

# MELBOURNEfc

ACN 005 686 902



**FINANCIAL REPORT**  
FOR THE YEAR ENDED 31 OCTOBER 2009

## MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)

### DIRECTORS' REPORT

To the Members of the Melbourne Football Club Limited ("the Club")

The Directors hereby present their report pursuant to the requirements of the Corporations Act 2001 on the state of affairs of the Club at 31 October 2009.

#### 1. DIRECTORS

##### **Jim Stynes**

Jim has been a director and President of the Melbourne Football Club Limited since 12 June 2008. Jim has particular involvement at Board level on our playing list management, our supporter groups, and our relationships with the AFL and the Melbourne Cricket Club. Jim played his first senior game for the Melbourne Football Club in 1987 and retired 264 games later in 1998. He received the Brownlow Medal in 1991, and won four Melbourne Football Club Best & Fairest awards (1991, 1995, 1996, 1997), equaling the Club record. He played an AFL record-breaking 244 consecutive games between 1987 and 1998. Jim was inducted into the AFL Hall of Fame in 2003 and Melbourne's Hall of Fame in 2006. Jim co-founded The Reach Foundation in 1994, and currently serves as an executive director, having recently stepped down as CEO. Reach is a non-profit, non-denominational organisation committed to supporting young people. Reach works with over 50,000 teenagers a year, encouraging them to discover their purpose and realise their potential in a positive and supportive learning environment.

Jim was awarded the Order of Australia Medal in 2007 for his work with youth and contribution to AFL.

##### **Don McLardy**

Don has been a director of the Melbourne Football Club Limited since 12 June 2008, and was appointed Vice President on 27 June 2008. Don has particular involvement at Board level on our membership and sponsorship, our marketing and communications, and our supporter groups and stakeholders. Don has a Diploma in Financial Services (Broking) and is a Qualified Practising Insurance Broker (QPIB). Don is a director and shareholder of Insurance Advisernet Australia Pty Ltd. He is a member of the MCC, Metropolitan Golf Club and VRC. Don conceived and manages the "Business of Sport Luncheon" which benefits the Club.

##### **Guy Jalland**

Guy has been a director and Vice President of the Melbourne Football Club Limited since 12 June 2008. Guy is a member of the Club's Finance Committee, and has particular involvement at Board level on our strategic projects including, gaming, facilities and Casey. Guy holds a Bachelor of Laws. Guy is a senior executive at Consolidated Press Holdings Limited, and has been employed by CPH and Publishing and Broadcasting Limited (formerly 38% owned by CPH) since 1998.

##### **Stuart Grimshaw**

Stuart has been a director of the Melbourne Football Club Limited since 12 June 2008. Stuart is the Chairman of the Club's Finance Committee. Stuart holds a Bachelor of Commerce & Administration and a Masters of Business Administration. Stuart is currently the CEO of Caledonia Funds Management. Stuart has extensive experience in the banking and finance industries, formerly working as Group Executive,

Premium Business Services for the Commonwealth Bank of Australia, having previously performed the role of CFO and Group Executive Financial and Risk Management.

##### **Karen Hayes**

Karen has been a director of the Melbourne Football Club Limited since 21 January 2006. Karen is the Chair of the Club's Governance, Remuneration & Performance Committee, and has particular involvement at Board level with the Women of Melbourne supporter group and on our relationship with the Melbourne Cricket Club. Karen is Director Corporate Engagement and Human Capital with UXC Limited. Karen was previously CEO of Planpower, one of the business units within the UXC Group. Karen is a past finalist in the Telstra Business Woman of the Year Awards and has sat on the Board of the Breast Cancer Network Australia since its establishment in 1998.

##### **Russel Howcroft**

Russel has been a director of the Melbourne Football Club Limited since 12 June 2008. Russel has particular involvement at Board level on our marketing and communications, our membership and sponsorship, our supporter groups and our relationship with the AFL. Russel is Chairman and Managing Director of George Patterson Y&R. Russel was previously CEO of The Furnace, the Havas-owned agency he co-founded as Brandhouse in 1995. Russel has also worked for McCann Erickson, Lowe Howard-Spink (in London), and George Patterson. Russel is the former Chairman of the Advertising Federation of Australia, and is a founding Board Member of Media Team, an organization that assists not-for-profits with their media and marketing endeavours. Russel is a Board Member of The Melbourne International Arts Festival, a permanent panel member of the ABC TV show "The Gruen Transfer", and a regular contributor to Lindy Burns' afternoon show on ABC 774 in Melbourne. Russel also helped create and fund EMIT - one of Australia's first carbon trading companies.

## MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)

### DIRECTORS' REPORT (CONTINUED)

#### 1. DIRECTORS (CONTINUED)

##### Andrew Leoncelli

Andrew has been a director of the Melbourne Football Club Limited since 24 October 2007. Andrew has particular involvement at Board level on our football department and playing list management. Andrew played a total of 146 games with the Melbourne Football Club between 1996 and 2003, was deputy vice captain between 1998 and 2003, and a Grand Finalist in 2000. Andrew finished third in the Club Best and Fairest in 1997 and 1999, and fifth in 1998 and 2000. He was awarded Best Clubman in 1998. Andrew was the AFL Players' Association Vice President between 2000 and 2003. Andrew is Associate Director of the Residential Development team at VALAD Property Group. He has an undergraduate Commerce Degree from the University of Melbourne and Graduate Diploma in Applied Finance and Investment (FINSIA).

##### Peter Spargo

Peter has been a director of the Melbourne Football Club since 13 March 2008. Peter is a member of the Club's Finance Committee, and has particular involvement at Board level on our gaming investments, our football department, and our relationship with the Melbourne Cricket Club. Peter holds a Bachelor of Economics. Peter is the Managing Director and owner of family companies associated in the oil industry, retail businesses and property development.

##### Peter Szental

Peter has been a director of the Melbourne Football Club Limited since 12 June 2008. Peter is a member of the Club's Governance, Remuneration & Performance Committee, and has particular involvement at Board level on our playing list management, governance and strategic projects. Peter holds degrees in science, politics and philosophy and a Master's degree in business. Peter is the founder and owner of the Szencorp Group, a business involved in building sustainability and property development in Australia and Asia. Peter is President of the Australasian Energy Performance Contracting Association, and also serves as Treasurer of the Australian Sustainable Built Environment Council. Peter is also a member of various government advisory committees covering greenhouse emissions, the Australian Building Codes Board, Standards Australia and the Asia-Pacific Partnership on Clean Development and Climate.

