

North Melbourne Football Club Limited
ABN 21 006 468 962

Financial Report

Year Ended 31 October 2012



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

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company in respect of the financial year ended 31 October 2012.

Directors

The following directors were in office during the period from 1 November 2011 to the date of this report, unless otherwise stated:

James Brayshaw	Appointed Director on 28 February 2007 Appointed Chairman on 6 December 2007 Co-host of The Footy Show – Channel 9 Football Commentator – Triple M
Mark Brayshaw	Appointed Director on 28 February 2007 Chief Executive Officer – ClubLINKS
Carl Dilena	Appointed Director on 21 December 2007 Chairman – Audit and Risk Management Committee Partner KPMG
Will Houghton QC	Appointed Director on 21 December 2007 Queen's Counsel Member – Audit and Risk Management Committee Former AFL Tribunal Chief Counsel
Geoff Lewis	Appointed Director on 21 December 2007 CEO and Co-Founder ASG Group
Trevor O'Hoy	Appointed Director on 25 November 2008 Former CEO of Fosters Group Ltd Resigned as Director on 17 July 2012
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven
Brady Scanlon	Appointed Director on 17 July 2012 Executive Director of Taverners Group

Company Secretary

Eugene Arocca	Appointed as Secretary on 11 April 2008 Resigned as Secretary on 5 June 2012
Chris Simmonds	Appointed as Secretary on 5 June 2012

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Directors' Report (continued)

Directors' Meetings

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

Director	Number of meetings attended	Number of meetings eligible to attend
James Brayshaw	10	10
Mark Brayshaw	8	10
Carl Dilena	10	10
Will Houghton QC	9	10
Geoff Lewis	10	10
Trevor O'Hoy	5	8
Julie Laycock	9	10
Brady Scanlon	3	3

Principal Activities

North Melbourne Football Club Ltd 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 (2013) are to:

- To continue to reduce the Company's debt with ongoing supporter and member driven campaigns involving member contributions, unique events and products, and a debt themed home game.
- To grow football revenue above 2012 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To increase average attendance at North Melbourne home games through better seating for members, more flexible membership packages and more incentives to attend.
- To continue to invest in our football department, in particular the area of sports science and physical preparation of our players.
- To grow non-football revenue.
- To establish a strong new market of supporters by further developing relationships in Hobart and regional Victoria.
- To continue to explore the opportunity of future home games in regional Victoria.

The Company's long term objectives (2014 – 2016) are:

- To deliver our fifth premiership
- To sign 40,000 members
- To achieve financial independence
- To expand our supporter base
- To establish a strong community footprint

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

- To actively engage with members, supporters and communities
- To engage a direct membership related debt reduction strategy
- To explore strategies for new markets in Hobart, Ballarat 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
- To ensure strong alignment with the AFL and other key stakeholders.
- Continued development and focus on our leading community brand, The Huddle.

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Directors' Report (continued)

Operating Results

The operating result of the Company for the year ended 31 October 2012 was a profit of \$1,193,080 (2011: loss \$581,352).

The net profit of the Company was \$687,830 (2011: loss \$1,110,807) after non-operating items for the year ended 31 October 2012.

Review of Operations

2012 was a much improved year for the Club, both on-field and off-field. The Club made the finals for the first time since 2008 after an excellent second half of the season. Financially, the club is pleased to record a profitable result allowing a \$1m reduction to the commercial debt.

Overall revenue for the Club grew beyond \$31m, an increase of \$5m on 2011. Growth in revenue came from the move to play two games in Hobart, the introduction of a new AFL funding assistance package, membership and the introduction of a debt reduction program. The increase in the AFL funding as part of the AFL Future Fund distributions was required to be spent on specific initiatives that were identified in consultation with the AFL meaning that the additional revenue had an equal and offsetting increase in expenditure. The establishment of a debt reduction program was instrumental in enabling the Club to reduce commercial debt by \$1m but was also a key reason for the profit result. Without the important contributions from our supporters, our 2012 result would have been a modest operating profit. The Club is committed to further reducing commercial debt by another \$1m in 2013 with a view to eliminate all debt over the next two to three years. To do this, the Club will need to continue to call on the generous assistance of its members and supporters. Other revenue streams experienced modest growth. Key challenges for the Club's revenue still remain in growing membership and sponsorship and obtaining better returns from gate receipts.

