



FINANCIAL *Report*

YEAR ENDED 31 OCTOBER 2019

Contents

Directors' Report	1
Auditor's Independence Declaration	5
Statement of Profit or Loss and Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Directors' Declaration	25
Independent Audit Report	26

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

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company in respect of the financial year ended 31 October 2019.

Directors

The following directors were in office during the period from 1 November 2018 to the date of this report, unless otherwise stated:

Ben Buckley	Appointed Director on 14 May 2013 Appointed Chairman on 19 October 2016
Carl Dilena	Appointed Director on 21 December 2007 Managing Director and Chief Executive Officer Resigned as a Director on 15 October 2019
Geoff Lewis	Appointed Director on 21 December 2007 Member – Finance & Audit Committee CEO and Co-Founder ASG Group Resigned as a Director on 21 November 2018
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven
Brady Scanlon	Appointed Director on 17 July 2012 Executive Chairman of Scanlon Capital
Glenn Archer	Appointed Director on 15 April 2015 Director – Kode Entertainment Group Resigned as a Director on 4 January 2019
Brian Walsh	Appointed Director on 19 October 2016 Managing Director – Bastion Reputation Management Resigned as a Director on 30 August 2019
Paul Dwyer	Appointed Director on 21 February 2018 Founder and Group Managing Director – PSC Insurance Group Chair of Finance & Audit Committee

Company Secretary

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

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

Director	Number of meetings attended	Number of meetings eligible to attend
Ben Buckley	10	10
Carl Dilena	8	9
Geoff Lewis	1	1
Julie Laycock	9	10
Brady Scanlon	9	10
Glenn Archer	0	1
Brian Walsh	8	8
Paul Dwyer	8	10

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

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

Finance & Audit Committee – Paul Dwyer (Chairman), Brady Scanlon, Rodney Piltz, John Magowan (resigned on 14 August 2019).

Integrity Committee – Will Houghton QC (Chairman), Julie Laycock, Andrew Harris, Xavier Walsh (resigned on 19 November 2019), Paul Stevens, Cameron Joyce (resigned on 24 August, 2019)

Principal Activities

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

There has been no significant change in those activities.

Objectives and Strategies of the Company

The Company's short-term objectives (2020) are:

- To meet targets set that will allow the Company to continue to invest in the football department, in particular player payments, which will give us the best opportunity to achieve on-field success.
- To investigate innovative ways to grow football revenue above 2019 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To grow non-football revenue.
- To successfully integrate AFLW into the operations of the Company.
- To establish a strong new market of supporters by further developing relationships in Hobart and developing regions in Victoria.
- To continue to reduce the Company's debt with ongoing supporter and member driven campaigns involving member contributions, unique events and products.

The Company's long-term objectives (2021 – 2023) are:

- To deliver sustained on-field success.

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

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

Operating Results and Review of Operations

The statutory net profit of the Company for the year ended 31 October 2019 was \$47,484 (2018: \$1,535,580).

The underlying net operating profit of the Company was \$382,962 (2018: \$718,136) after non-operating items for the year ended 31 October 2019.

	2019	2018
	\$	\$
Statutory net profit	47,484	1,535,580
<u>Add:</u>		
Amortisation of facilities	450,668	397,985
Share of net loss of KangaTech	153,049	166,262
One-off restructure costs *	1,069,676	-
<u>Less:</u>		
Redevelopment fundraising	(1,392,758)	(1,381,691)
Net operating profit	328,119	718,136

* The club undertook a review of the club operations during the year and as a result incurred restructuring costs related to external consulting costs and the payments to employees. These are not considered to be an annual recurring item of expenditure.



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

2019 was a year of significant change off the field. Brad Scott departed as AFL senior coach after 10 years and 211 games in charge of the team. During that time, Brad coached in eight finals including preliminary finals in 2014 and 2015. Brad led the team through a period that saw great development of the football department including the implementation of a professional approach to coaching, player management, resourcing, sports science and our culture. The club also wishes to acknowledge the contributions made by Cameron Joyce, Leigh Tudor and Michael McMahon.