##### David Thurin

David has been a director of the Melbourne Football Club Limited since 12 June 2008. David is a member of the Club's List Management Committee, and has particular involvement at Board level on our playing list management and strategic projects. David holds a Bachelor of Medicine with post-graduate qualifications in family medicine and obstetrics and gynaecology, as well as a Masters Degree in Management from Stanford University in California. David is Managing Director and owner of Tigcorp, a privately owned company that owns, develops and manages retirement communities. David has previously been involved in the Gandel Group of Companies, as a director for fourteen years and as a Joint Managing Director of both the Gandel Group and Gandel Retail Management for six years. David has served as the President of the International Diabetes Institute, and is currently a Director of the Baker IDI Heart and Diabetes Institute. David has been a member of the Young Presidents Organisation since 1999.

#### 2. CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY

##### Cameron Schwab

Cameron was appointed Chief Executive Officer of the Melbourne Football Club Limited on 29 September 2008.

Cameron is an executive member of the Club's Finance Committee, Governance, Remuneration and Performance Committee and the List Management Committee.

Cameron holds a Master of Business Administration, a Master of Marketing and has completed an Advanced Management Program with the Harvard Business School. Cameron commenced his working life as a cadet administrator with Melbourne Football Club in 1982, and was later appointed Recruiting Manager. In 1988 Cameron was appointed General Manager of Richmond Football Club. He returned to Melbourne Football Club as CEO in 1997 following the failed merger with Hawthorn. In 2000 he was appointed CEO of afl.com.au, the AFL's official website. In September 2001, Cameron commenced the role as CEO of the Fremantle Football Club, the position he held until returning to Melbourne.

##### Matthew Green

Matthew has been the Company Secretary of the Melbourne Football Club Limited since 5 February 2009. Matthew is the Chief Operations Officer of the Club, sits on the Senior Executive team and is an executive member of the Club's Finance Committee. Matthew is a Chartered Accountant and holds a Bachelor of Commerce/Arts degree. Prior to joining the Club, Matthew worked for one of the Big 4 accounting firms, primarily focused on turnaround consulting.

**DIRECTORS' REPORT (CONTINUED)**

**3. PRINCIPAL ACTIVITIES**

The principal activities of the Club are to conduct the operations of the Melbourne Football Club and manage its affairs, to promote the playing of the Australian game of football in general and, in particular, to promote the same by maintaining, controlling and otherwise providing a team or teams of footballers bearing the name of the Melbourne Football Club. There was no significant change in the nature of the Club's activities during the year.

**4. OPERATING RESULTS AND REVIEW OF OPERATIONS**

The Club has reported a profit of \$587,183 (2008: \$549,298 loss) for the year ended 31 October 2009.

Following a poor year in 2008 we are very pleased to report a profit in 2009. There are a number of contributing factors to the financial improvement; breaking our all time membership record; the ongoing support from our Foundation Heroes and members through the Debt Demolition campaign; the support of our major sponsors Hankook and Kaspersky; the realignment with the MCC and the ensuing support; ongoing AFL support; and significant cost cutting measures across the club are of particular note.

While we still have a long way to go, the improved financial performance has allowed reinvestment into crucial areas of the Club to commence.

Our reported profit includes the revenue from our Debt Demolition fundraising campaign this year. The contribution of these donors is significant and has contributed greatly to the improved financial performance of the Club. It is pleasing to note that the Club made a profit net of these contributions:

**Income Statement Reconciliation 2009**

	\$
Operating Profit	20,051
Debt Demolition Net Proceeds	567,132
Net Profit as reported in Income Statement	587,183

The Club improved its financial position significantly over the course of 2009. It has been a year of stabilisation and consolidation which has now laid the platform for growth in our business and investment in the development of our talent.

2009 saw the previous membership record broken with over 31,500 members joining the Club in a difficult year on the field. We would like to thank all of our members for their support in 2009 and hope to see the record broken again in 2010 as we roll out a number of member and supporter engagement initiatives. We also hope to see as many of you as possible attend matches this year with a greatly improved draw for 2010 including some marquee home games against Hawthorn (Round 1), Western Bulldogs (Round 7), Collingwood (Round 12), Essendon (Round 15) and Richmond (Round 19).

The signing of major sponsors Hankook and Kaspersky early in 2009 was very important for the Club, particularly in a tough economic environment. We thank both Hankook and Kaspersky for their support and look forward to long term relationships with these progressive organisations. We also thank all of our sponsors for their ongoing support.

The realignment with the MCC was a very important strategic step which ties us strongly to the heritage of our great Club and reaffirms our commitment to our spiritual home - the MCG. As part of the agreement with the AFL, the MCC provided \$1m worth of support and a further \$270k in rent relief. Further assistance from the MCC has been offered in 2010 and we thank the MCC and their members for their ongoing support.

The support of the AFL has also greatly assisted the stabilisation of the Melbourne Football Club. The AFL provided \$1m in ASD support in 2009 and has committed to further support in 2010. We thank the AFL for their support and are very pleased that our relationship with our joint major sponsor, Kaspersky, has lead to the AFL signing Kaspersky as the naming rights sponsor of the AFL exhibition game in China in 2010 between Melbourne and Brisbane, which will be known as the "Kaspersky AFL Cup".

The Club has also continued to focus on cost cutting measures to deliver a profit in 2009. The tight control of costs will continue even as we look to strategically invest in key areas of the Club.

While the overall result was positive, there are some areas of the Club that did not meet budgeted expectations. Corporate Hospitality was very difficult with the financial crisis driving down sales across our industry. The number of injury games was also higher than forecast and reducing this number will continue to be a key focus.

## MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)

### DIRECTORS' REPORT (CONTINUED)

On 5 August 2009 the Debt Demolition campaign moved into its second year with a dinner to thank the Foundations Heroes that contributed to the outstanding result in 2008. We are very pleased to report that a further \$709k was raised on the night. The contribution of these, and all Debt Demolition, donors cannot be understated - they have reduced the debt from close to \$5m down to the current level of \$1.5m with the debt budgeted to be further reduced to \$800k during 2010. This debt reduction allows the Club to move forward and reinvest with confidence.