In 2012, the Club has directed a large portion of the increased revenue to football operations. The investment in football operations is critical to ensuring that the Club remains competitive on-field. On-field performance has a direct impact on multiple commercial areas of the Club.

The Club's key challenges for 2013 and beyond remain managing cash flows, reducing debt levels, growing core football related revenue and ensuring the Club has the ability to fund a competitive football department with capability to fully pay up to all Total Player Payment limits. As such the club is committed to expanding revenue and continuing with the debt reduction program launched in 2012 to address these issues, as outlined in Note 2(e).

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

Subsequent to the financial year ended 31 October 2012, agreement was reached with a third party to release the Company and the North Melbourne Football Club Social Club Ltd from obligations to repay a \$1.5m loan payable to the third party. This release was signed on 31 January 2013.

Dividends

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

Directors' Interests and Benefits

No Director has an interest in a contract or proposed contract with the Company, being an interest the nature of which has been declared by a Director in accordance with section 231(1) of the Corporations Act 2001.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial report, or the fixed salary of a full-time employee of the Company by reason of a contract made by the Company or a related corporation 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).

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Directors' Report (continued)

Rounding of Amounts

Amounts in the financial report and the Directors' Report are shown in whole dollar amounts in accordance with ASIC Class Order 98/100.

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 the Directors believe it would likely result in unreasonable prejudice to the Company.

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.

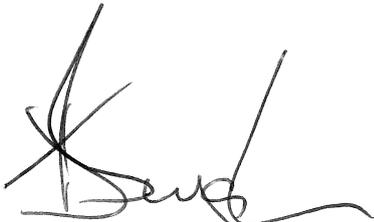
Indemnification of Officers and Auditors

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.



James Brayshaw (Chairman)



Carl Dilena (Director / Chairman – Audit Committee)

Dated: 12th February 2013

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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 2012, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance
Melbourne, 12 February 2013

North Melbourne Football Club Limited
 ABN 21 006 468 962
Statement of Comprehensive Income
For the year ended 31 October 2012

	Notes	2012 \$	2011 \$
Revenue from operating activities	3(a)	31,027,110	26,017,066
<i><u>Operating expenses</u></i>			
Administration expenses		5,014,767	3,243,491
Commercial business and fundraising		1,326,989	1,668,407
Events		246,867	371,534
Football operations		16,375,867	15,280,850
Membership		2,882,558	2,452,310
Merchandise		1,207,769	854,398
Sales and sponsorship		2,271,174	2,236,296
Finance costs		283,072	311,387
Other expenses		224,967	179,745
Total expenses from operating activities		29,834,030	26,598,418
Profit / (loss) from operating activities		1,193,080	(581,352)
Revenue from non-operating activities	3(b)	1,400,000	-
<i><u>Non-operating expenses</u></i>			
Provision for loan		125,000	150,000
Amortisation on Arden Street redevelopment		380,250	379,455
Oval redevelopment		1,400,000	-
Total expenses from non-operating activities		1,905,250	529,455
Profit / (loss) from non-operating activities		(505,250)	(529,455)
Profit / (loss) before income tax		687,830	(1,110,807)
Income tax expense	2(d)	-	-
Net profit / (loss) after tax		687,830	(1,110,807)
Other Comprehensive Income		-	-
Total Comprehensive Income		687,830	(1,110,807)
Attributable to:			
Members of North Melbourne Football Club Ltd		687,830	(1,110,807)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
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Statement of Financial Position
As at 31 October 2012

