	<u>22,019</u>
Total Surplus	<u>605,329</u>	<u>282,990</u>
Total Funds	<u>2,305,329</u>	<u>1,282,990</u>

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 2010. It has been prepared solely for the information of members and report users.

APPENDIX²

ENVIRONMENTAL REPORT

HFC understands the necessity to ensure a sustainable environment for our future and have implemented a range of initiatives with this in mind.

Water Harvesting

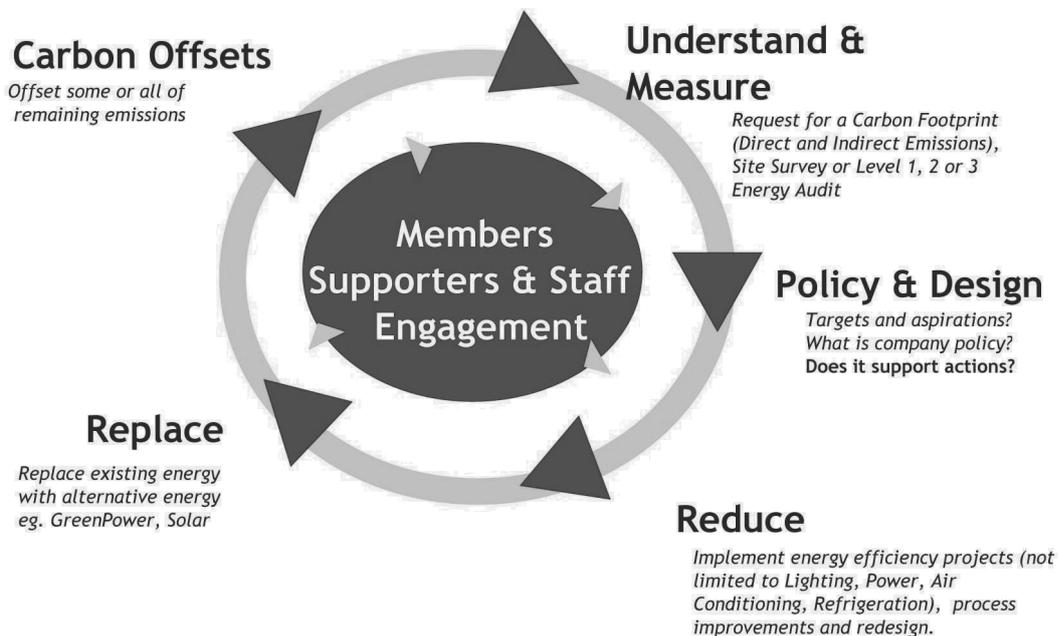
HFC is still contributing funds in accordance with our agreement with the Victorian Government, Monash City Council, Mirvac and Woolworths which will provide our Waverley Park precinct with more than 30 megalitres in water savings per year. The Water Harvesting project involves the catchment of storm water from the nearby Woolworths distribution centre which will be piped to a storage tank and the community lake on the Mirvac Waverley Park residential development. This water will be used to keep Hawthorn's training ground in peak condition as well as the nearby community parks and gardens. It is expected to be fully operational by February 2011.

Energy Efficiencies

In respect to all new building works completed at the Hawk's Waverley Park headquarters during 2010 involving extensions and developments, HFC has exercised best practice in energy efficiencies throughout the building process. Sensor lights, which are automatically turned on when movement is detected and off when it is not, were installed. The Club plan to replace all existing lighting with energy saving sensor lights will continue across the 2011 year.

Carbon Offsetting

HFC encourage our members, supporters and staff to join the AFL & Origin Energy's 'Go Green for Footy' program. By joining up with one of the many Origin Energy programs our members contribute to offsetting greenhouse gas emissions through the Carbon Reduction Scheme which includes all stationary energy, transport fuels for travel across the board and emissions relating to functions during 2010.



The Club also uses other avenues to reduce our impact on the earth including recycling of paper, printing cartridges and plastics, and we are encouraged that many of our commercial partners exercise the same practices.

² 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 2010. It has been prepared solely for the information of members and report users.

Annual financial report ends