A full reconciliation of the Debt Demolition contribution is detailed below:

	2008	2009	Total	Notes
	\$'000	\$'000		
<b>Debt Demolition Funding</b>				
2009 Foundation Heroes	-	709	709	
Other Donations	-	268	268	
<b>Total Pledges &amp; Other Income</b>	<b>3,076</b>	<b>977</b>	<b>4,053</b>	
Less Pledges to be invoiced (2009)		(19)	(19)	1
Less Pledges Outstanding (2008)	(113)	50	(63)	1
Less Future Year Pledges (2008)	(100)	100		
Less Unearned Income (2008)	(30)	30		
Less Red & Blue Foundation Payments Received	(115)	(266)	(381)	2
Less Red & Blue Foundation Payments Outstanding		(166)	(166)	2
Less Expenditure incurred	(217)	(139)	(356)	
<b>Total Adjustments</b>	<b>(575)</b>	<b>(410)</b>	<b>(985)</b>	
<b>Net Debt Demolition Funds</b>	<b>2,501</b>	<b>567</b>	<b>3,068</b>	

1. Due to Accounting Standards, these pledges have not met the criteria for recognition as revenue in the Financial Reports.

2. The Red & Blue Foundation does not form part of the consolidated results of the Melbourne Football Club shown in this Financial Report.

Strategic planning continues with the frameworks for the "Red and Blueprint" completed. The focus over the coming months will be on a comprehensive supporter engagement program with particular emphasis on growing the supporter base of the Club.

During 2009 the Casey Fields agreement was signed and the community programs commenced. We have committed to a community partnership with the City of Casey for the coming 30 years and are seeking to create an authentic and meaningful presence in the area with a focus on the engagement of children. The program has already engaged a number of school and thousands of children have attended community events with particular focus on our "Read Like a Demon" and "Kicking Goals" programs. Our community programs in Casey and the City of Melbourne are fundamental elements of our strategic plan and represent a significant opportunity for the Club.

Improving the standard of training facilities for the team has been a particular focus this year. In addition to the fantastic facilities we access as part of the Casey Fields agreement, which will be used predominantly as the pre-season training venue, we have finalised the agreement with the Melbourne and Olympic Parks Trust to gain access to elite training facilities and administration space. The football department will move into this new space in mid 2010 and this will represent a quantifiable shift in the standard of our player facilities. Thank you to all those who have donated to assist in the development of these new facilities. We would also like to acknowledge the State Government and AFL support provided to fit out our Olympic Park campus.

## **MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)**

### **DIRECTORS' REPORT (CONTINUED)**

Over the last few years the Club's investment in gaming has not delivered acceptable returns. A decision was made in May to put a new management group into our Oakleigh venue, the Leighoak. The performance of the venue has improved since this time and it is encouraging to report the venue has delivered over \$250k (\$100k of which was delivered through rent reduction negotiations) in net profit for the year. We expect this trend to continue under the new gaming regime post 2012.

Staff turnover was another area of significant concern 12 months ago. Over the preceding 3 years the Club had experience nearly 100% staff turnover. Through the leadership of our CEO and a strong focus on values and behaviours, this turnover has been greatly reduced throughout 2009 to just over 10%. This increased stability gives the Club a much better platform for developing rich, sustained relationships with all stakeholders.

The year on the field was a difficult one, however we hope one in which the members saw improvement in the competitiveness of the playing group. A number of players continued their development in 2009 including Jack Grimes, Colin Sylvia, Matthew Bate, Cale Morton and Ricky Petherd, and we saw some exciting debutants in Liam Jurrah, Jack Watts, Neville Jetta, Jamie Bennell, Jake Spencer, Jordie McKenzie, Kyle Cheney, Tom McNamara and Rohan Bail, and the MFC debut of John Meesen. We acknowledge the Rising Star nominations received by Jack Grimes and Liam Jurrah during the season.

The Best and Fairest this year recognised the excellent seasons of Brent Moloney, Cameron Bruce (who also played his 200th game for the club during the year), Matthew Bate, Matthew Warnock, Nathan Jones and Colin Sylvia, filling positions 2 to 5 in the count respectively (5th place was a three way tie). However the outstanding player for the season, and the only player to play all 22 games, was Aaron Davey who was awarded the Keith "Bluey" Truscott medal on the night. We congratulate Aaron on a fantastic year.

At the Best and Fairest some great servants of the club were honored with the retirements of Russell Robertson (228 games), Matthew Whelan (150 games) and Paul Wheatley (135 games). The Club thanks these three players for their outstanding service to the Club and wish them all the best for their future endeavours. We also wish Shane Valenti, Simon Buckley and Trent Zomer all the best and thank them for their service.

The National Draft provides further hope for the future of the Club with some exciting young talent drafted. We welcome Tom Scully, Jack Trengove, Jordan Gysberts, Luke Tapscott, Max Gawn and Jack Fitzpatrick to the club.

Finally, the Board would like to acknowledge our President. Jim has had a very tough year and has remained a positive, remarkable influence on this football club at a time in which he had every right to focus solely on his own challenge. We continue to be inspired by his leadership and the example he sets to all within and outside the Club. We wish Jim and his family all the best and offer whatever support and assistance the Club can provide as he takes on this challenge.

We have made some positive steps during 2009, however the challenge is still before us. Your Board remains committed to the significant challenge of returning the Melbourne Football Club to a stable, financially sound business off the field and a highly successful club on the field. We again thank all members for permitting us the privilege of serving as your Directors of this great club.

### **5. EVENTS SUBSEQUENT TO BALANCE DATE**

On 5 November 2009 the Club formally signed an agreement with the State Government for \$1m in funding for the fit out of the Olympic Park campus. The full cost of the fit out will be met by this funding from the State Government and by accessing the \$1.5m AFL facilities grant provided in 2007.

### **6. LIKELY DEVELOPMENTS**

As detailed above, there are a number of key developments and opportunities being pursued by the Club during FY10. Some of these, for example the Olympic Park and Casey Fields developments, will have an impact on the financial result for FY10 which will be best understood as we move through the financial year.

### **7. ENVIRONMENTAL REGULATION**

The Directors believe that the operations of the Club are not subject to any particular or significant environmental regulation.