Carl Dilena, Managing Director and CEO since 2013, also stepped down at the end of October. Carl oversaw an incredible turnaround in the club's financial position during his tenure with some of his key achievements being the substantial reduction in the club's debt whilst at the same time, heavy investment in the football department to provide the capacity to pay 100% of the salary cap and soft cap. The club also expanded from one team to four teams with the additions of stand-alone AFLW, VFL and VFLW sides. Carl was also pivotal in negotiations for a greatly improved stadium deal and the club experienced strong growth in the commercial and membership areas under his leadership. The Board thanks Carl for his contribution as CEO and also as a Director since 2007. The club welcomes new CEO, Ben Amarzio to the role. Ben commenced on 18 November and brings a wealth of knowledge and experience having held senior roles at Cricket Australia, Southern Cross Austereo and the AFL.

On-field, the AFL team got off to a slow start and was two wins from the first nine rounds. A vastly improved second half of the season under new coach Rhyce Shaw saw the team finish on ten wins which included a fantastic victory against eventual premier Richmond and a brilliant performance against Collingwood. There was also a couple of narrow losses. Ben Cunnington again displayed great consistency taking out his second Syd Barker Medal, while Ben Brown enjoyed a fruitful season up forward finishing with his highest goal tally of 64. He finished second in the Coleman Medal and booted a career-high ten goals against Port Adelaide.

2019 also marked the first season of the club's AFLW side. The team narrowly missed finals finishing the season with a 5-2 win-loss record. Jenna Bruton took out the inaugural AFLW best and fairest award.

The first stage of the expansion of the Arden Street training and administration facility was completed in July with VFL and VFLW football returning to Arden Street. The project was delivered on budget with the total cost totalling \$6.21m. The improvements included new AFLW change rooms, upgraded player areas, a sauna, steam room, coaches boxes, enhanced oval lighting, interchange benches and a scoreboard. The club contributed \$4.21m toward the project. This was possible through strong cash generated through operations and through the generous contributions of our valued members and supporters. The Board, once again, wishes to thank everyone who contributed.

As a result of the investment in the facilities, the club has used some of the cash reserves built up over previous years. This has resulted in a reduction in the net current liability position as well as the debt marginally increasing from \$450k to \$650k. It is anticipated that the club will be able to maintain relatively strong cash flow from operations and should be in a position to eliminate debt over the next couple of years.

The club continued its investment in football operations with football expenditure increasing by \$3.67m on 2018. Some of this expenditure relates to the first full season of AFLW and VFLW costs. It is noted, however, that the club now has football expenditure comparable to other clubs which provides the best chance of achieving sustained on-field success. Overall revenue grew to \$44.6m - an increase of \$3.6m on 2018.

The club wishes to thank its 42,419 members along with all of its partners especially Mazda and Spirit of Tasmania.

Significant changes in the State of Affairs

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

Significant Events after Year End

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 October 2019.

Dividends

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

Rounding of Amounts

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



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

Proceedings on Behalf of the Company

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

Likely developments

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

Environmental regulation

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

Indemnification of Officers and Auditors

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

Auditor Independence

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

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



Ben Buckley (Chairman)



Paul Dwyer (Director / Chairman – Finance & Audit Committee)

Dated: 11th December 2019



Auditor's Independence Declaration

To the Directors of North Melbourne Football Club Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of North Melbourne Football Club Limited for the year ended 31 October 2019, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 11 December 2019

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North Melbourne Football Club Limited