	Notes	2012 \$	2011 \$
Current Assets			
Cash and cash equivalents	6	785,017	198,886
Trade and other receivables	7	227,566	196,061
Inventories	8	191,741	165,732
Other assets	9	426,144	564,421
Total Current Assets		1,630,468	1,125,100
Non-Current Assets			
Property, plant and equipment	10	15,180,997	15,471,873
Total Non-Current Assets		15,180,997	15,471,873
Total Assets		16,811,465	16,596,973
Current Liabilities			
Trade and other payables	11	3,602,442	2,752,599
Interest bearing loans and borrowings	12(a)	3,757,634	4,756,816
Employee benefits	13(a)	273,627	216,043
Provisions	15	1,500,000	1,375,000
Other liabilities	14	418,675	905,174
Total Current Liabilities		9,552,378	10,005,632
Non-Current Liabilities			
Interest bearing loans and borrowings	12(b)	24,052	31,749
Employee benefits	13(b)	99,312	111,699
Total Non-Current Liabilities		123,364	143,448
Total Liabilities		9,675,742	10,149,080
Net Assets		7,135,723	6,447,893
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		3,547,115	2,859,285
Total Equity		7,135,723	6,447,893

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

North Melbourne Football Club Limited
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Statement of Changes in Equity
For the year ended 31 October 2012

	Member funds	Accumulated profits/(losses)	TOTAL EQUITY
	\$	\$	\$
Balance at 1 November 2010	3,588,608	3,970,092	7,558,700
Total Comprehensive Income for the period	-	(1,110,807)	(1,110,807)
Balance at 31 October 2011	3,588,608	2,859,285	6,447,893
Balance at 1 November 2011	3,588,608	2,859,285	6,447,893
Total Comprehensive Income for the period	-	687,830	687,830
At 31 October 2012	3,588,608	3,547,115	7,135,723

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

North Melbourne Football Club Limited
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Statement of Cash Flows
For the year ended 31 October 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		32,544,263	27,012,973
Payments to suppliers and employees		(31,853,269)	(26,084,915)
Receipt of government grants		1,400,000	150,000
Interest received		3,890	655
Interest and other finance costs paid		(228,712)	(381,914)
Net operating cash flows	16	1,866,172	696,799
Cash flows from investing activities			
Purchase of property, plant and equipment		(273,162)	(337,959)
Net cash flows used in investing activities		(273,162)	(337,959)
Cash flows from financing activities			
Proceeds from borrowings		-	38,565
Repayment of borrowings		(1,006,879)	-
Net cash flows from financing		(1,006,879)	38,565
Net increase / (decrease) in cash and cash equivalents held		586,131	397,405
Cash and cash equivalents at the beginning of the financial year		198,886	(198,519)
Cash and cash equivalents at the end of the financial year	6	785,017	198,886

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

North Melbourne Football Club Limited
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Notes to the Financial Statements
For the year ended 31 October 2012

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2012 was authorised for issue in accordance with a resolution of the directors on 12 February 2013.

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

NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the reporting period ended 31 October 2012. The Company does not consider the Australian Accounting Standards and Interpretations that have been issued or amended but not yet mandatory to have a material impact upon the financial report.

(c) Critical accounting estimates and judgements

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

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

(d) Income tax

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

(e) Going concern

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

Notwithstanding the fact that the Company has positive net assets of \$7,135,723 (2011: \$6,447,893), the Company has a net current liability position of \$7,921,910 (2011: \$8,880,532). The Company's ability to continue as a going concern and meet its debts as and when they fall due is dependent on the Company:

- a. Continuing to generate sufficient revenue from operating activities to enable the Company to generate a profit and positive cash flows from its 2013 operating budget (2012 operating profit of \$1,193,080).
- b. Receiving continued financial support from the AFL including Future Funding payments, the continued guarantee of the Company's borrowing facilities totalling \$4.6m (currently drawn to \$3.75m) and the availability of credit.

As part of this commitment, the AFL has agreed to continue to provide certain financial assistance to the Company including funding assistance in 2013 of \$3.045 million from the Future Fund and, where necessary, advancing monthly distributions to assist the Company with any cash flow issues.

