ESSENDON FOOTBALL CLUB
FINANCIAL REPORT 2001

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Chairman's REPORT

DEAR FELLOW MEMBERS, I am once again pleased to present on behalf of the Board of Directors this Chairman's report to members for season 2001.

FOOTBALL

There is no doubt the loss to Brisbane in the final game of season 2001 will forever live in the memory of all Essendon Football Club members. To have lost after going into the game with high expectations only added to the huge disappointment felt by all associated with the team. The board, management, coaches and players were devastated by the loss. Having enjoyed the victory of 2000, the disappointment was, I believe, felt even more deeply.

Nevertheless the team continued to provide great pleasure to all Essendon people during the season, as they have done for the past several years. For the third year in succession our players have won the minor premiership by leading the league ladder at the end of the home-and-away season. To reach the Grand Final they played well all year; a year in which our team was heavily affected by injury.

There were many on-field highlights during the season. The comeback games against the Kangaroos and Sydney and the tough win against Hawthorn in the preliminary final were outstanding.

Notwithstanding the loss of the Premiership to a very good opponent, the coaches, players and support staff deserve our thanks for the efforts they have made and the commitment given during what has been a tough year. All members can be assured our loss did not arise from the want of trying.

In the Victorian Football League our team enjoyed a better season in 2001, the second year in which we have participated in this revamped Victorian competition. As one of three stand-alone AFL teams we were reasonably satisfied with this year. There is no doubt the team was severely affected by the number of injuries incurred by the senior team, which deprived our second side of many listed players in the majority of games.

On the positive side, the injury problem has created the opportunity for many of our younger players to gain AFL experience and that will stand them individually - and the club generally - in good stead for the future.

Our coaching staff headed by Kevin Sheedy and comprising Robert Shaw, Mark Harvey, Terry Daniher, John Quinn, Dean Bailey and David Flood have continued to develop our players during the year and are recognised as one of the best groups in the competition. They, along with their part time assistants and the other football staff, worked tirelessly during each week and on match days to achieve success. On behalf of all Essendon people I thank them for their efforts.

The board is pleased to report that all of the coaching panel will be continuing with Essendon in 2002.

The leaders of our club, headed by captain James Hird, again did an outstanding job. To James along with vice-captains Michael Long, Mark Mercuri, Sean Wellman and Matthew Lloyd I say well done and thank you.

There were a number of players who had individual success during the year and to each of them I offer our congratulations. These players are *Matthew Lloyd (Coleman Medal), Gary Moorcroft (Mark of the Year) and Dean Rioli (MarnGrook Award).*

I also offer congratulations to our All-Australian representatives upon their selection and to those who played in the international rules match against Ireland. Our nominees in the AFL Rising Star Award are also to be congratulated. A number of other players reached milestones during the year and I also congratulate them.

At the end of the season, as all clubs did, Essendon was required to participate in the now infamous 'Trade Week', during which a number of our players found themselves involved.

As all members have previously been advised, we have no choice other than to release a number of players before our 2002 playing list is finalised in order to not exceed the AFL salary cap. It was not something we wanted to do but we had no choice, and this position has been well known all year to the players, coaches and members generally. Quite simply we cannot pay all our players their market value and still remain below the salary cap. It is the penalty we pay for having a strong list.

The result is that a number of players have been forced to move on and others have chosen to retire. I refer to Damien Hardwick, Jonathan Robran, Michael Long, Dean Wallis and John Barnes.

I wish to particularly pay tribute to Michael Long, Dean Wallis, Damien Hardwick and John Barnes. All four have enjoyed long and outstanding careers in the AFL, Michael and Dean always with Essendon and John at Essendon and Geelong. They will be missed. To Damien, we wish him every success at his new club.

A sour note was again the unsatisfactory number of Grand Final seats available to our club members. Following the problems and disappointments of the 2000 Grand Final when many Essendon members failed to see the Premiership win, we made a submission to the AFL seeking changes which, if adopted, would result in thousands of additional seats being made available to the members of the two participating clubs. Sadly the AFL chose not to deal with the problem and thus our members were disadvantaged again this year and for that we apologise. We will continue to pursue the AFL to achieve a change and hope that it will be in place for our next Grand Final appearance.

Next season we will compete using the vast majority of players who have been with the club for some time. We will also gain the services of additional young players through the draft. We are confident that the quality of our players is such that Essendon will continue to be highly competitive on the field. With any reasonable level of injury there is no reason why we cannot have a wonderful opportunity to participate in another final series and perhaps another Grand Final. No doubt we all hope so.

OFF FIELD

Once again the Essendon Football Club has had a successful year off the field. Following a most successful year in 2000 I am pleased to report a further profit of $1.25 million for the year ending 31st October 2001.

Chairman's REPORT

The club's cash reserves stand at $2.89 million after spending $940,000 on capital works and equipment at the club during the past year.

Our balance sheet is strong and I believe we should all be very satisfied that our future is secure. Finance Director Mr Tim Jonas will report in more detail in this annual report.

The results were achieved through the efforts of our staff in all areas of the club and of course with the support of members. Each of our business activities has contributed to the overall result.

Our two associated ventures in the Essendon Football and Community Sporting Club and the Melton Country Club have both exceeded budget and will declare good profit results for the year. Both have made substantial contributions to the football club revenue.

