

**North Melbourne Football Club Limited**  
ABN 21 006 468 962

Financial Report

Year Ended 31 October 2013



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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 2013.

**Directors**

The following directors were in office during the period from 1 November 2012 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 Managing Director and Chief Executive Officer
Will Houghton QC	Appointed Director on 21 December 2007 Queen's Counsel Former AFL Tribunal Chief Counsel Resigned as Director on 9 April 2013
Geoff Lewis	Appointed Director on 21 December 2007 Member – Audit and Risk Management Committee CEO and Co-Founder ASG Group
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven
Brady Scanlon	Appointed Director on 17 July 2012 Chairman – Audit and Risk Management Committee Executive Director of Taverners Group
Ben Buckley	Appointed Director on 14 May 2013 Executive Director – Sport and Foxtel Victoria

**Company Secretary**

Chris Simmonds	Appointed as Secretary on 5 June 2012
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**North Melbourne Football Club Limited**  
**ABN 21 006 468 962**  
**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:

<b>Director</b>	<b>Number of meetings attended</b>	<b>Number of meetings eligible to attend</b>
James Brayshaw	11	11
Mark Brayshaw	10	11
Carl Dilena	11	11
Will Houghton QC	2	5
Geoff Lewis	9	11
Julie Laycock	10	11
Brady Scanlon	10	11
Ben Buckley	5	6

**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 (2014) 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 2013 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To grow non-football revenue.
- To establish a strong new market of supporters by further developing relationships in Hobart and developing regions in Victoria.
- To continue to reduce the Company's debt with ongoing supporter and member driven campaigns involving member contributions, unique events and products.

The Company's long term objectives (2015 – 2017) 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, Ballarat, Wyndham and Hume whilst continuing to maintain its existing strong Melbourne based supporter areas
- To develop a best practice football department
- To ensure strong and effective financial management along with sound risk management and integrity practices
- To ensure strong alignment with the AFL and other key stakeholders.

**North Melbourne Football Club Limited**  
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**Directors' Report (continued)**

**Operating Results**

The operating result of the Company for the year ended 31 October 2013 was a profit of \$1,309,502 (2012: \$1,193,080).

The net profit of the Company was \$2,337,813 (2012: \$687,830) after non-operating items for the year ended 31 October 2013.

**Review of Operations**

In 2013 we fell short of our expectations on-field. Off-field we achieved some pleasing results that included a solid operating profit, reduction of our debt by \$1m and the finalisation of the release of the loan from Melbourne Stadiums Ltd.

Overall revenue for the Club grew to just below \$32m, an increase of \$1m on 2012. Growth in revenue came from improvement in gate receipts, membership and sponsorship. The continuation of the debt reduction program was instrumental in enabling the Club to reduce commercial debt by a further \$1m. The debt fundraising has played a part in the generation of a profitable result in 2013. Key challenges for the Club's revenue still remain in growing membership and sponsorship, obtaining better returns from gate receipts and establishing non-football revenue streams.

In 2013, the Club has again directed a large portion of the increased revenue to football operations. The investment in football operations is critical to ensuring that the Club has the best possible opportunity for on-field success. On-field performance has a direct impact on multiple commercial areas of the Club.

The Club's key challenges for 2014 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.

**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 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.

**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.

North Melbourne Football Club Limited

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**Directors' Report (continued)**

**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.

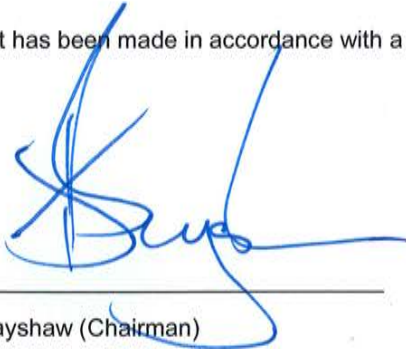
**Indemnification of Officers and Auditors**

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.