- c. Having success with other strategic initiatives under consideration, in particular the continuance of the Company's debt reduction campaign involving a number of different debt reduction platforms:
 - 1) Membership Contribution
 - 2) Fundraising events in 2013
- d. The release of the Company and the North Melbourne Football Club Social Club Ltd from obligations to repay a \$1.5m loan payable to a third party. This release was signed on 31 January 2013 and the liability will be reversed in the financial year ended 31 October 2013 accounts. However, it results in an immediate reduction in the net current liability position referred to above.

In the Directors' opinion, there are reasonable grounds to believe that such funding will continue to be available.

(f) 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 comprehensive income 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	2.5%
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.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

(g) 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.

(h) 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.

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.

(i) 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.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

Superannuation

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

(j) 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.

(k) Revenue

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

- AFL-sourced income including distributions, prize money and gate receipts, is recognised on an accruals basis. The AFL committed to supporting the Company with financial assistance for the period 2012 to 2016. A portion of the funding assistance is required to be spent on specific initiatives agreed between the AFL and the Company. This specific funding will be reviewed after 2014. AFL funding assistance of \$2.9 million (2011: \$1.4 million) was paid in the year ended 31 October 2012.
- 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.
- Government Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.
- Donations are recognised upon receipt.

(l) 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.

(m) Trade and other receivables

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

(n) 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.

(o) 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.

(p) Comparative figures

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

(q) Redevelopment of North Melbourne Recreation Reserve Oval

The resurfacing of the North Melbourne Recreation Reserve oval commenced during the financial period. Funding for the project was received from the Commonwealth of Australia.

(r) Provisions

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

(s) Interest bearing liabilities and borrowings

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

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

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

Borrowing costs

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

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

(t) Leases

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

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

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

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

	2012	2011
	\$	\$
NOTE 3 – REVENUE		
(a) Revenue from operating activities:		
AFL – Distributions	7,956,876	7,382,004
AFL – Prize Money	105,000	-
AFL – Future Funding	2,900,000	1,400,000
AFL – Stadium Bonus Money	200,000	200,000
AFL – Signage	450,000	550,000
Commercial Business and Fundraising	3,275,677	2,901,232
Events	140,620	107,299
Gate Receipts	1,320,924	1,163,672
Membership	5,108,901	4,582,200
Merchandise	1,396,180	1,036,064
Sales and Sponsorship	7,246,543	5,881,743
Other	926,389	812,852
	31,027,110	26,017,066

(b) Revenue from non-operating activities:

North Melbourne Recreation Reserve redevelopment funding	1,400,000	-
Refer Note 1(q) for further information		

NOTE 4 – EXPENSES AND LOSSES/(GAINS)

Profit / (Loss) from continuing operations is arrived at after charging the following expenses:

a) Charge / (write-back) to Doubtful Debts expense	(12,500)	(37,500)
b) <i>Depreciation of non-current assets</i>		
- Plant & Equipment	183,788	162,689
<i>Amortisation of non-current assets</i>		
- Amortisation of Leasehold Improvements	380,250	379,455
Total depreciation & amortisation expense	564,038	542,144

c) Rent expense	56,333	-
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North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

	2012	2011
	\$	\$

NOTE 5 – AUDITORS’ REMUNERATION

Amounts received or due and receivable by Auditors for:

- auditing the accounts	40,000	39,000
- other services – total player payments audit	10,000	10,000
	50,000	49,000

The auditors, Grant Thornton, received no other benefits

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	785,017	198,886
Total cash and cash equivalents	785,017	198,886

The effective interest rate on bank deposits was 0.01% (2011: 0.01%). These deposits have no maturity date.