ABN 21 006 468 962

**Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 October 2019**

	Notes	2019	2018
		\$	\$
Revenue	3	44,605,593	40,999,930
<i>Expenses</i>			
Administration expenses		6,607,896	5,879,624
Commercial business, events and fundraising		1,931,213	1,927,342
Depreciation	4	353,611	305,408
Football operations		28,308,050	24,635,838
Membership		2,563,742	2,410,203
Merchandise		774,769	847,423
Sales and sponsorship		3,293,211	2,763,370
Finance costs		74,582	65,156
Amortisation on Arden Street facility	4	450,668	397,985
Share of net loss from investment accounted for using the equity method		153,049	166,262
Other expenses		47,318	65,739
Total expenses		44,558,109	39,464,350
Net profit for the period		47,484	1,535,580
Other comprehensive income		-	-
Total comprehensive income		47,484	1,535,580
Attributable to:			
Members of North Melbourne Football Club Limited		47,484	1,535,580

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

North Melbourne Football Club Limited
 ABN 21 006 468 962
Statement of Financial Position
As at 31 October 2019

	Notes	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	6	46,899	2,001,520
Trade and other receivables	7	202,711	1,434,149
Inventories	8	272,385	190,642
Other assets	9	789,907	969,783
Total Current Assets		1,311,902	4,596,094
Non-Current Assets			
Property, plant and equipment	10	18,760,554	13,962,512
Total Non-Current Assets		18,760,554	13,962,512
Total Assets		20,072,456	18,558,606
Current Liabilities			
Trade and other payables	11	3,398,328	2,613,428
Employee benefits	13(a)	755,785	754,426
Income received in advance	14	3,601,268	3,055,374
Total Current Liabilities		7,755,381	6,423,228
Non-Current Liabilities			
Interest bearing loans and borrowings	12	650,000	450,000
Employee benefits	13(b)	93,509	159,296
Total Non-Current Liabilities		743,509	609,296
Total Liabilities		8,498,890	7,032,524
Net Assets		11,573,566	11,526,082
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		7,984,958	7,937,474
Total Equity		11,573,566	11,526,082

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



North Melbourne Football Club Limited
 ABN 21 006 468 962
Statement of Changes in Equity
For the year ended 31 October 2019

	Member funds	Accumulated profits	Total Equity
	\$	\$	\$
Balance at 1 November 2017	3,588,608	6,401,894	9,990,502
Total Comprehensive Income for the period	-	1,535,580	1,535,580
Balance at 31 October 2018	3,588,608	7,937,474	11,526,082
Balance at 1 November 2018	3,588,608	7,937,474	11,526,082
Total Comprehensive Income for the period	-	47,484	47,484
Balance at 31 October 2019	3,588,608	7,984,958	11,573,566

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



North Melbourne Football Club Limited
 ABN 21 006 468 962
Statement of Cash Flows
For the year ended 31 October 2019

	Notes	2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		44,921,999	42,153,287
Payments to suppliers and employees		(41,246,822)	(39,612,562)
Interest received		154	2,051
Interest and other finance costs paid		(74,582)	(65,156)
Net operating cash flows	15	3,600,749	2,477,620
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,602,321)	(1,270,028)
Payments for investment accounted for using the equity method		(153,049)	(109,122)
Net cash flows used in investing activities		(5,755,370)	(1,379,150)
Cash flows from financing activities			
Proceeds from borrowings		200,000	-
Repayment of borrowings		-	(400,000)
Net cash flows used in financing		200,000	(400,000)
Net increase/(decrease) in cash and cash equivalents held		(1,954,621)	698,470
Cash and cash equivalents at the beginning of the financial year		2,001,520	1,303,050
Cash and cash equivalents at the end of the financial year	6	46,899	2,001,520

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

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2019 was authorised for issue in accordance with a resolution of the directors on 11 December 2019.

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

NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have a significant impact on the financial performance or position of the Company.

The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 9 Financial Instruments

The Company has adopted AASB 9 from 1 November 2018. The adoption of AASB 9 did not have a significant impact on the financial performance or position of the Company other than a change related to the new impairment requirements of AASB 9 which apply an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

When adopting AASB 9, the Company has applied transitional relief and opted not to restate prior periods. There were no differences that arose from the adoption of AASB 9 in relation to classification, measurement, and impairment.