The Hall of Fame continues to provide a permanent home for Essendon Football Club's memorabilia, trophies etc. and also provides an opportunity to members and supporters to pursue the history of our club.

The club is just completing the first stage of a further major building development at its Napier St. headquarters. Comprising additional offices, new merchandise store, private player lounge, lecture theatre etc. the club is now at the forefront of all AFL clubs. The next stage of the building program is about to get underway and will see the doubling in size of the players' gymnasium along with improved medical and fitness facilities. These works are scheduled to be completed prior to the commencement of the 2002 playing season.

THE COMPETITION

Members will be aware that a number of clubs in the AFL Competition have declared themselves to have serious financial problems and are seeking assistance from the AFL. Our club is not one of those clubs.

The AFL Commission, supported by all sixteen clubs, has announced it is willing to provide up to three million dollars per annum under stringent conditions to these ailing clubs, just where these funds are to come from is decided.

The Essendon Football Club continue to support the sixteen team competition and has encouraged the AFL Commission to arrange the way in which it spends its money and how it distributes dividends to the clubs.

At a time when our competition will be receiving the large increase in broadcast revenue and the sale of Waverly Park is progressing one would hope there can be ways found to ensure no more clubs are lost through financial problems. We will support the provision of AFL assistance.

However, in the longer term it is the responsibility of each club to manage its affairs effectively and to be self sufficient. No club can expect to be subsidised on an ongoing basis.

The Essendon Football Club is indeed fortunate that it has the support of members to ensure ongoing financial stability. Your board will continue to work to further build and strengthen our club.

APPRECIATION

Our club simply could not operate effectively if we did not have a huge amount of support from a range of people and organisations.

The financial strength of the club is largely made possible by our sponsors, of which there are many. Whilst I thank all of them for their support and contributions during the year I would like to particularly recognise our major sponsors in Orange, Fila, Musashi, Preston Motors and Voicenet. We hope that each has obtained benefit through its association with the Essendon Football Club and continue to ask all members and supporters to utilise the services and/or products of our sponsors. We look forward to working with them in the future.

Similarly the club obtains huge support from its coterie and support groups. The Coleman Club, The Essendonians, The Diamond Dons and The Coaches club make a huge contribution to our club. Other groups such as the Women's Network, the Dick Reynolds Club, The Lawdons and the Uptown Dons provide benefits to the club both financially and in other ways. They have our great thanks. In particular I thank those individuals who put in so much time to organise these groups and to co-ordinate their many functions during the year.

To all of the people who have volunteered donations by way of finance or services during this year I thank you for your generosity. Essendon is indeed fortunate to have you.

The staff of the club, both full time and casual, deserve our enormous thanks. Led by CEO Peter Jackson they are now widely recognised as the most professional of all football clubs and they have built an enviable record in the sporting community. To all of them, and in particular to Peter, I record the thanks of the club generally and the board and myself in particular.

None of the people involved with the club could do their jobs as well if they did not have the support of partners and I take this opportunity to thank them also on behalf of the club.

To you, the members, I also say thank you. This year saw further membership records established and your ongoing support has been wonderful. Some people branded us this year as arrogant. Rubbish! We are allowed to be proud of our football club and I encourage you to continue your support in the future. You are the Essendon Football Club.

As I mentioned at the beginning of this report, this year proved to be disappointing due to the loss of the Grand Final. However it has been a year which cemented our club and the team in the position of the leading AFL club. It has continued to build an era of success, which has been one of our aims. That era needs to continue to grow and I have no doubt our playing and coaching groups have the talent necessary to achieve this aim. Another Grand Final appearance and a Premiership flag is there for the taking, and members should be aware that is our goal. All of us involved at the club remain hungry for success.

Finally I would like to record my thanks to the board members who have worked with me to represent you, the members, over the past year. They continue to make themselves available to provide direction to our club and on your behalf I thank them sincerely.

Another year awaits us and provided I continue to have the support of the members I look forward to leading the club to further success in 2002.

GRAEME McMAHON
Chairman

Chief Executive Officer's **REPORT**

UNFORTUNATELY some people will not look back on season 2001 as a successful one for the Essendon Football Club. For some, anything less than a Grand Final victory is deemed failure. But this team performed in the shadow of season 2000 – a year which saw them achieve results that may never be repeated. Comparisons between 2000 and 2001 are therefore pointless.

In 2001 we did finish the home-and-away season on top of the ladder and we did contest the Grand Final. Off the field, in a more difficult economic environment than last year and without the financial benefit of winning a Grand Final, we have again performed very well indeed. As such, the club, its members and supporters should take pride in the results achieved both on and off the field.

From the football perspective, we set ourselves to go back-to-back. At no time during 2001 did we ever have any other expectation other than winning the 2001 Premiership. Many clubs in history have failed to perform in the year following a Grand Final, let alone a year like 2000. But the coaches, the players and the club set the expectation of winning the 2001 flag and took on all the physical and mental pressures that go with such a challenge.

It resulted in some truly outstanding results during the season, such as the Kangaroos and Sydney victories; such as the resounding win over Hawthorn despite having eight senior players out due to injury. Teams satisfied with their performance in 2000 would not have won those games, let alone finished on top of the competition again. We set out in 2001 to show we were the best-performed team in the history of the AFL/VFL. We didn't quite get there during this year, but as in 1999, the disappointment of 2001 will act as a major incentive for 2002.