## DIRECTORS' REPORT (CONTINUED)

### 8. AUDITORS INDEPENDENCE DECLARATION

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 31 October 2009.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amount for the provision of other services:

- Other assurance related services \$8,000

### 9. DIRECTORS' MEETINGS

The number of Directors' meetings held in the period that each Director held office during the year ended 31 October 2009 and the number of meetings attended by each Director are:

Director	Number held	Number attended
Jim Stynes	10	9
Guy Jalland	10	8
Don McLardy	10	10
Stuart Grimshaw	10	9
Karen Hayes	10	9
Russel Howcroft	10	8
Andrew Leoncelli	10	9
Peter Spargo	10	10
Peter Szentel	10	10
David Thurin	10	9

### 10. INDEMNIFICATION AND INSURANCE OF OFFICERS

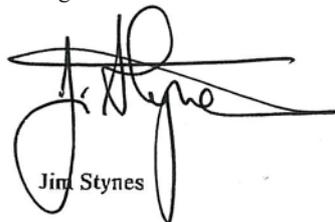
Insurance and indemnity arrangements concerning Directors of the Club have continued since 31 October 2008. Under the agreement the Directors of the Club are indemnified against any claim to a maximum of five million dollars which may arise as a result of work performed in their capacity as a Director.

The Club has a Finance Committee, which met on 10 occasions during the year. Stuart Grimshaw (Chairman), Guy Jalland and Peter Spargo are the Board representatives on this Committee.

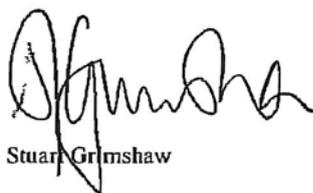
Since 31 October 2008, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The Club has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred.

Signed in accordance with a resolution of Directors at Melbourne this 14th day of December 2009.



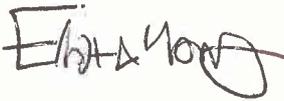
Jim Stynes



Stuart Grimshaw

## Auditor's Independence Declaration to the members of Melbourne Football Club Limited

In relation to our audit of the financial report of Melbourne Football Club Limited for the financial year ended 31 October 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in red ink, appearing to be 'D. J. Shewring'.

D. J. Shewring  
Partner  
14 December 2009

MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)

INCOME STATEMENT FOR THE YEAR ENDED 31 October 2009

	NOTE	2009 \$	2008 \$
Revenue	3(a)	26,152,171	26,876,036
Other Income	3(d)	13,826	28,931
Social Club and Gaming Expenses		(2,510,667)	(3,648,379)
Football department costs		(13,551,787)	(14,219,903)
Cost of Sales		(640,310)	(756,526)
Administration costs		(2,515,748)	(3,034,271)
Corporate, Membership and Marketing Expenses		(5,797,375)	(6,692,250)
Finance Costs		(84,492)	(272,095)
Other expenses		(1,045,567)	(1,332,621)
<b>Profit/(Loss) attributable to the football operations of Melbourne Football Club Limited</b>		<b>20,051</b>	<b>(3,051,078)</b>
Net Income derived from Debt Demolition fundraising		567,132	2,501,780
<b>Net Profit/(Loss) attributable to members of Melbourne Football Club Limited</b>	<b>13</b>	<b>587,183</b>	<b>(549,298)</b>

The accompanying notes form an integral part of these financial statements.

**MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)**

**BALANCE SHEET AS AT 31 October 2009**

	NOTE	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	369,373	293,971
Trade and other receivables	6	524,354	553,777
Inventories	7	64,694	97,389
Prepayments	8	209,669	112,472
<b>TOTAL CURRENT ASSETS</b>		<b>1,168,090</b>	<b>1,036,360</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment	9	632,906	625,642
<b>TOTAL NON CURRENT ASSETS</b>		<b>632,906</b>	<b>625,642</b>
<b>TOTAL ASSETS</b>		<b>1,800,996</b>	<b>1,662,002</b>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft	5	89,038	21,249
Trade and other payables	10	2,184,774	1,582,442
Interest bearing liabilities	11	1,530,000	2,045,000
Provisions	12	231,463	203,777
Income received in advance	2(o)	966,256	1,607,760
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,001,531</b>	<b>5,438,979</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	12	9,868	20,609
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>9,868</b>	<b>20,609</b>
<b>TOTAL LIABILITIES</b>		<b>5,011,399</b>	<b>5,459,588</b>
<b>NET ASSETS/(DEFICIENCY)</b>		<b>(3,210,403)</b>	<b>(3,797,586)</b>
<b>MEMBERS' FUNDS</b>			
Accumulated Losses	13	(3,210,403)	(3,797,586)
<b>TOTAL MEMBERS' FUNDS/(DEFICIENCY)</b>		<b>(3,210,403)</b>	<b>(3,797,586)</b>

The accompanying notes form an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 October 2009

	NOTE	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from members and operations		25,395,960	26,742,765
Interest received		13,826	28,931
Payments to suppliers and employees		(25,205,808)	(27,899,137)
Interest and other costs of finance paid		(84,492)	(272,095)
<b>Net Cashflows excluding Debt Demolition Proceeds</b>		119,486	(1,399,536)
Receipts - Debt Demolition		706,000	2,719,000
Payments - Debt Demolition		(139,000)	(217,000)
<b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>	5	686,486	1,102,464
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(163,873)	(357,117)
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>		(163,873)	(357,117)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	3,000,000
Repayment of borrowings		(515,000)	(3,705,000)
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		(515,000)	(705,000)
Net increase/(decrease) in cash held		7,613	40,347
Cash at the beginning of the year		272,722	232,375
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	5	280,335	272,722

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	<b>Accumulated Losses \$</b>
<b>BALANCE AS AT 1 NOVEMBER 2007</b>	(3,248,288)
<b>Total income and expenses for the period recognised directly in equity.</b>	-
Loss for the year	(549,298)
Total income and expense for the period	(549,298)
<b>BALANCE AS AT 31 OCTOBER 2008</b>	(3,797,586)
<b>Total income and expenses for the period recognised directly in equity.</b>	-
Profit for the year	587,183
Total income and expense for the period	587,183
<b>BALANCE AS AT 31 OCTOBER 2009</b>	(3,210,403)

The accompanying notes form an integral part of these financial statements.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**

**NOTE 1 - CLUB INFORMATION**

Melbourne Football Club Limited ("the Club") is incorporated in Australia and is a company limited by guarantee. Statutory members of the Club guarantee its liabilities to the extent of \$5 each (refer note 2(q)).

The registered office of the Club is located at:  
Melbourne Cricket Ground  
Great Southern Stand  
Brunton Avenue  
East Melbourne VIC 3002

The principal activities of the Melbourne Football Club Limited is the playing and promotion of the game of Australian Rules Football and the operation of related facilities. The Club is a member of the Australian Football League.

The financial report of the Club for the year ended 31 October 2009 was authorised for issue in accordance with a resolution of the Directors on 14 December 2009.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis. The accounting policies adopted in preparing the financial statements are consistent with those adopted in previous years. Comparative information is reclassified where appropriate to enhance comparability.