(c) Accounting standards not yet effective

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. It establishes a new revenue recognition model, changes the basis for deciding whether revenue is to be recognised over time or at a point in time, provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing) and expands and improves disclosures about revenue

The Company is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 October 2020.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 clarifies and simplifies the income recognition requirements that apply to NFP entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector NFP entities, previously in AASB 1004 Contributions.



North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

The Company is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 October 2020.

AASB 16 Leases

AASB 16 replaces AASB 117 *Leases* and some lease-related Interpretations. The standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases and provides new guidance on the application of the definition of lease and on sale and lease back accounting. It largely retains the existing lessor accounting requirements in AASB 117 however requires new and different disclosures about leases.

The Company is yet to undertake a detailed assessment of AASB 16. However, based on the Company's preliminary investigations, the likely impact on the first time adoption of the Standard for the year ending 31 October 2020 includes:

- there will be a significant increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

(d) Critical accounting estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

(e) Income tax

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

(f) Going concern

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

(g) Investments in associates

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

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



North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

(h) Property, plant & equipment

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

Plant & equipment

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

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

Depreciation

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

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

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

Impairment

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

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

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

(i) Cash and cash equivalents

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

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

(j) Financial instruments

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

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

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

Recognition

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



North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

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

Financial liabilities

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

(k) Employee benefits

Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. They are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Other long-term employee benefits

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

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

Superannuation

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

(l) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Costs have been assigned to inventory quantities on hand at balance date using average cost per unit.

(m) Revenue

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

- AFL-sourced income including distributions, prize money and gate receipts, is recognised on an accruals basis. AFL funding of \$5.11 million (2018: \$5.11 million) was paid in the year ended 31 October 2019.
- Revenue from the sale of memberships, corporate hospitality and sponsorships, is recognised in the relevant football year.
- Revenue from the sale of goods is recognised upon delivery of goods to the customer.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Donations are recognised upon receipt.



(n) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as a part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(o) Trade and other receivables

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. Movements in the loss allowance are recognised in profit or loss.

Accounting policy applicable to comparative period (31 October 2018)

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

(p) Trade and other payables

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

(q) Income received in advance

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

(r) Comparative figures

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

(s) Provisions

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

(t) Interest bearing liabilities and borrowings

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

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



North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

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

Borrowing costs

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

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

(u) Leases

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

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

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

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



North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

	2019	2018
	\$	\$
NOTE 3 – REVENUE		
AFL – Distributions	11,003,144	10,806,622
AFL – Future Funding	5,111,381	5,111,381
AFL – Signage	892,500	1,000,000
AFL – AFLW Funding	609,491	-
Commercial Business, Events and Fundraising	2,871,257	2,878,133
Gate Receipts	1,975,701	1,754,507
Membership	6,305,423	6,280,687
Merchandise	808,382	765,518
Sales and Sponsorship	11,526,913	9,160,352
Redevelopment fundraising	1,392,758	1,381,691
Other	2,108,643	1,861,039
	44,605,593	40,999,930

NOTE 4 – EXPENSES AND LOSSES/(GAINS)

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

a) *Depreciation of non-current assets*

- Plant & Equipment	353,611	305,408
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Amortisation of non-current assets

- Amortisation of Leasehold Improvements	450,668	397,985
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Total depreciation & amortisation expense

	804,279	703,393
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b) Rent expense	71,014	70,065
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North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

2019 **2018**
 \$ \$

NOTE 5 – AUDITOR’S REMUNERATION

Amounts received or due and receivable by Auditors for:

- auditing the accounts	41,000	40,000
- other services – total player payments audit	11,500	11,000
- other services – football department soft cap audit	-	7,000
	52,500	58,000

The auditors, Grant Thornton, received no other benefits.

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	46,899	2,001,520
Total cash and cash equivalents	46,899	2,001,520

The effective interest rate on bank deposits was 0.01% (2018: 0.01%). These deposits have no maturity date.