Off the field we performed extremely well. Our membership reached a new record level of 36,493 and Essendon still has the strongest membership base of any Victorian club. I thank every one of our members for their support. Merchandise sales, excluding the impact of winning the Grand Final, were up on 2000 sales. It was an excellent result.

Our operating profit in 2001 was $1.41 million before write-offs of building works in the order of $164,000. This profit figure compares well with our budgeted target of about $800,000. This is a significant result given we reported a profit of $1.6 million in 2000 and we estimate over $400,000 of that result was due to winning the Premiership.

All sections of our marketing business performed well, with the exception of sponsorship. We were however delighted with our new major sponsor Orange – the first year of our partnership proving most beneficial to both parties. We also signed a new protected sponsor late in the year - i7 Ltd. Our corporate hospitality sales were very disappointing and had a significant impact on our overall result.

The impact of the Olympics in Sydney and the uncertain economic conditions in the December 2000 quarter significantly reduced sponsorship sales and profit contribution below 2000 levels and put pressure on our overall result for 2001. Overall, sponsorship was $400,000 below its net contribution budget.

The fact that we generated such a good operating result speaks volumes for the rest of the marketing results. The overall marketing contribution of $7.7 million (up from $7 million in 2000) was a record and achieved on the back of excellent results in membership and merchandise. We also had excellent match returns from the three blockbusters played at the MCG against Collingwood, Carlton and Richmond. Large crowds were attracted due to the improved on-field performance of those clubs.

Our overall returns from Colonial Stadium generated through catering, signage and match returns exceeded expectations and reinforced the club's decision to play seven of our smaller home games at Colonial Stadium.

Total costs of running the football department and team increased from $8.9 million in 2000 to $10 million in 2001 – a jump that again highlights the cost pressures facing all AFL clubs. It is the price of success and we are determined to maintain our on-field success. The football figure includes the cost of fielding an independent VFL team of about $600,000.

Administration costs, including IT, website maintenance and venue costs actually reduced during the year (dropping from $2.3 milliom to $2.2 million), reflecting management's efforts to control costs. The final results achieved are a tribute to the senior management staff of Mike McKenna (Marketing Manager), Andrew Travis (Commercial Manager) and Matthew Drain (Football Manager) and all their staff.

Both Melton Country Club and Essendon Football and Community Sporting Club performed strongly again. The two clubs injected about $600,000 into EFC's business. This result is due to the hard work and professionalism of Alan Burton (General Manager of EFCSC), Darryl Absalom (General Manager Melton Country Club) and their staff. Andrew Travis, who oversees the management of these clubs, should also be congratulated.

The trading conditions for 2002 are expected to be more difficult than 2001. Whereas we expect the team to perform well again in 2002, economic circumstances and the redevelopment of the MCG will put pressure on revenue generation in 2002.

The uncertainty throughout the world following the terrorist attacks on USA, and the follow-up action by the USA in Afghanistan, has impacted on world economies and made Australian corporations wary of economic conditions for 2002. We expect the market for corporate hospitality to be as difficult as 2001. We also expect to lose at least one protected sponsor in 2002 as a result. We will seek to replace this sponsor but the economic conditions will make that difficult. The redevelopment of the MCG will reduce crowd capacity for our blockbuster games and will therefore affect

Chief Executive Officer's **REPORT**

match returns for those games.

Overall we are budgeting for a reduction in revenue in 2002. As a result we have budgeted for costs to also reduce, apart from player and coaches salaries. These reductions do not entirely offset the decline in revenue and so the budget profit for the club in 2002 has reduced to about $500,000.

The fact that Essendon Football Club is facing these sort of financial challenges does not bode well for other Victorian AFL Clubs that have struggled to generate positive financial results during 2000/2001.

Our primary business objective remains the development of Essendon Football Club as the most successful and recognised sporting brand in Australia. We will continue to push this plan in 2002 and it will include further development of our website to access the estimated 900,000 supporters we have Australia-wide.

The Essendon Football Club website (www.essendonfc.com.au) was clearly the No.1 club site in the AFL in 2001. We averaged more than 30,000 page impressions per day over the course of the season – a 50% increase on the figures for 2000. These figures resulted in our new sponsorship with i7 Ltd. The Club has retained all rights to its website including the rights to all revenue flowing from it. As stated previously, we did not enter the AFL/Telstra deal and the i7 sponsorship has underpinned that decision.

We will also continue to grow our relationship with North Shore Football Club in Sydney to jointly develop that market and further expose the Essendon brand in Sydney. We are delighted to be playing the first senior AFL game at Stadium Australia in May 2002 against the Swans and this will enhance our marketing efforts in Sydney.

I thank all our sponsors but in particular our major sponsor Orange. They, like us, are keen to spread their brand nationally and together we are working our way towards achieving that objective. Sponsors are critical to the success of this football club and their ongoing support is greatly appreciated by everyone associated with the club. I would also like to take this opportunity to thank our platinum sponsors Ansett Australia, Coca Cola, CUB, Fila, i7, Musashi, Preston Motors and Ray Brown.

Another critical area of support to any football club is that provided by its coterie groups and in this regard Essendon Football Club is extremely lucky. This club receives excellent support from its coterie groups and I would like to thank them most sincerely. The Essendonians (president Noel Freeman), the Diamond Dons (chairperson Tony Clencie), the Coach's Club (chairperson Allan Comrie), the Dick Reynolds Club (chairperson Greg Brown) and the Essendon Football Club Women's Network (chairperson Linda Dessau) have all made a significant financial contribution to this club. The functions staged by these coterie groups are among the very best in the AFL.