Reconciliation of cash:

Cash and cash equivalents	785,017	198,886
	785,017	198,886

NOTE 7 – TRADE AND OTHER RECEIVABLES

Current

Trade receivables	200,416	209,557
Allowance for doubtful debts	-	(41,250)
	200,416	168,307
Membership receivable	-	16,774
Other debtors	27,150	10,980
Total trade and other receivables	227,566	196,061

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

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

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

As at 31 October 2012, trade receivables with a carrying amount of \$98,638 (2011: \$89,431) 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:

	2012 Gross	2012 Allow- ance	2011 Gross	2011 Allow- ance
	\$	\$	\$	\$
Not past due	101,778	-	78,876	-
Past due 0-30 days	56,078	-	73,816	-
Past due 31-60 days	10,500	-	10,115	-
Past due 60 days	32,060	-	46,750	(41,250)
Total	200,416	-	209,557	(41,250)

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

	2012	2011
	\$	\$
Not more than 3 months	93,138	89,431
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	5,500	-
Total	98,638	89,431

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

	2012	2011
	\$	\$
Opening balance	(41,250)	(50,000)
Additional provisions	-	(41,250)
Amounts used	41,250	50,000
Total	-	(41,250)

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

NOTE 8 – INVENTORIES	2012	2011
	\$	\$
Roo Shop merchandise – at lower of cost and realisable value	191,741	165,732

NOTE 9 – OTHER ASSETS

Prepayments	188,816	251,740
Unexpired contra	6,833	208,195
Accrued income	162,500	104,486
Arden Street Facility Capital Fund – Refer to Note 9(a)	67,995	-
Total other assets	426,144	564,421

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Plant & Equipment – at Cost	1,611,600	1,342,868
Less: Accumulated Depreciation	(531,304)	(347,516)
	1,080,296	995,352
Leasehold Buildings – at cost	15,207,077	15,202,647
Less: Accumulated Amortisation	(1,106,376)	(726,126)
	14,100,701	14,476,521
Total property, plant and equipment	15,180,997	15,471,873

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

	2012	2011
	\$	\$
NOTE 11 – TRADE AND OTHER PAYABLES		
Trade creditors	2,386,517	1,810,230
Accruals	1,089,773	871,855
GST payable	126,152	70,514
Total trade and other payables	3,602,442	2,752,599

NOTE 12 – INTEREST BEARING LIABILITIES

(a) Current

Commercial bill – secured – Refer to Note 12(c)	3,750,000	4,750,000
Hire purchase	7,634	6,816
	3,757,634	4,756,816

(b) Non-Current

Hire purchase	24,052	31,749
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(c) The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club Ltd and a related party, North Melbourne Football Club Social Club Ltd, a specific fixed Mortgage debenture charge from North Melbourne Football Club Ltd, and a limited guarantee from the Australian Football League.

(d) The current borrowing is part of a rolling facility not expected to require immediate repayment. The undrawn financial facilities at balance date were \$0.85m.

Facilities available at year end	4,600,000	5,000,000
Amounts drawn at year end	(3,750,000)	(4,750,000)
Available undrawn facilities at year end	850,000	250,000

NOTE 13 – EMPLOYEE BENEFITS

(a) Current

Provision for annual leave	210,049	216,043
Provision for long service leave	63,578	-
	273,627	216,043

(b) Non-Current

Provision for long service leave	99,312	111,699
Total employee benefits	372,939	327,742

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

	2012	2011
	\$	\$
NOTE 14 – OTHER LIABILITIES		
Current		
Income received in advance	418,675	905,174
	<hr/>	<hr/>
NOTE 15 – PROVISIONS		
(a) Current		
Provision for guarantee of North Melbourne Football Club Social Club Ltd loan with Melbourne Stadiums Ltd	1,500,000	1,375,000
	<hr/>	<hr/>
(b) Movements in provisions		
Carrying amount at beginning	1,375,000	1,225,000
Additional provisions	125,000	150,000
	<hr/>	<hr/>
Carrying amount at end	1,500,000	1,375,000
	<hr/>	<hr/>

As a conservative measure the Directors adopted a policy of providing for this payment to become due and payable and in the current year have brought to account a further provision of \$125,000 (2011: \$150,000). The amount of the contingent liability not brought to account at balance sheet date is \$Nil (2011: \$125,000).