NOTE 7 – TRADE AND OTHER RECEIVABLES

Current

Trade receivables	48,790	1,397,618
Allowance for expected credit losses	(11,000)	-
	37,790	1,397,618
GST receivable	87,474	-
Other debtors	77,447	36,531
Total trade and other receivables	202,711	1,434,149

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

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

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



North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

As at 31 October 2019, trade receivables with a carrying amount of \$18,767 (2018: \$150,350) for the Company were past due but not doubtful. These trade receivables are not considered doubtful as they comprise customers with good debt history and are therefore considered recoverable.

The ageing of the trade receivables is:

	2019 Gross	2019	2018 Gross	2018
	\$	Allowance	\$	Allowance
	\$	\$	\$	\$
Not past due	19,023	-	1,247,268	-
Past due 0-30 days	18,142	-	22,002	-
Past due 31-60 days	-	-	8,534	-
Past due 60 days	11,625	(11,000)	119,814	-
Total	48,790	(11,000)	1,397,618	-

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

	2019	2018
	\$	\$
Not more than 3 months	18,767	32,722
More than 3 months but not more than 6 months	-	113,723
More than 6 months but not more than 1 year	-	3,905
Total	18,767	150,350

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

NOTE 8 – INVENTORIES	2019	2018
	\$	\$
Roo Shop merchandise – at lower of cost and realisable value	272,385	190,642

NOTE 9 – OTHER ASSETS

Prepayments	75,698	399,263
Unexpired contra	36,708	2,868
Accrued income	52,512	64,862
Investment – AFLCA Transition Fund	176,975	113,057
Arden Street Facility Capital Fund – Refer to Note 9(a)	448,014	389,733
Total other assets	789,907	969,783

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

The other joint tenants, Fencing Victoria and City of Melbourne also contribute to the Capital Fund.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Plant & Equipment – at cost	2,896,933	2,423,622
Less: Accumulated Depreciation	(1,897,754)	(1,563,894)
	999,179	859,728
Leasehold Buildings – at cost	21,656,022	16,527,011
Less: Accumulated Amortisation	(3,894,647)	(3,424,227)
	17,761,375	13,102,784
Total property, plant and equipment	18,760,554	13,962,512



North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

	2019	2018
	\$	\$
Reconciliations		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
<i>Plant & Equipment</i>		
Carrying amount at beginning	859,728	945,330
Additions	493,062	235,884
Write-offs	-	(16,078)
Depreciation expense	(353,611)	(305,408)
	999,179	859,728
<i>Leasehold Buildings</i>		
Carrying amount at beginning	13,102,784	12,466,625
Additions	5,109,259	1,034,144
Write-offs	-	-
Amortisation expense	(450,668)	(397,985)
	17,761,375	13,102,784
<i>Total Assets & Leasehold Buildings</i>		
Carrying amount at beginning	13,962,512	13,411,955
Additions	5,602,321	1,270,028
Write-offs	-	(16,078)
Depreciation & amortisation expense	(804,279)	(703,393)
	18,760,554	13,962,512

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

	2019	2018
	\$	\$
NOTE 11 – TRADE AND OTHER PAYABLES		
Trade creditors	1,207,308	915,616
Accruals	2,191,020	1,505,161
GST payable	-	192,651
Total trade and other payables	3,398,328	2,613,428

NOTE 12 – INTEREST BEARING LIABILITIES

Commercial bill – secured	650,000	450,000
	650,000	450,000

The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club Limited, a specific fixed Mortgage debenture charge from North Melbourne Football Club Limited, and a limited guarantee from the Australian Football League. The facility is due on 31 December, 2021 and has therefore been classified as non-current in the current period. The borrowing facility will be renewed in 2-year intervals. The undrawn financial facilities at balance date were \$2.35m.