I have been at pains to point out to our supporters over the past two seasons that it was going to be difficult to maintain our high-quality playing list. Salary cap pressures and significant offers put to our players by other clubs, make it difficult to keep this group together. There is only so much we can do under the rules of the competition to keep our playing list together. Despite these comments, we still faced some backlash and disappointment from our supporters and members, which is understandable.

Based on advice provided by the AFL, we expected that the Total Player Payment cap would increase 10-12% p.a. in 2002/2003 – we were disappointed this did not eventuate. The fact it will only increase by 6-7% p.a. over those years means a difference of $200,000 each year – the equivalent of one senior Premiership player for those two years.

It is frustrating that we commenced salary negotiations in good faith expecting a 10-12% p.a. increase and were then notified of a much smaller increase was agreed. Hence there needs to be changes to the player list over and above what we may have hoped for earlier in the year.

Unfortunately the club had to make some hard decisions and one of those sees Damien Hardwick now playing with Port Adelaide. Damien was a fantastic player for Essendon Football Club and will be remembered for his hardness at the football and willingness to put his body on the line. We wish him all the very best at his new club. From the players' and club's perspective, we are pleased Damien received a good long-term contract with Port Adelaide. He will always be an Essendon Football Club player and is welcome back at the club at any time.

I must also thank Jonathon Robran for his efforts. Jonathon didn't get a great deal of opportunity at senior level but never let the club down when called on. At the time of writing this report our list for season 2002 was still to be finalised.

Of course we have seen the retirement of Michael Long, Dean Wallis and John Barnes at the completion of season 2001. They have been wonderful servants of this club and I would like to join all our supporters in thanking them for their efforts. Michael will go down as one of the greats of the game. He is a champion of the Essendon Football Club and a champion for the cause of his people. He has left us with many great memories. Michael will remain with the club in marketing and football roles and we are all thrilled that he will be staying at Windy Hill.

I have spoken on numerous occasions about the quality of the people who work and play at the Essendon Football Club. The success achieved in 2001 is a tribute to them all and I whole-heartedly thank the players, staff and all the football support staff for their effort and support.

I also express my thanks to the Essendon Football Club Board for its guidance and support throughout the year. I would particularly like to thank club chairman Graeme McMahon, who has led the club most professionally.

We did not reach our ultimate goal in 2001 but we had an excellent year nonetheless. Members should be very proud of the efforts of all people at the club and be assured that the team and the club will again do them proud in 2002.

Peter Jackson
Chief Executive Officer

Finance Director's REPORT

ON BEHALF OF THE BOARD I am pleased to present the financial report of the Club for the year ended 31 October 2001.

Members will have noted from the financial reports that the club earned a profit this year of $ 1,249,081 compared to $ 1,600,394 last year. Whilst this year's overall result is lower than last year, when significant non-recurring items are taken into account (refer note 3d to the accounts) the underlying operating result is similar to last year. This is a highly commendable achievement, particularly as the Board had budgeted at the beginning of the year for a profit of $ 821,000.

The detailed Director's Report and audited financial statements are included elsewhere in this annual report and I encourage members to examine these reports and statements in detail. My comments in this report are of a summary nature only.

Overall revenues increased to $ 22,660,527 being an increase of 8%. The main contributors to this increase in revenues were increases in membership and reserve seating income, improved match receipts, and increases in contributions from the AFL. Increases in revenues from these categories were partly offset by lower corporate hospitality income arising from a tougher economy, and merchandise sales not having the benefit of a premiership win.

Overall expense increases matched revenue increases and total expenses for the year were $ 21,411,446 an increase of 11% over last year. The major areas of expense increases were in our football department, partly being increases in player payments, but also arising from substantial increases in the cost of coaching and supporting our team.

FINANCIAL POSITION

Our financial position continues to be strong. At balance date, cash balances including Investments in Managed Funds amounted to approximately $ 2.9million and with the collection of seasonal year end receivables of approximately $ 1.5million, I expect our cash balances to increase to approximately $ 4.4million.

I reported last year that approximately $ 2million was earmarked for capital improvements to our Napier Street premises. At balance date, $ 700,000 had been spent on these works with a further $ 1.35million still to be incurred during the current financial year.

LOOKING AHEAD

The Board expects that the next 12 months will be much tougher financially with a significantly lower profit expected. The main reasons for projecting a lower profit are the difficult trading conditions expected in 2002, the redevelopment of the MCG, and increased player and coaching costs.

The tough economic conditions expected for 2002 may impact on our marketing efforts through sponsorship and corporate hospitality, whilst the redevelopment of the MCG will reduce match receipts and reserve seating income for our blockbuster games. We will however endeavour to contain costs wherever possible to offset the impact of reduced revenues.

Tim Jonas
Finance Director

Directors' REPORT

Your directors submit their report on the company for the financial year ended 31 October 2001.

1. DIRECTORS

The names of the directors in office at the date of this report are:

K. Egan	B.Dunn	N. Gay	A.Epis
B. Knight	T. Jonas	N. McKissock	P. Leggett
B. Teal	G. McMahon		

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. PRINCIPAL ACTIVITY

The principal activity of the company during the course of the financial year was to conduct the Essendon Football Club and manage its affairs and to promote the Australian game of football, and there was no significant change in the nature of that activity during the financial year.