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Both the functional and presentation currency of the Club is Australian dollars (\$).

**(a) Principles of Consolidation**

At 31 October 2009 the Melbourne Football Club Limited did not have any subsidiaries.

**(b) Going Concern**

The Club has net liabilities of \$3.163m (2008: \$3.798m) and had an operating profit of \$0.587m (2008: operating loss \$0.549m) for the year ended 31 October 2009. The ability of the Club to continue as a going concern including the ability to pay their debts as and when they fall due is dependent upon the Club being able to successfully generate sufficient funds through membership, sponsorship, fundraising, gate receipts and other sources, including the Australian Football League's ("AFL") distributions.

The accounts have been prepared on the basis that the Melbourne Football Club Limited is a going concern as the AFL has committed to an annual funding program and furthermore, the Club expects continued support from its lenders.

However, if the Club is unable to successfully generate sufficient funds from their revenue sources to continue to fund their ongoing operations, there is inherent uncertainty whether the Club will be able to continue as a going concern and therefore whether they will be able to pay their debts as and when they become due and payable, and whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Club not continue as a going concern.

**(c) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured.

Revenues are detailed in Note 3 and comprise revenue earned from AFL dividends and distributions, membership, reserved seating, sponsorships, fundraising, gate receipts, corporate hospitality and gaming activities. Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST). Sponsorships involving contra arrangements are recognised as revenue equivalent to the fair value of the services provided by the sponsor. Interest income is recognised as it accrues using the effective interest method.

Fundraising and membership income is accounted for on the basis of the period to which it relates. Income received in the year ended 31 October 2009, but relating to future accounting periods has been adjusted accordingly.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(d) Plant and Equipment**

*Cost*

All acquisitions of plant and equipment and leasehold improvements are recorded at cost.

*Depreciation and Amortisation of Plant and Equipment*

Plant and equipment is depreciated over their estimated useful lives to the Club using the straight line method commencing from the time the asset is held ready for use. The following depreciation rate ranges have been used:

Furniture and Fittings	10% - 33%
Computer Hardware	25% - 33%
Computer Software	33% - 40%
Plant and Equipment	7.5% - 15%
Motor Vehicles	20%

Leasehold improvements are amortised over the period of the Club's lease arrangements or the estimated useful life of the improvement, whichever is the shorter.

*Leased Non-Current Assets*

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the Income Statement in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

**(e) Inventories**

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**(f) 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 in the instance indicators of impairment are present, an assessment of the current value of the assets was made on the basis of an earnings multiple.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

**(g) Income Tax**

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(h) Employee Benefits**

A provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at 31 October 2009 on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred. All superannuation guarantee legislative requirements are met.

**(i) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). The amounts reported for receivables and payables are inclusive of GST. The net amount of GST receivable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

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

**(j) Comparative Figures**

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

**(k) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

**(l) Trade and other receivables**

Trade receivables, which generally have 0-30 day terms, are initially recognised at the original invoice amount less an allowance for any uncollectable amounts. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is made when there is objective evidence the Club will not be able to collect the debts. Bad debts are written off when identified. Non current trade receivables are carried at the net present value of the future cash flows that they represent.

**(m) Trade and other payables**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within the agreed terms for that supplier (averaging 30 days).

**(n) Interest-bearing loans 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 rate 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 Club 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.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(o) Income Received in Advance**

Income received in advance is recognised in line with the terms of specific contracts. Membership subscription income in advance is recognised in line with the membership subscription period and the service obligations of the Club.

**(p) Statement of Compliance**

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have assessed the impact of those standards and interpretations, and do not expect them to have a material impact on the Club's financial position and performance. However increased disclosure may be required in the Club's financial statements.

**(q) Members' Liability on Winding Up**

The Club is a company limited by guarantee and domiciled in Australia. Accordingly the liability of the members of the Company is limited. As stated in clause 2.2 of the Club's Constitution, if the Club is wound up each Member undertakes to contribute to the assets of the Club up to an amount not exceeding \$5 for payment of the debts and liabilities of the Club, including the costs of winding up. This undertaking continues for one year after a person ceases to be a Member.

**(r) Significant Accounting Judgments, Estimates and Assumptions**

In applying the Club's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Club. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Long service leave provision*

As discussed in Note 2(h), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience and manufacturers warranties. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

## NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2009 \$	2008 \$
<b>NOTE 3 - REVENUE</b>			
<b>(a) Revenue from Football related activities</b>			
Gate Receipts		2,852,282	2,334,164
Distributions from the AFL		7,873,252	7,610,752
Merchandise		562,357	570,232
Membership and Annual Reserved Seating		4,214,337	4,023,791
Marketing/Corporate Sponsorship and General Fundraising		6,851,477	8,104,903
Other Revenue		602,983	666,490
<b>Total revenue from Football related activities</b>		<b>22,956,688</b>	<b>23,310,332</b>
<b>(b) Revenue from other activities</b>			
Marketing and Promotion Fee - Bentleigh Club		111,448	91,444
Social and Gaming revenue		3,084,035	3,224,260
<b>Total revenue from other activities</b>		<b>3,195,483</b>	<b>3,315,704</b>
<b>(c) Revenue from AFL specified distributions</b>			
AFL - Waverley Park Proceeds		-	250,000
<b>Total revenue from AFL specified distributions</b>		<b>-</b>	<b>250,000</b>
<b>Total revenue</b>		<b>26,152,171</b>	<b>26,876,036</b>
<b>(d) Other Income</b>			
Interest received from other corporations		13,826	28,931
<b>NOTE 4 - EXPENSES</b>			
<b>Expenses</b>			
<i>Finance Costs</i>			
- Interest paid to external entities		84,492	272,095
Total finance costs		84,492	272,095
<i>Depreciation and amortisation</i>			
Amortisation of leasehold improvements		12,471	466,250
Depreciation of plant and equipment		137,913	200,936
Total depreciation and amortisation expense		150,384	667,186
<i>Employee benefits expense</i>			
Salary, wages and termination expense		13,993,962	14,746,782
Superannuation expense		927,869	917,120
Total employee benefits expense		14,921,831	15,663,902
<i>Occupancy Expenses</i>			
Minimum Lease payments		987,580	1,095,059
<i>Other</i>			
Bad debts written off		5,261	10,272
Impairment of Leighoak Gaming Venue		-	542,173

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2009 \$	2008 \$
<b>NOTE 5 - CASH AND CASH EQUIVALENTS</b>			
Cash on hand and at bank		369,373	293,971
Bank overdraft		(89,038)	(21,249)
		280,335	272,722

**Financing facilities**

The Club has access to an overdraft limit of \$500,000. The overdraft facility has an interest rate of 9.56% per annum and charges interest on a monthly basis. At 31 October 2009, the Club can draw down a further \$410,962 on this facility.