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James Brayshaw (Chairman)



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Brady Scanlon (Director / Chairman – Audit Committee)

Dated: 19th December 2013

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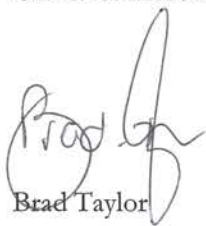
**Auditor's Independence Declaration  
To the Directors of North Melbourne Football Club Limited**

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 2013, 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, 19 December 2013

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 2013**

	Notes	2013	2012
		\$	\$
Revenue from operating activities	3(a)	<b>31,980,000</b>	<b>31,027,110</b>
<i>Operating expenses</i>			
Administration expenses		5,173,312	5,014,767
Commercial business and fundraising		1,036,512	1,326,989
Events		471,517	246,867
Football operations		16,902,889	16,375,867
Membership		2,927,054	2,882,558
Merchandise		1,069,878	1,207,769
Sales and sponsorship		2,537,095	2,271,174
Finance costs		180,484	283,072
Other expenses		371,757	224,967
<b>Total expenses from operating activities</b>		<b>30,670,498</b>	<b>29,834,030</b>
<b>Profit / (loss) from operating activities</b>		<b>1,309,502</b>	<b>1,193,080</b>
Revenue from non-operating activities	3(b)	2,000,000	1,400,000
<i>Non-operating expenses</i>			
Provision for loan		-	125,000
Amortisation on Arden Street redevelopment		380,582	380,250
Oval redevelopment		591,107	1,400,000
<b>Total expenses from non-operating activities</b>		<b>971,689</b>	<b>1,905,250</b>
<b>Profit / (loss) from non-operating activities</b>		<b>1,028,311</b>	<b>(505,250)</b>
<b>Profit / (loss) before income tax</b>		<b>2,337,813</b>	<b>687,830</b>
Income tax expense	2(d)	-	-
<b>Net profit / (loss) after tax</b>		<b>2,337,813</b>	<b>687,830</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income</b>		<b>2,337,813</b>	<b>687,830</b>
<b>Attributable to:</b>			
Members of North Melbourne Football Club Ltd		<b>2,337,813</b>	<b>687,830</b>

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 2013**

	Notes	2013 \$	2012 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	-	785,017
Trade and other receivables	7	326,011	227,566
Inventories	8	140,850	191,741
Other assets	9	1,185,476	426,144
<b>Total Current Assets</b>		<b>1,652,337</b>	<b>1,630,468</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	14,907,056	15,180,997
<b>Total Non-Current Assets</b>		<b>14,907,056</b>	<b>15,180,997</b>
<b>Total Assets</b>		<b>16,559,393</b>	<b>16,811,465</b>
<b>Current Liabilities</b>			
Trade and other payables	11	2,802,773	3,602,442
Interest bearing loans and borrowings	12(a)	2,912,178	3,757,634
Employee benefits	13(a)	282,038	273,627
Provisions	15	-	1,500,000
Other liabilities	14	997,129	418,675
<b>Total Current Liabilities</b>		<b>6,994,118</b>	<b>9,552,378</b>
<b>Non-Current Liabilities</b>			
Interest bearing loans and borrowings	12(b)	15,662	24,052
Employee benefits	13(b)	76,077	99,312
<b>Total Non-Current Liabilities</b>		<b>91,739</b>	<b>123,364</b>
<b>Total Liabilities</b>		<b>7,085,857</b>	<b>9,675,742</b>
<b>Net Assets</b>		<b>9,473,536</b>	<b>7,135,723</b>
<b>Equity</b>			
Members funds		3,588,608	3,588,608
Accumulated profits		5,884,928	3,547,115
<b>Total Equity</b>		<b>9,473,536</b>	<b>7,135,723</b>

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 2013**

	Member funds	Accumulated profits/(losses)	TOTAL EQUITY
	\$	\$	\$
<b>Balance at 1 November 2011</b>	<b>3,588,608</b>	<b>2,859,285</b>	<b>6,447,893</b>
Total Comprehensive Income for the period	-	687,830	687,830
<b>Balance at 31 October 2012</b>	<b>3,588,608</b>	<b>3,547,115</b>	<b>7,135,723</b>
<b>Balance at 1 November 2012</b>	<b>3,588,608</b>	<b>3,547,115</b>	<b>7,135,723</b>
Total Comprehensive Income for the period	-	2,337,813	2,337,813
<b>Balance at 31 October 2013</b>	<b>3,588,608</b>	<b>5,884,928</b>	<b>9,473,536</b>