3. OPERATING RESULT

For the year ended 31 October 2001 the company had an overall profit of $ 1,249,081 (2000: $ 1,600,394).

4. REVIEW OF OPERATIONS

A detailed review of various aspects of operations is contained elsewhere in this Annual Report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

6. MATTERS SUBSEQUENT TO YEAR END

No matters or circumstances have arisen between the end of the financial year and the date of this report which have, or may significantly affect the operations of the company or the state of affairs of the company in subsequent financial years.

7. LIKELY DEVELOPMENTS

Future developments in operations have been referred to in the Chairman's and Chief Executive Officer's Reports.

8. DIRECTORS AND AUDITORS INDEMNIFICATION

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

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

with the exception of the following matters:

During the financial year the company paid a premium to insure each of the company's directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the company.

9. DIRECTORS BENEFITS

Other than as outlined in the notes to and forming part of the financial statements, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

10. MEETINGS OF DIRECTORS

The number of director's meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year are:

	Directors' Meetings		Audit Committee	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
B. Dunn	16	13	3	2
K. Egan	16	15	-	-
A. Epis	16	14	-	-
N. Gay	16	11	-	-
T. Jonas	16	16	3	3
B. Knight	16	15	-	-
P. Leggett	16	16	3	3
N. McKissock	16	16	-	-
G. McMahon	16	16	-	-
B. Teal	16	15	-	-

INFORMATION ON CURRENT DIRECTORS

Director	Experience and Service	Special Responsibility
G. McMahon	Chairman 1997-01	Chairman Board of Directors Chairman EFCSC President Melton Country Club Inc. Chairman Hall of Fame Trustees
B. Dunn	Committee 1999-01	Member Audit Committee
K. Egan	Life Member Senior Player 1963-69 Committee 1996-01	Chairman of Selectors
A. Epis	Life Member Senior Player 1958-68 Committee 1998-01	
N. Gay	Life Member Committee 1971-75 Treasurer 1976-77 Vice President 1978-97 Committee 1998-01	
T. Jonas	Committee 1997-01	Finance Director Finance Director EFCSC Treasurer Melton Country Club Inc. Chairman Audit Committee
B. Knight	Committee 1994-01	Committee EFCSC Vice President Melton Country Club Inc. Hall of Fame Trustee
P. Leggett	Committee 1999-01	Committee EFCSC Member Audit Committee
N. McKissock	Committee 1997-01	Deputy Chairman Deputy Chairman EFCSC Committee Melton Country Club Inc.
B. Teal	Committee 1999-01	Committee Melton Country Club Inc.

Directors' REPORT

12. AUDIT COMMITTEE

At the date of this report the Essendon Football Club had an audit committee consisting of the following directors:
T. Jonas (Chairman) P. Leggett B. Dunn

The external auditors, the Chief Executive Officer and the Financial Controller are invited to Audit Committee meetings at the discretion of the Committee. The Chairman attends Audit Committee meetings ex officio at his discretion.

The responsibilities of the Audit Committee include:

- reviewing financial statements and other information distributed externally;
- reviewing external audit reports to ensure that any issues relative to controls or procedures are properly considered and when appropriate prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual statutory audit is conducted in an effective manner;
- monitoring the establishment of an appropriate internal control framework and considering enhancements;
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and any matters outstanding with auditors, Australian Taxation Office, Australian Securities Commission and financial institutions; and
- maintaining a quality accounting and audit function.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to co-ordinate the audit process.

Signed in accordance with a resolution of the Board of Directors.

G. McMahon
Director

T. Jonas
Director

Signed this 13th day of November, 2001.

DIRECTORS DECLARATION

The directors of the company declare that :

(1) the financial statements and notes, as set out on pages 11 to 15.
   (i) comply with Accounting Standards and the Corporations Act 2001; and
   (ii) give a true and fair view of the financial position as at 31 October 2001 and performance for the year ended on that date of the company.
(2) in the director's opinion 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 statement is made in accordance with a resolution of the Board of Directors.

G. McMahon
Director

T. Jonas
Director

Signed this 13th day of November, 2001.

INDEPENDENT AUDIT REPORT

To the Members of
ESSENDON FOOTBALL CLUB LIMITED
A.B.N. 22 004 286 373

Scope

We have audited the financial report, being the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to and forming part of the financial statements of the Essendon Football Club Limited for the financial year ended 31 October 2001. The company's directors are responsible for the financial report. We have conducted an independent audit on the financial report in order to express an opinion on it to the members of the company.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, the results of its operations and cash flows.
The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Essendon Football Club Limited is in accordance with:

(a) the Corporations Act 2001, including:
   (i) giving a true and fair view of the company's financial position as at 31 October 2001 and of its performance for the year ended on that date; and
   (ii) complying with Accounting Standards and the Corporations Regulations; and
(b) other mandatory professional reporting requirements.

William Buck
Chartered Accountants

D.A. Ashmore
Partner

Melbourne

Dated this 13th day of November, 2001.