**Reconciliation of net loss to net cash flows from operating activities**

Net Profit/(Loss)		587,183	(549,298)
Depreciation and amortisation		150,384	667,186
Impairment of Leighoak Gaming Venue		-	542,173
Bad Debts		5,261	10,272
Employee Entitlements		16,945	(34,613)
Write off of assets		3,766	222,324
Changes in assets and liabilities:			
(Increase)/decrease in trade and other debtors		29,423	10,672
(Increase)/decrease in prepayments and other assets		(97,197)	226,521
(Increase)/decrease in inventories		32,696	35,072
(Decrease)/increase in trade creditors and accruals		599,529	115,822
(Decrease)/increase in other liabilities		(641,504)	(143,667)
<b>Cash flows from operating activities</b>		<b>686,486</b>	<b>1,102,464</b>

**NOTE 6 - TRADE AND OTHER RECEIVABLES**

**Current**

Trade debtors (i)		328,629	291,409
Other receivables		197,952	262,368
Less provision for impairment loss (ii)		(2,227)	-
		524,354	553,777

**(a) Terms and conditions**

Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and have repayment terms of between 0 and 30 days.
- (ii) A provision for impairment is made when there is objective evidence that a trade debtor is impaired.
- (iii) Due to the short term nature of these receivables, their carrying value is assumed to materially approximate their fair value.
- (iv) The maximum exposure to credit risk is the fair value of receivables. Detail regarding interest rate exposure is disclosed in note 19.
- (v) Collateral is not held as security.

**(b) Aging Analysis**

At 31 October, the aging analysis of trade receivables is as follows:

0 - 1 month		106,275	172,516
1 - 2 months PDNI*		79,466	34,930
2 - 3 months PDNI		17,306	51,077
> 3 months PDNI		123,355	32,886
< 1 month CI**		-	-
> 1 month CI		2,227	-
		328,629	291,409

\* Past Due Not Impaired (PDNI)

\*\* Considered impaired (CI)

## NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 7 - INVENTORIES	NOTE	2009 \$	2008 \$
Merchandise		39,974	48,081
Food and beverage		24,720	49,308
		64,694	97,389

**(a) Inventory expense**

Inventories recognised as an expense for the year ended 31 October 2009 totaled \$640,310 (2008: \$756,526) for the Club. This expense has been included in the cost of sales line item in the Income Statement.

**NOTE 8 - PREPAYMENTS**

Prepayments		209,669	112,472
		209,669	112,472

**NOTE 9 - PLANT AND EQUIPMENT****Furniture & Fittings***Cost*

Opening Balance		308,373	665,668
Additions		3,183	19,241
Disposals/Retirements		(12,941)	-
Transfers		-	(28,588)
Impairment	(i)	-	(347,948)
Closing Balance		298,615	308,373

*Accumulated Depreciation*

Opening Balance		270,812	581,547
Depreciation for the Year		5,932	33,601
Transfers		-	(3,949)
Impairment	(i)	-	(340,387)
Disposals/Retirements		(12,941)	-
Closing Balance		263,803	270,812
<i>Net Book Value</i>		34,812	37,561

**Plant & Equipment***Cost*

Opening Balance		1,286,042	1,724,939
Additions		160,691	211,714
Write-offs		-	(222,324)
Impairment	(i)	-	(184,348)
Transfers		-	9,785
Disposals/Retirements		(39,587)	(253,724)
Closing Balance		1,407,146	1,286,042

*Accumulated Depreciation*

Opening Balance		748,604	966,284
Depreciation for the Year		128,559	163,382
Transfers		-	(142)
Impairment	(i)	-	(128,728)
Disposals/Retirements		(33,361)	(252,192)
Closing Balance		843,802	748,604
<i>Net Book Value</i>		563,344	537,438

## NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 9 - PLANT AND EQUIPMENT (CONTINUED)	NOTE	2009 \$	2008 \$
<b>Leasehold Improvements</b>			
<i>Cost</i>			
Opening Balance		219,850	1,173,936
Additions		-	98,786
Impairment	(i)	-	(1,071,675)
Transfers		-	18,803
Disposals/Retirements		(97,446)	-
Closing Balance		122,404	219,850
<i>Accumulated Depreciation</i>			
Opening Balance		193,723	316,064
Depreciation for the Year		12,471	466,250
Transfers		-	4,091
Impairment	(i)	-	(592,682)
Disposals/Retirements		(97,446)	-
Closing Balance		108,748	193,723
<i>Net Book Value</i>		13,656	26,127
<b>Motor Vehicles</b>			
<i>Cost</i>			
Opening Balance		27,376	21,848
Additions		-	27,376
Disposals		-	(21,848)
Closing Balance		27,376	27,376
<i>Accumulated Depreciation</i>			
Opening Balance		2,860	12,016
Depreciation for the Year		3,422	3,953
Disposals		-	(13,109)
Closing Balance		6,282	2,860
<i>Net Book Value</i>		21,094	24,516
Total Property, Plant & Equipment		632,906	625,642

## (i) Impairment of Property Plant &amp; Equipment

Within the Leighoak gaming cash generating unit, recoverable amounts were estimated for certain items of property, plant and equipment.

The recoverable amount estimation was based on a value in use calculation and was determined at the cash-generating unit level.

In the prior year, an impairment loss of \$ 542,173 in total was recognised to reduce the carrying amount of property, plant and equipment to its recoverable amount. This was recognised in the income statement line item 'Social Club and Gaming Expenses'. A Board assessment of fair value was determined, based on management's cashflow forecasts, using a multiple of earnings.

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2009 \$	2008 \$
<b>NOTE 10 - TRADE AND OTHER PAYABLES</b>			
<b>Current</b>			
Trade creditors (i)	(a) , (b)	1,147,683	687,701
Other creditors and accruals (i)		1,037,091	894,741
		2,184,774	1,582,442

**(a) Terms and Conditions**

- (i) All payables are non-interest bearing and are normally settled on 30 day terms.
- (ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (iii) Information regarding interest rate and liquidity risk exposure is set out in note 18.

**(b) Note**

Of the creditor balance at 31 October 2009, over 70% related to debts owed to the AFL.