Facilities available at year end	3,000,000	3,000,000
Amounts drawn at year end	(650,000)	(450,000)
Available undrawn facilities at year end	2,350,000	2,550,000

NOTE 13 – EMPLOYEE BENEFITS

(a) Current

Provision for annual leave	291,181	286,983
Provision for long service leave	464,604	467,443
	755,785	754,426

(b) Non-Current

Provision for long service leave	93,509	159,296
Total employee benefits	849,294	913,722

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

	2019	2018
	\$	\$
NOTE 14 – INCOME RECEIVED IN ADVANCE		
Current		
Income received in advance	<u>3,601,268</u>	<u>3,055,374</u>

NOTE 15 – RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

	2019	2018
	\$	\$
Net profit	47,484	1,535,580
<i>Adjustments for:</i>		
<i>Non-cash items</i>		
Depreciation and amortisation	804,279	703,393
Impairment and write-off of non-current assets	-	16,078
Losses from equity method investments	153,049	166,262
<i>Changes in assets and liabilities</i>		
(Increase)/ decrease in receivables	1,231,438	(1,204,637)
(Increase)/ decrease in other assets	179,876	(483,519)
(Increase)/ decrease in inventories	(81,743)	43,109
Increase / (decrease) in payables	784,900	967,484
Increase / (decrease) in employee benefits	(64,428)	174,341
Increase / (decrease) in other liabilities	545,894	559,529
Net operating cashflow	<u><u>3,600,749</u></u>	<u><u>2,477,620</u></u>

NOTE 16 - COMMITMENTS

Operating Lease Commitments

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

	2019	2018
	\$	\$
Not later than one year	135,089	98,132
Later than one year and not later than five years	460,333	351,943
Later than five years	683,875	754,889
	<u><u>1,279,297</u></u>	<u><u>1,204,964</u></u>

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

Remuneration Commitments

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

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

	2019	2018
	\$	\$
Not later than one year	11,488,500	12,062,300
Later than one year and not later than five years	9,662,781	14,291,281
Later than five years	-	-
	21,151,281	26,353,581

NOTE 17 – RELATED PARTY TRANSACTIONS

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

(a) Remuneration of Key Management Personnel

(i) Remuneration Policy

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



North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2019

NOTE 17 – RELATED PARTY TRANSACTIONS (CONT.)

(ii) Remuneration Paid to Key Management Personnel

	2019	2018
	\$	\$
Short term employee benefits	1,322,447	1,261,643
Post employment benefits	42,188	60,686
	1,364,635	1,322,329

(b) Transactions with associates

The Company was previously entitled to an annual service fee from its investment accounted for using the equity method. During the period service fees owed were converted into shares in the equity accounted investment.

NOTE 18 – EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 19 – ECONOMIC DEPENDENCY

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

The Company is dependent upon the continued financial support from the AFL which includes annual funding payments, the continued guarantee of the Company's borrowing facilities totalling \$3m (currently drawn to \$650k) and the availability of credit.

As part of this commitment, the AFL has agreed to continue to provide additional payments to the Company including annual funding in 2020 of \$5.11 million.

NOTE 20 – COMPANY DETAILS

North Melbourne Football Club Limited is incorporated in Australia.

The registered office and principal place of business of the Company is:
 North Melbourne Football Club Limited
 204-206 Arden Street
 North Melbourne VIC 3051

NOTE 21 – FINANCIAL INSTRUMENT RISK MANAGEMENT

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



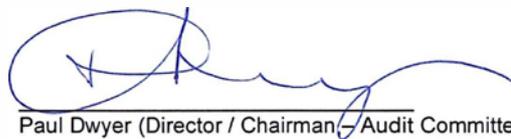
Directors' Declaration

The directors of North Melbourne Football Club Limited declare that:

- (1) In the opinion of the directors:
 - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 October 2019 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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


Ben Buckley (Chairman)


Paul Dwyer (Director / Chairman - Audit Committee)

Dated: 11th December 2019



Independent Auditor's Report

To the Members of North Melbourne Football Club Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of North Melbourne Football Club Limited (the Company), which comprises the statement of financial position as at 31 October 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 October 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



B L Taylor
Partner – Audit & Assurance

Melbourne, 20 February 2019







FINANCIAL *Report*

YEAR ENDED 31 OCTOBER 2019