William Buck
Business Consultants
Chartered Accountants

Statement Of Financial Performance

FOR THE YEAR ENDED 31 OCTOBER 2001

	NOTE	2001 $	2000 $
Revenues from ordinary activities	3(a)	22,660,527	20,925,592
Expenses from ordinary activities	3(b)	21,411,446	19,324,841
Borrowing costs		-	357
Net profit from ordinary activities	3(d)	1,249,081	1,600,394
Net increase in asset revaluation reserve	16	-	86,000
Total changes in equity		1,249,081	1,686,394

Statement Of Financial Position

AS AT 31 OCTOBER 2001

CURRENT ASSESTS			
Cash assets	18	1,933,166	4,474,289
Receivables	5	3,413,027	1,900,223
Inventories	6	282,459	244,344
Other	7	782,167	26,126
TOTAL CURRENT ASSETS		6,410,819	6,644,982
NON-CURRENT ASSETS			
Receivables	8	630,885	795,877
Investments	9	955,330	150
Property, Plant and Equipment	10	2,970,545	2,567,824
TOTAL NON-CURRENT ASSETS		4,556,760	3,363,851
TOTAL ASSETS		10,967,579	10,008,833
CURRENT LIABILITIES			
Payables	11	2,592,624	2,912,706
Provisions	12	580,415	247,278
Other	13	94,606	219,311
TOTAL CURRENT LIABILITIES		3,267,645	3,379,295
NON-CURRENT LIABILITIES			
Provisions	14	58,340	199,525
Other	15	37,500	75,000
TOTAL NON-CURRENT LIABILITIES		95,840	274,525
TOTAL LIABILITIES		3,363,485	3,653,820
NET ASSETS		7,604,094	6,355,013
MEMBERS FUNDS			
Accumulated Funds	17	7,364,094	6,115,013
Asset Revaluation Reserve	16	240,000	240,000
TOTAL MEMBERS FUNDS		7,604,094	6,355,013

Statement Of Cash Flows

FOR THE YEAR ENDED 31 OCTOBER 2001

	NOTE	2001 $	2000 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Members, Sponsors, Supporters and Other Operations		22,517,672	18,821,969
Payments to Suppliers, Employees and Players		(23,509,880)	(18,079,967)
Interest Received		226,546	349,571
Interest Paid		-	(357)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	18 (b)	(765,662)	1,091,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale of Investments		-	147,300
Payment for Investments		(1,000,000)	-
Purchase of Fixed Assets		(940,461)	(509,045)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(1,940,461)	(361,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from related party borrowings: Essendon Football and Community Sporting Club		165,000	180,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		165,000	180,000
NET INCREASE (DECREASE) IN CASH HELD		(2,541,123)	909,471
CASH AT BEGINNING OF THE FINANCIAL YEAR		4,474,289	3,564,818
CASH AT END OF THE FINANCIAL YEAR	18 (a)	1,933,166	4,474,289

The accompanying notes form part of these financial statements.

Notes to and forming part of the

ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2001

1. ESSENDON FOOTBALL CLUB LIMITED

Essendon Football Club Limited ("Club") is a public company limited by guarantee. The liability of each member of the company is limited to $ 6.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.
The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

(a) Inventories
Inventories are valued at the lower of cost and net realisable value.

(b) Property, Plant and Equipment
Property, plant and equipment are brought to account at cost or at independent or director's valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amounts from these assets.
The depreciable amount of all fixed assets including leasehold improvements, but excluding freehold land, is depreciated over their useful lives to the company commencing from the time the asset is held ready for use.
The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	2.5% - 5%
Plant & Equipment	15% - 33.3%
Motor Vehicles	22.5%

(c) Employee Entitlements
Provision is made for the company's liability for employee entitlements to annual leave and long service leave from services rendered by employees to balance date. Long service leave is provided for employees with five or more years' service for amounts which approximate the present value of future payments to be made to employees.
Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(d) Income Received in Advance
Income is brought to account in the period in which it relates. Income received prior to 31 October 2001, which relates to future periods, has been recorded as income received in advance.

(e) Income Tax
Income Tax has not been provided for in the accounts of the company as the company is an exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act.

(f) Player Acquisition Costs
Player acquisition costs are written off in the year they are incurred as uncertainty exists as to the term over which the benefit will be received.

(g) Revenue
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(h) Comparatives
Where necessary, comparative figures have been reclassified to match current year presentation and to comply with current best accounting practices.

	2001 $	2000 $

3. OPERATING PROFIT FROM ORDINARY ACTIVITIES

(a) Revenue from Ordinary Activities

(i) Operating revenue

AFL annual distribution	3,157,000	2,720,000
Marketing revenues	14,769,411	12,885,274
Sale of goods	1,798,108	2,156,474
Other	2,110,037	1,971,071
Total operating revenue	21,834,556	19,732,819

(ii) Non-operating revenue

Interest received	226,546	349,571
Profit on disposal plant & equipment	-	47,300
Other	599,425	795,902
Total non-operating revenue	825,971	1,192,773
TOTAL REVENUE FROM ORDINARY ACTIVITIES	22,660,527	20,925,592

(b) Expenses from Ordinary Activities

Marketing expenses	7,822,173	6,936,209
Cost of sales	1,053,993	1,147,523
Football expenses	10,096,869	8,913,988
Administration and site expenses	2,100,531	2,190,695
Write-off of leasehold improvements (Refer Note 3d)	164,268	-
Other expenses	173,612	136,426
	21,411,446	19,324,841

(c) Operating profit has been determined after:

(i) Charging as Expenses:

Interest expense – Other corporations	-	357
Depreciation of:		
- Plant and Equipment	247,773	232,795
- Motor Vehicles	7,158	7,159
Amortisation of:		
- Leasehold Improvements	118,247	102,224
Provision for Employee Entitlements	191,952	80,235
Provision for Doubtful Debts	130,000	10,000
Provision for Stock Obsolescence	-	12,000

(ii) Crediting as Income

Proceeds on disposal of property, plant and equipment	-	147,300

Notes to and forming part of the ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2001

	2001 $	2000 $
(d) Significant Items		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Revenue		
Major sponsors donation	-	200,000
Expense		
Write-off of leasehold improvements resulting from redevelopment project	164,268	-

4. AUDITORS' REMUNERATION

Remuneration of the auditor for:		
- auditing the annual financial report	15,500	15,000
- other	8,000	21,950
	23,500	36,950

The auditors received no other benefits.

5. RECEIVABLES (CURRENT)

Trade and Sundry Debtors	3,216,662	1,535,280
Less Provision for Doubtful Debts	(145,000)	(15,000)
	3,071,662	1,520,280
Trading amounts receivable from associated entities (Refer Note 21a)	161,365	199,943
Loans receivable from associated entities (Refer Note 21b)	180,000	180,000
	3,413,027	1,900,223

6. INVENTORIES

Merchandise - at cost	294,459	256,344
Less Provision for obsolete stock	(12,000)	(12,000)
	282,459	244,344

7. OTHER ASSETS

Prepaid expenses	782,167	26,126

8. RECEIVABLES (NON-CURRENT)

Loans receivable from associated entities (Refer Note 21b)	630,885	795,877

9. INVESTMENTS (NON-CURRENT)

Shares – at cost	150	150
Units in Managed funds – at market value	955,180	-
	955,330	150

10. PROPERTY, PLANT AND EQUIPMENT

	2001 $	2000 $
Land – at valuation	325,000	325,000
Plant and Equipment – at cost	1,085,085	1,182,745
Provision for Depreciation	(791,359)	(832,100)
	293,726	350,645
Motor Vehicles – at cost	31,814	31,814
Provision for Depreciation	(16,703)	(9,545)
	15,111	22,269
Leasehold Improvements – at cost	2,853,065	2,335,996
Provision for Amortisation	(516,357)	(466,086)
	2,336,708	1,869,910
TOTAL PROPERTY, PLANT AND EQUIPMENT	2,970,545	2,567,824

An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 19 June 2000 by P.W. Stokes FAPI FREI. The valuation was based on the current market value of the land and improvements. The valuation revealed a current market value of $ 325,000. The directors have assessed that the fair value of the land at 31 October 2001 does not materially differ from the value previously assessed by the independent valuer.

(a) Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year. *(See table at bottom of page)*

11. PAYABLES (CURRENT)

Trade Creditors	657,998	636,726
Accruals	1,934,626	2,275,980
	2,592,624	2,912,706

12. PROVISIONS (CURRENT)

Annual Leave	320,239	230,064
Long Service Leave	260,176	17,214
	580,415	247,278

13. OTHER LIABILITIES (CURRENT)

Income Received in Advance	94,606	219,311

14. PROVISIONS (NON-CURRENT)

Long Service Leave	58,340	199,525

15. OTHER LIABILITIES (NON-CURRENT)

Income Received in Advance	37,500	75,000

Note 10 (a) continued

2001	Land $	Plant and Equipment $	Motor Vehicles $	Leasehold Improvements $	Total $
Beginning of financial year	325,000	350,645	22,269	1,869,910	2,567,824
Additions	-	191,146	-	749,315	940,461
Disposals	-	(292)	-	(164,268)	(164,560)
Deprecation expense	-	(247,773)	(7,158)	(118,249)	(373,180)
End of financial year	325,000	293,726	15,111	2,336,708	2,970,545

Notes to and forming part of the **ACCOUNTS**

FOR THE YEAR ENDED 31 OCTOBER 2001

	2001 $	2000 $
16. ASSET REVALUATION RESERVE		
Balance at the beginning of the financial year	240,000	154,000
Revaluation increment on freehold land (Refer Note 10)	-	86,000
Balance at the end of the financial year	240,000	240,000
17. ACCUMULATED FUNDS		
Balance at the beginning of the financial year	6,115,013	4,514,619
Net profit for the year	1,249,081	1,600,394
Balance at the end of the financial year	7,364,094	6,115,013

18. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cashflows, the entity considers cash to include cash on hand, cash in banks and short term investments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cashflows is reconciled to the Statement of Financial Position as follows:

Cash on Hand	3,050	2,950
Cash at Bank	371,578	1,031,392
Short Term Deposits	1,558,538	3,439,947
	1,933,166	4,474,289

(b) Reconciliation of net cash from operating activities to operating result

Operating profit/(loss) from ordinary activities	1,249,081	1,600,394
Profit from Sale of Fixed Assets	292	(47,300)
Increase/(Decrease) in Provision for Doubtful Debts	130,000	10,000
Depreciation and Amortisation	373,180	342,178
(Increase)/Decrease in Receivables and Other Assets	(2,398,854)	(788,640)
(Increase)/Decrease in Inventory	(38,115)	(72,421)
Increase/(Decrease) in Payables and Income in Advance	(482,286)	(33,231)
Increase/(Decrease) in Provision for Employee Entitlements	191,952	80,236
Change in value of investments	44,820	-
Write-off of Leasehold Improvements	164,268	-
Net Cash Provided by (used in) Operating Activities	(765,662)	1,091,216

19. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable Operating Leases contracted for but not capitalised in the accounts.