**NOTE 11 - INTEREST BEARING LOANS AND LIABILITIES**

**Current**

Commercial Bill Facility - secured	(i)	1,530,000	2,045,000
		1,530,000	2,045,000

- (i) This Commercial Bill Facility enables the Club to renegotiate the funds drawn upon on a monthly basis up to a limit of \$4.5m. This loan is secured by a guarantee provided by the Australian Football League.
- (ii) The carrying amount of the Club's borrowings approximate their fair value.

*Capital Management*

When managing capital, management's objective is to ensure the Club continues as a going concern. The capital structure of the Club consists of debt, which includes interest-bearing loans as disclosed above and, cash and cash equivalents. Management monitor capital through its commercial bill and overdraft facilities with Westpac. The Club meets with Westpac Banking Group Ltd and the AFL each month to discuss future cash flows and the need for additional draw downs or repayment of their existing commercial bills. During 2009, management reduced their commercial bill facilities by \$515,000. The commercial bill facility with Westpac has been renewed for 12 months and is guaranteed by the AFL until 31 October 2010. The commercial bills within the facility are then rolled over each 90 days.

The Club is not subject to any externally imposed capital requirements. The Club is prohibited by its Constitution from making distributions to the members.

**NOTE 12 - PROVISIONS**

	Annual Leave \$	Long service leave \$	Total \$
At 31 October 2009	200,590	40,741	241,331
Current	200,590	30,873	231,463
Non-Current	-	9,868	9,868
	200,590	40,741	241,331
At 31 October 2008			
Current	175,608	28,169	203,777
Non-Current	-	20,609	20,609
	175,608	48,778	224,386

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2009 \$	2008 \$
<b>NOTE 13 - ACCUMULATED LOSSES</b>			
Accumulated Losses at the Beginning of the Financial Year		(3,797,586)	(3,248,288)
Net Profit/(Loss)		587,183	(549,298)
Accumulated Losses at the End of the Financial Year		(3,210,403)	(3,797,586)

**NOTE 14 - COMMITMENTS FOR EXPENDITURE**

**Operating leases**

Commitments in relation to leases contracted for at reporting date but not recognised as liabilities are payable as follows:

- Not later than 1 year		546,735	977,589
- Later than 1 year but not later than 5 years		2,367,269	3,170,521
- Later than 5 years		162,727	1,055,217
		3,076,731	5,203,327

The Club has entered into commercial leases on its office premises at the Leighoak Club and for certain fixed assets. These leases have a terms of between 3 year and 7 years. There are no restrictions placed upon the lessee by entering into these leases.

**Player and Coaching Staff Commitments**

In relation to the future seasons, the Club has a liability for player and coaching contracts which comply with AFL regulations. Included in this, the following commitments exist in relation to signed player contractual arrangements. This excludes player payments associated with contingent performance obligations which are deemed not to be reliably measurable. These contingencies will only arise subject to the inclusion of the players on the Club's official list and performances. Player payments are underwritten by the AFL in accordance with the Collective Bargaining Agreement between the AFL and the AFL Players Association.

- Not later than 1 year		7,112,867	7,093,700
- Later than 1 year but not later than 2 years		2,385,000	4,003,000
- Later than 2 years but not later than 5 years		800,000	766,720
		10,297,867	11,863,420

**Other**

The Club has entered into a 30 year arrangement with the City of Casey to utilise certain facilities as a pre season training venue and community base. The Club has agreed to commit funding towards \$2.1m of new facilities that will be constructed at Casey. The Club's commitment totals \$500,000. The AFL and the Department of Planning and Community Development have agreed to support the Club with funding to meet this commitment totaling \$350,000.

**NOTE 15 - REMUNERATION OF AUDITORS**

Remuneration for audit of the financial reports of:

Melbourne Football Club Limited		44,500	42,000
		44,500	42,000
Remuneration for other services	(a)	8,000	9,000
		8,000	9,000

(a) Includes assurance related services.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 16 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are determined to be the Board of Directors, Chief Executive Officer, Chief Commercial Officer, Chief Operations Officer, General Manager Football Operations, General Manager List Management and the Senior Coach.

	2009	2008
	\$	\$
Short-term employee benefits	1,406,530	1,343,084
Other employee benefits	-	16,335
Post-employment and superannuation benefits	84,312	81,264
Termination benefits	-	341,423
	1,490,842	1,782,106

Other employee benefits includes Directors' and Officers liability insurance taken out by the Club on behalf of the Board of Directors. This is the only financial benefit provided to the Board of Directors.

NOTE 17 - RELATED PARTIES

Directors and director-related entities

The names of the persons who were Directors of the Club for all or part of the financial year are listed below.

Jim Stynes	Andrew Leoncelli
Guy Jalland	Russel Howcroft
Don McLardy	Peter Spargo
Stuart Grimshaw	Peter Szental
Karen Hayes	David Thurin

Certain director related transactions occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Club would have adopted if dealing with the director or director-related entity at arms length in similar circumstances.

	2009	2008
	\$	\$
Amounts provided to the Club:		
Jim Stynes (Reach Foundation) - Corporate Packages and Debt Demolition Fundraising	288	8,838
Guy Jalland - Corporate Packages and Debt Demolition Donation	7,009	56,890
Don McLardy (McLardy McShane & Associates Pty Ltd) - Debt Demolition Fundraising	33,209	54,801
Stuart Grimshaw - Corporate Packages and Debt Demolition Fundraising	10,182	11,000
Russel Howcroft (George Patterson Y & R) - Corporate Packages and Debt Demolition Fundraising	13,814	6,000
Peter Spargo (Spargo Group) - Corporate Packages and Debt Demolition Fundraising	25,285	47,270
Peter Szental (Szencorp Group) - Debt Demolition Fundraising	28,450	122,521
David Thurin (Tigcorp) - Corporate Packages	11,847	3,271
Karen Hayes - (UXC) - Corporate Packages and Debt Demolition Fundraising	16,127	15,170
Andrew Leoncelli - Corporate Packages	3,948	2,540
Paul Gardner - (Grey Global) - Corporate Packages	-	27,706
Stephen Bickford - (Leasing Consultants) - Corporate Packages	-	13,825
Michael Coglein - (Healthscope) - Corporate Packages	-	4,240
John Phillips - (Oakton, Acumen Alliance) Corporate Packages	-	21,029
Anthony Starkins - (First Samuel Limited) - Corporate Packages	-	10,200
Charles Sitch - (McKinsey & Co) - Corporate Packages	-	16,870
Sue Natrass - Corporate Packages	-	365

The following balances owing from related parties were unpaid at 31 October 2009:

- Stuart Grimshaw	2,750	-
- Andrew Leoncelli	780	-
- Karen Hayes	-	2,200
- Peter Szental	-	10,330
- Don McLardy	9,552	8,098

All of the balances above have been paid subsequent to balance date on normal terms.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 18 – FINANCIAL INSTRUMENTS

This note presents information about the Club's exposure to financial risks, the Club's objectives, policies and the processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Club's principal financial instruments comprise cash and short term deposits, receivables, payables, bank loans and overdrafts.