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 2013**

	Notes	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		33,440,825	32,544,263
Payments to suppliers and employees		(33,411,682)	(31,853,269)
Receipt of government grants		500,000	1,400,000
Interest received		200	3,890
Interest and other finance costs paid		(110,949)	(228,712)
<b>Net operating cash flows</b>	16	<b>418,394</b>	<b>1,866,172</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(349,565)	(273,162)
<b>Net cash flows used in investing activities</b>		<b>(349,565)</b>	<b>(273,162)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(1,007,634)	(1,006,879)
<b>Net cash flows from financing</b>		<b>(1,007,634)</b>	<b>(1,006,879)</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>		<b>(938,805)</b>	<b>586,131</b>
Cash and cash equivalents at the beginning of the financial year		785,017	198,886
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>(153,788)</b>	<b>785,017</b>

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

**North Melbourne Football Club Limited**  
**ABN 21 006 468 962**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2013**

**NOTE 1 - CORPORATE INFORMATION**

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2013 was authorised for issue in accordance with a resolution of the directors on 19 December 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 2013. 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.

The following has been adopted by the Company:

***AASB 2011-9 Amendments to Accounting Standards – Presentation of Items of Other Comprehensive Income***

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact in the Company's accounting policies or the amounts reported during the current period. The adoption of AASB2011-9 has resulted in changes to the Company's presentation of its financial statements.

**(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.

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

**(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 \$9,473,536 (2012: \$7,135,723), the Company has a net current liability position of \$5,341,781 (2012: \$7,921,910). 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 2014 operating budget
- b. Receiving continued financial support from the AFL including Future Funding payments, the continued guarantee of the Company's borrowing facilities totalling \$4.2m (currently drawn to \$2.75m) 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 2014 of \$2.73 million from the Future Fund

- 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 efforts in 2014

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 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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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.

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

**(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.

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

***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.

**(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 \$3.045 million (2012: \$2.9 million) was paid in the year ended 31 October 2013.
- 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.

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

**(q) Redevelopment of North Melbourne Recreation Reserve Oval**

The resurfacing of the North Melbourne Recreation Reserve oval was completed 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 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 2013**

	2013	2012
	\$	\$
<b>NOTE 3 – REVENUE</b>		
<b>(a) Revenue from operating activities:</b>		
AFL – Distributions	8,396,244	7,956,876
AFL – Prize Money	45,000	105,000
AFL – Future Funding	3,045,000	2,900,000
AFL – Stadium Bonus Money	200,000	200,000
AFL – Signage	450,000	450,000
Commercial Business and Fundraising	2,892,937	3,275,677
Events	252,293	140,620
Gate Receipts	1,718,947	1,320,924
Membership	5,325,247	5,108,901
Merchandise	1,215,810	1,396,180
Sales and Sponsorship	7,616,713	7,246,543
Other	821,809	926,389
	<b>31,980,000</b>	<b>31,027,110</b>

**(b) Revenue from non-operating activities:**

Release from third party loan	1,500,000	-
North Melbourne Recreation Reserve redevelopment funding	500,000	1,400,000
	<b>2,000,000</b>	<b>1,400,000</b>

**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	70,909	(12,500)
b) <i>Depreciation of non-current assets</i>		
- Plant & Equipment	242,924	183,788
<i>Amortisation of non-current assets</i>		
- Amortisation of Leasehold Improvements	380,582	380,250
<b>Total depreciation &amp; amortisation expense</b>	<b>623,506</b>	<b>564,038</b>

c) Rent expense	60,000	56,333
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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 2013**

	2013	2012
	\$	\$

**NOTE 5 – AUDITORS’ REMUNERATION**

Amounts received or due and receivable by Auditors for:

- auditing the accounts	36,000	40,000
- other services – total player payments audit	10,000	10,000
	<u>46,000</u>	<u>50,000</u>

The auditors, Grant Thornton, received no other benefits.

**NOTE 6 – CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	-	785,017
<b>Total cash and cash equivalents</b>	<u>-</u>	<u>785,017</u>

The effective interest rate on bank deposits was 0.01% (2012: 0.01%). These deposits have no maturity date.