Payable:		
- not later than one year	25,470	43,331
- later than one year but not later than 2 years	-	11,364
	25,470	54,695

(b) Capital Expenditure Commitments

Payable:		
- not later than one year	560,201	-

	2001 $	2000 $
20. REMUNERATION OF DIRECTORS		

No remuneration, bonuses, commissions or salaries were received or are due and receivable by any director from the company or a related party nor has any payment been made in respect of superannuation payments or provisions for the retirement of any director.

The names of directors who have held office during the financial year are:

B.Dunn	B. Knight	K. Egan	P. Leggett
A. Epis	N. McKissock	N. Gay	G. McMahon
T. Jonas	B. Teal		

21. RELATED PARTIES

(a) Related Party Trading Balances

Trading amounts receivable from associated entities:

Current		
EFC Hall of Fame Trust	5,923	12,256
Essendon Football and Community Sporting Club	68,723	146,798
Melton Country Club Inc.	86,719	40,889
	161,365	199,943

(b) Related Party Loans

Loans receivable from associated entities:

Current		
Essendon Football and Community Sporting Club (refer (i) below)	180,000	180,000
Non-current		
Essendon Football and Community Sporting Club (refer (i) below)	630,885	795,877

(i) The balance receivable from the Essendon Football and Community Sporting Club is subject to a formal loan agreement and is secured by a first ranking fixed and floating charge over their assets. Interest is currently charged at a commercial rate.

(c) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(i) *Associated Entities*

Rental income received or receivable from:		
Essendon Football and Community Sporting Club	40,000	40,000
Melton Country Club Inc.	343,281	328,692
	383,281	368,692
Sponsorship income received or receivable from:		
Essendon Football and Community Sporting Club	255,686	225,920
Interest received or receivable from:		
Essendon Football and Community Sporting Club	56,621	69,605
	312,307	295,525
Loan guarantee fee received or receivable from the Melton Country Club Inc.	817	8,162

(ii) *Directors and Director Related Entities*

Courier fees paid to Couriers Express Services of which Mr Patrick Leggett is a director.	20,259	8,081

22. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in marketing interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows :

		2001 Fixed interest maturing in:					
	Note	Floating Interest rate $	1 year or less $	1 to 5 years $	Non interest bearing $	Total $	Weighted average Interest rate %
Financial Assets							
Cash	18(a)	371,578	1,558,538			1,930,116	4.4
Investments	9	955,180				955,180	4.2
Receivables -							
Trade debtors	5				3,233,027	3,233,027	Nil
Loans	21(b)	810,885				810,885	6.5
		2,137,643	1,558,538	-	3,233,027	6,929,208	
Financial Liabilities							
Payables	11				2,592,624	2,592,624	Nil
		-	-	-	2,592,624	2,592,624	
Net financial Assets/(liabilities)		2,137,643	1,558,538	-	640,403	4,336,584	

		2000 Fixed interest maturing in:					
	Note	Floating Interest rate $	1 year or less $	1 to 5 years $	Non interest bearing $	Total $	Weighted average Interest rate %
Financial Assets							
Cash	18(a)	1,031,392	3,439,947			4,471,339	6.22
Receivables -							
Trade debtors	5				1,720,223	1,720,223	Nil
Loans	21 (b)	975,877				975,877	6.5
		2,007,269	3,439,947	-	1,720,223	7,167,439	
Financial Liabilities							
Payables	11				2,912,706	2,912,706	Nil
		-	-	-	2,912,706	2,912,706	
Net financial Assets/(liabilities)		2,007,269	3,439,947	-	(1,192,483)	4,254,733	

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. No unrecognised financial assets exist at balance date.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Terms, Conditions and Accounting Policies

The company's accounting policies, including terms and conditions of each class of financial assets and financial liability, recognised at balance date, are set out below. There are no unrecognised financial assets or liabilities.

(i) Financial Assets

Trade Debtors

Trade debtors are carried at amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Trade receivables are generally settled within 30 days from the date of invoice/statement.

(ii) Financial Liabilities

Trade creditors and other accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company. Trade accounts payable are normally settled within 30 days. Liabilities for player payments are settled on various terms as negotiated with individual players.

(d) Net Fair Values of Financial Assets and Liabilities

The company's financial assets and liabilities are carried in the Statement of Financial Position at amounts that approximate their net fair value.

23. CONTINGENT LIABILITY

Guarantee

The Essendon Football Club has guaranteed the bank borrowings of the Melton Country Club Inc. A guarantee fee of 2% of the total bank borrowings is charged to the Melton Country Club Inc. At balance date the Melton Country Club Inc. had no bank borrowings.

Long Service Leave

At balance date, an issue has emerged relating to long service leave entitlements for players which is not clearly covered by the Standard Playing Contract and the AFL & AFLPA Collective Bargaining Agreement. It is believed that long service leave entitlements were not intended to be payable under the AFL & AFLPA Collective Bargaining Agreement but nevertheless a liability may arise in the future which is unable to be quantified at the present time.

ESSENDON