Subsequent to the period end, the loan payable to the third party for \$1,500,000 was forgiven. Refer to Note 19 for full details.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

NOTE 16 – RECONCILIATION OF NET PROFIT / (LOSS) TO NET CASH FLOWS FROM OPERATIONS

	2012	2011
	\$	\$
Net profit / (loss)	687,830	(1,110,807)
<i>Adjustments for:</i>		
<i>Non cash items</i>		
Depreciation and amortisation	564,038	542,144
Impairment and write-off of non-current assets	-	17,435
Provision for guarantee of NMFCSC Ltd loan	125,000	150,000
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in receivables	(31,505)	62,233
(Increase) / decrease in other assets	138,277	(405,349)
(Increase) / decrease in inventories	(26,009)	(21,275)
Increase / (decrease) in payables	849,843	719,930
Increase / (decrease) in employee benefits	45,197	41,191
Increase / (decrease) in other liabilities	(486,499)	701,297
Net operating cashflow	1,866,172	696,799

NOTE 17 - COMMITMENTS

Operating Lease Commitments

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

	2012	2011
	\$	\$
Not later than one year	118,147	280,449
Later than one year and not later than five years	169,768	166,506
Later than five years	-	-
	287,915	446,955

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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

Hire Purchase Commitments

The Company has a hire purchase commitment for an item of property, plant and equipment with a current carrying value of \$26,745. This contract will expire within 5 years.

	2012	2011
	\$	\$
Not later than one year	10,058	10,058
Later than one year and not later than five years	26,822	36,880
Total minimum lease payments	36,880	46,938
Less amounts representing finance charges	(5,194)	(8,373)
Present value of minimum lease payments	31,686	38,565

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:

	2012	2011
	\$	\$
Not later than one year	7,014,185	7,636,210
Later than one year and not later than five years	3,545,000	5,551,200
Later than five years	-	-
	10,559,185	13,187,410

NOTE 18 – KEY MANAGEMENT PERSONNEL

(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.

(ii) Remuneration Paid to Key Management Personnel

	2012	2011
	\$	\$
Short term employee benefits	990,156	817,982
Post employment benefits	64,979	67,754
	1,055,135	885,736

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2012

NOTE 19 – EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the financial year ended 31 October 2012, agreement was reached with a third party to release the Company and the North Melbourne Football Club Social Club Ltd from obligations to repay a \$1.5m loan payable to the third party. This release was signed on 31 January 2013. The impact of this agreement on the Company is that the provision made for the loan of \$1.5m (refer Note 15) will be reversed in the financial year ended 31 October 2013.

NOTE 20 – 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.

NOTE 21 – COMPANY DETAILS

North Melbourne Football Club Ltd is incorporated in Australia.

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

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

NOTE 22 – FINANCIAL INSTRUMENT RISK MANAGEMENT

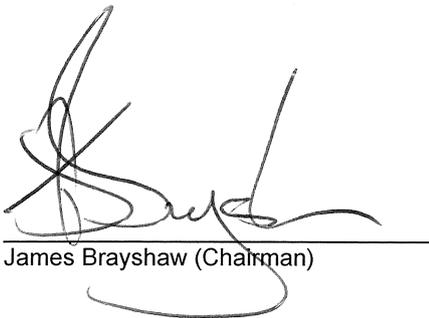
The Company's financial instruments consist mainly of cash, deposits with banks and commercial bills. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period, the Company's policy 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 2012 and of its 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 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.



James Brayshaw (Chairman)



Carl Dilena (Director / Chairman – Audit Committee)

Dated: 12th February 2013

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report To the Members of North Melbourne Football Club Limited

We have audited the accompanying financial report of North Melbourne Football Club Limited (the "Company"), which comprises the statement of financial position as at 31 October 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the company .

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

- a the financial report of North Melbourne Football Club Limited is 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 2012 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Partner - Audit & Assurance
Melbourne, 12 February 2013