Reconciliation of cash:

Cash and cash equivalents	-	785,017
Interest bearing liabilities	(12a) (153,788)	-
	<u>(153,788)</u>	<u>785,017</u>

**NOTE 7 – TRADE AND OTHER RECEIVABLES**

**Current**

Trade receivables	397,789	200,416
Allowance for doubtful debts	(78,000)	-
	<u>319,789</u>	<u>200,416</u>
Other debtors	6,222	27,150
<b>Total trade and other receivables</b>	<u>326,011</u>	<u>227,566</u>

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.

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

**NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)**

As at 31 October 2013, trade receivables with a carrying amount of \$290,844 (2012: \$98,638) 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:

	2013 Gross	2013 Allow- ance	2012 Gross	2012 Allow- ance
	\$	\$	\$	\$
Not past due	56,445	(27,500)	101,778	-
Past due 0-30 days	267,850	-	56,078	-
Past due 31-60 days	21,205	(12,000)	10,500	-
Past due 60 days	52,289	(38,500)	32,060	-
<b>Total</b>	<b>397,789</b>	<b>(78,000)</b>	<b>200,416</b>	<b>-</b>

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

	2013	2012
	\$	\$
Not more than 3 months	290,844	93,138
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	5,500
<b>Total</b>	<b>290,844</b>	<b>98,638</b>

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

	2013	2012
	\$	\$
Opening balance	-	(41,250)
Additional provisions	(78,000)	-
Amounts used	-	41,250
<b>Total</b>	<b>(78,000)</b>	<b>-</b>

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

<b>NOTE 8 – INVENTORIES</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Roo Shop merchandise – at lower of cost and realisable value	<b>140,850</b>	<b>191,741</b>

**NOTE 9 – OTHER ASSETS**

Prepayments	844,345	188,816
Unexpired contra	40,926	6,833
Accrued income	188,500	162,500
Arden Street Facility Capital Fund – Refer to Note 9(a)	111,705	67,995
<b>Total other assets</b>	<b>1,185,476</b>	<b>426,144</b>

(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	1,949,429	1,611,600
Less: Accumulated Depreciation	(774,228)	(531,304)
	<b>1,175,201</b>	<b>1,080,296</b>
Leasehold Buildings – at cost	15,218,813	15,207,077
Less: Accumulated Amortisation	(1,486,958)	(1,106,376)
	<b>13,731,855</b>	<b>14,100,701</b>
<b>Total property, plant and equipment</b>	<b>14,907,056</b>	<b>15,180,997</b>

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

	2013	2012
	\$	\$
<b>Reconciliations</b>		
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.		
<i>Plant &amp; Equipment</i>		
Carrying amount at beginning	1,080,296	995,352
Additions	337,829	268,732
Write-offs	-	-
Depreciation expense	(242,924)	(183,788)
	<b>1,175,201</b>	<b>1,080,296</b>
<i>Leasehold Buildings</i>		
Carrying amount at beginning	14,100,701	14,476,521
Additions	11,736	4,430
Write-offs	-	-
Amortisation expense	(380,582)	(380,250)
	<b>13,731,855</b>	<b>14,100,701</b>
<i>Total Assets &amp; Leasehold Buildings</i>		
Carrying amount at beginning	15,180,997	15,471,873
Additions	349,565	273,162
Write-offs	-	-
Depreciation & amortisation expense	(623,506)	(564,038)
	<b>14,907,056</b>	<b>15,180,997</b>

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

	2013	2012
	\$	\$
<b>NOTE 11 – TRADE AND OTHER PAYABLES</b>		
Trade creditors	1,168,688	2,386,517
Accruals	1,420,282	1,089,773
GST payable	213,803	126,152
<b>Total trade and other payables</b>	<b>2,802,773</b>	<b>3,602,442</b>

**NOTE 12 – INTEREST BEARING LIABILITIES**

**(a) Current**

Bank overdraft	153,788	-
Commercial bill – secured – Refer to Note 12(c)	2,750,000	3,750,000
Hire purchase	8,390	7,634
	<b>2,912,178</b>	<b>3,757,634</b>

**(b) Non-Current**

Hire purchase	<b>15,662</b>	<b>24,052</b>
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(c) The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football 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 \$1.45m.