The Club manages its exposure to key financial risks through the monthly Finance Committee meetings as well as monthly meetings with the Chief Financial Officer of the AFL, the MCC and Westpac. The objective of both of these meetings are to support the delivery of the Club's financial targets whilst protecting future financial security.

The main risks arising from the Club's financial instruments are interest rate risk, credit risk and liquidity risk. The Club uses different methods to measure and manage these risks including assessment of market forecasts for interest rate risk, aging analyses to monitor credit and cash flow forecasting to monitor liquidity risk.

**Risk exposures and responses**

**(a) Interest rate risk**

The Club has interest rate risk exposures from the holding of financial assets and liabilities and these are summarised in the table below.

At balance date the Club had the following mix of financial assets and liabilities exposed to variable interest rate risk.

This exposure is limited as the majority of bank debt is subject to fixed interest rates.

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	369,373	293,971
	369,373	293,971
<b>Financial Liabilities</b>		
Bank Overdraft	89,038	21,249
Commercial bills (floating interest rate)	1,530,000	2,045,000
	1,619,038	2,066,249
<b>Net exposure</b>	(1,249,665)	(1,772,278)

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date.

At 31 October 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

Sensitivity Analysis	<b>Profit</b>	<b>Profit</b>	<b>Equity</b>	<b>Equity</b>
	<b>Higher/(Lower)</b>	<b>Higher/(Lower)</b>	<b>Higher/(Lower)</b>	<b>Higher/(Lower)</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	\$	\$	\$	\$
+1.5% (150 basis points)	(18,745)	(26,584)	(18,745)	(26,584)
-1.5% (150 basis points)	18,745	26,584	18,745	26,584

A 150 basis point increase or decrease is used and represents management's assessment of a reasonably possible change in interest rates.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 18 – FINANCIAL INSTRUMENTS (CONTINUED)

**(b) Credit risk**

Credit risk is the risk of financial loss to the Club if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Club's trade and other receivables.

The Club trades only with recognised, creditworthy third parties, negating the requirement to request collateral. It is the Club's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk within the Club.

In addition, receivable balances are monitored on an ongoing basis with the result that the Club's exposure to bad debts is not significant. The credit risk on financial assets of The Club is the carrying amount, net of any provisions for doubtful debts and has been addressed in each applicable note.

**(c) Liquidity risk**

Liquidity risk is the risk that the Club will not be able to meet its financial obligations as they fall due. The Club's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The Club's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Club's reputation. The Club monitors cash flow requirements daily, ensuring there is sufficient cash on demand to meet expected operational expenses.

The following table below reflects all undiscounted cash flows for contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities.

	<b>&lt; 6 months</b>	<b>&gt; 6 months</b>
	<b>\$</b>	<b>\$</b>
<b>2009</b>		
Payables	2,184,774	-
Interest Bearing liabilities	1,530,000	-
	3,714,774	-
<b>2008</b>		
Payables	1,582,442	-
Interest Bearing liabilities	2,045,000	-
	3,627,442	-

**NOTE 19 - SEGMENT REPORTING**

The consolidated entity operates within one primary business and geographic segment being the conduct of sporting and social activities associated with Australian Rules Football in Australia.

**NOTE 20 - ECONOMIC DEPENDENCY**

The Melbourne Football Club Limited is economically dependant on the ongoing support of the Australian Football League through receipt of distributions and dividends.

**NOTE 21 - EVENTS AFTER THE BALANCE SHEET DATE**

On 5 November 2009 the Club formally signed an agreement with the State Government for \$1m in funding for the fit out of the Olympic Park campus. The full cost of the fit out will be met by this funding from the State Government and by accessing the \$1.5m AFL facilities grant provided in 2007.

**MELBOURNE FOOTBALL CLUB LIMITED (ACN 005 686 902)**

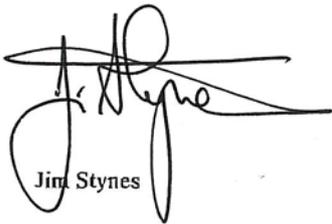
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of the Melbourne Football Club Limited, we state that:

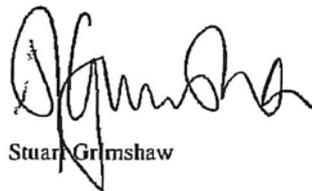
In the opinion of the directors:

- (a) the financial statements and notes of the Melbourne Football Club and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Club's and consolidated entity's financial position as at 31 October 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and *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.

On behalf of the Board



Jim Stynes



Stuart Grimshaw

Melbourne, 14 December 2009

## Independent auditor's report to the members of Melbourne Football Club Limited

### Report on the Financial Report

We have audited the accompanying financial report of the Melbourne Football Club Limited ("the Club"), which comprises the balance sheet as at 31 October 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *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 the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *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 our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Club'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 Club's internal controls. 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 met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Club a written Auditor's Independence Declaration which is attached to the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

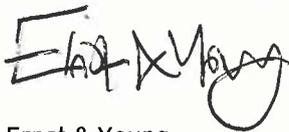
## Auditor's Opinion

In our opinion:

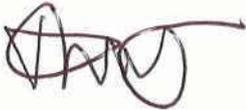
1. the financial report of the Melbourne Football Club Limited is properly drawn up in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Melbourne Football Club Limited at 31 October 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
2. The financial report also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 2(b) to the financial statements, the ability of the Melbourne Football Club Limited to continue as a going concern is dependent on the Club being able to generate sufficient funds from its revenue sources including the Australian Football League's distributions and support to the Club through access to the Annual Special Distribution, to continue to fund its ongoing operations. Accordingly, there is a significant uncertainty whether the Club will be able to continue as a going concern and therefore whether they will be able to pay its debts as and when they become due and payable, and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Club not continue as a going concern.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'D. J. Shewring', written in a cursive style.

D. J. Shewring  
Partner  
Melbourne  
14 December 2009



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