Facilities available at year end	4,200,000	4,600,000
Amounts drawn at year end	(2,750,000)	(3,750,000)
Available undrawn facilities at year end	<b>1,450,000</b>	<b>850,000</b>

**NOTE 13 – EMPLOYEE BENEFITS**

**(a) Current**

Provision for annual leave	178,313	210,049
Provision for long service leave	103,725	63,578
	<b>282,038</b>	<b>273,627</b>

**(b) Non-Current**

Provision for long service leave	76,077	99,312
<b>Total employee benefits</b>	<b>358,115</b>	<b>372,939</b>

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

	2013	2012
	\$	\$
<b>NOTE 14 – OTHER LIABILITIES</b>		
<b>Current</b>		
Income received in advance	997,129	418,675
	<hr/>	<hr/>
<b>NOTE 15 – PROVISIONS</b>		
<b>(a) Current</b>		
Provision for guarantee of North Melbourne Football Club Social Club Ltd loan with Melbourne Stadiums Ltd	-	1,500,000
	<hr/>	<hr/>
<b>(b) Movements in provisions</b>		
Carrying amount at beginning	1,500,000	1,375,000
Additional provisions	-	125,000
Release from third party loan	(1,500,000)	-
Carrying amount at end	<hr/>	<hr/>
	-	1,500,000
	<hr/>	<hr/>

On 31 January 2013, 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.

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Net profit / (loss)	2,337,813	687,830
<i>Adjustments for:</i>		
<i>Non cash items</i>		
Depreciation and amortisation	623,506	564,038
Provision for guarantee of NMFCSCLtd loan	(1,500,000)	125,000
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in receivables	(98,445)	(31,505)
(Increase) / decrease in other assets	(759,332)	138,277
(Increase) / decrease in inventories	50,891	(26,009)
Increase / (decrease) in payables	(799,669)	849,843
Increase / (decrease) in employee benefits	(14,824)	45,197
Increase / (decrease) in other liabilities	578,454	(486,499)
Net operating cashflow	<b>418,394</b>	<b>1,866,172</b>

**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:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	288,639	118,147
Later than one year and not later than five years	225,715	169,768
Later than five years	-	-
	<b>514,354</b>	<b>287,915</b>



North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2013**

**Hire Purchase Commitments**

The Company has a hire purchase commitment for an item of property, plant and equipment with a current carrying value of \$19,438. This contract will expire within 5 years.

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	10,058	10,058
Later than one year and not later than five years	16,764	26,822
Total minimum lease payments	26,822	36,880
Less amounts representing finance charges	(2,770)	(5,194)
Present value of minimum lease payments	<b>24,052</b>	<b>31,686</b>

**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:

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	8,625,605	7,014,185
Later than one year and not later than five years	8,820,000	3,545,000
Later than five years	-	-
	<b>17,445,605</b>	<b>10,559,185</b>

**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*

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Short term employee benefits	1,090,544	990,156
Post employment benefits	64,457	64,979
	<b>1,155,011</b>	<b>1,055,135</b>

**North Melbourne Football Club Limited**

**ABN 21 006 468 962**

**Notes to the Financial Statements (continued)**

**For the year ended 31 October 2013**

**NOTE 19 – 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 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

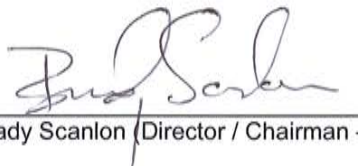
The directors of North Melbourne Football Club Limited declare that:

- (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 2013 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.



James Brayshaw (Chairman)



Brady Scanlon (Director / Chairman – Audit Committee)

Dated: 19th December 2013

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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Melbourne Victoria 3000

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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 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

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

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

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

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

### **Independence**

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

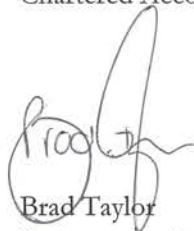
### **Auditor's opinion**

In our opinion:

- 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 2013 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, 19 December 2013