ESSENDON

2017

ANNUAL REPORT

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CHAIRMAN'S REPORT

We entered the 2017 season with a degree of uncertainty but also a great sense of optimism about what the future would hold.

No one really knew what we were capable of achieving, both on and off the field. Under the guidance of CEO Xavier Campbell, Senior Coach, John Worsfold and new Captain Dyson Heppell, the entire club should be extremely proud of our comeback story.

Importantly, we took a number of positive steps forward and now have a solid foundation to build from in future years across all areas of our club.

The season had many highlights, perhaps none more special than our famous Round 1 win against the Hawks. In many respects, it was the emotional release the Essendon family needed after such a challenging past few years.

Results throughout the year were never guaranteed, but one thing was certain, we played an exciting brand of football and showed the rest of the competition that we can be a force in years to come.

In the end, our season didn't finish the way any of us would have liked, however, our players represented the sash with great pride, and now, having tasted finals football, have an appetite for more.

Congratulations to Michael Hurley, Joe Daniher and Zach Merrett, selected in the 2017 All Australian team and also to our outstanding first year player, Andrew McGrath the winner of the 2017 Rising Star Award.

Congratulations also to Joe Daniher capping off his break out year winning his first Crichton Medal Best and Fairest Award for the Club.

2017 was also the final chapter of a number of decorated careers at Essendon.

Firstly, congratulations to James Kelly on his wonderful playing career, finishing with more than 300 games and three premierships. James only spent two seasons with us but his impact on the Club has been significant.

We also farewelled four much loved players of our club, Ben Howlett, Heath Hocking, Brent Stanton and Jobe Watson.

> **"AS A CLUB, WE NEED TO CHALLENGE OURSELVES TO FIND IMPROVEMENT TO MATCH IT WITH THE BEST OF THE BEST ON A CONSISTENT BASIS. AND, MOST IMPORTANTLY, IN FINALS FOOTBALL WHEN IT MATTERS MOST."**

Ben never took a backward step during his time at the Club. A fearless competitor on the field, he earned the admiration and respect of his teammates for his ability to extract the footy from the most dangerous of positions.

Heath has been a warrior for our club who always drove himself with a level of self determination and work ethic that saw him finish runner-up in the Crichton Medal and provided a vital engine for our midfield.

Brent is a true clubman, highly respected by his teammates and opposition, he donned the sash for more than 250 quality games in the red and black.

And then there is Jobe. A true leader of men. His best football was absolutely breathtaking and there is no better example than his sublime 2012 season. He leaves a lasting legacy, will rightly be remembered as one of the great leaders to have played the game and a great Essendon person, on and off the field.

It was an AFL season like no other. The competition more ruthless and closer than ever. The margin for error in the modern game is minimal. But as we have seen in recent years, it is full of opportunity.

As a Club, we need to challenge ourselves to find improvement to match it with the best of the best on a consistent basis. And, most importantly, in finals football when it matters most.

Richmond have proven that there opportunities if we are prepared to do the work, to lift the standard, to forge strong alignment and to drive an even greater accountability across the entire club.

From the board room to the locker room and everywhere in between, we must challenge ourselves to find this improvement if we want to achieve our vision.

We remain absolutely committed to our vision of becoming the most inclusive, successful and respected sporting Club in Australia.

To the 67,768 members who demonstrated their loyalty and passion by signing up in record numbers, you are the lifeblood of our Club. Thank you to our wonderful members.

More than one million people attended Essendon games this season, second behind only Richmond. That is an incredible figure and further demonstrates how far we have come as a football club this year.

Off field we are financially strong and we are not only in a position to pay down a significant amount of our debt, we can now start to invest in key areas of the Club to ensure we remain competitive across all areas of our business.

We understand we have a responsibility to create positive change in society, and that is why we continue to invest and support our many Indigenous and multi-cultural community programs and initiatives around Australia.

As a Club we celebrate diversity and champion change because we truly believe everyone should be treated equally, and everyone matters.

We were disappointed that our dream of fielding an AFLW team in the short term has been put on hold. While this decision is frustrating, it will not impact our passion to grow, develop and invest in aspiring young female footballers, and more broadly the game of girls and women's football.

We will field a standalone team in the VFLW competition in 2018. It will be a historic moment for our club when a female team runs out for the first time in the famous red sash.

We are also committed, more than ever, to creating pathways for girls and boys from the remote communities of the Tiwi Islands, West Arnhem Land and the North West of Melbourne so they can achieve their dreams of playing AFL and AFLW one day.

Soon we will formally announce exciting new plans to expand our training base at Melbourne Airport to ensure we continue to have state of the art facilities for our men's teams, whilst also ensuring that can have an equally strong women's football, learning, leadership and Next Generation Academy programs and facilities.

The new investment will also feature a revamped Essendon hall of fame, and various other key aspect that will ensure Essendon remain at the forefront of facility development for many years to come.

Thanks you to all of our supporter and coterie groups, including our cheer squad and social marketing committee, your continued support and loyalty is not taken for granted.

Thank you to our wonderful commercial and corporate partners, in particular our co-major partners, Fujitsu General Australia and KIA Motors Australia,

And finally, I want to thank the Board, executive, players, staff and volunteers at the Essendon Football Club for your hard work and dedication over the course of this season and helping the Club get back to a position of strength.

For everyone, the hard work is not over. It has only just started. I know you are all up for the challenge and want to see the Club achieve the ultimate success.

As a Club we have never been more unified or as strong to rise to the challenge that awaits us.

2017 was labelled the 'Comeback Story'. Now is the time for everyone who is passionate about the Essendon Football Club, to be the authors of our next chapter.

Our destiny, finally, is in our own hands.

Go Bombers.

Lindsay Tanner

FINANCE DIRECTOR'S REPORT

From a finance view point, there were three critical points during the 2017 year:

- Our first game of the season against Hawthorn, which demonstrated not only that the team would be very competitive in 2017, but also that our fans were totally committed to supporting our comeback story.
- Settlement of the final players compensation claims in September 2017.
- The May launch of our Capital Campaign for the planned extensions to our Tullamarine facility.

All of these were hugely important to both the financial performance and position of the Club in 2017 as well as our future direction. From the sections which follow you will see why that is so.

Operating results

The Financial Statements for the Club for the year ended 31 October 2017 are set out on the following pages, showing a net profit of $5.1 million, following a net loss of $9.8 million in 2016.

These figures include significant grants and donations, but as the following table demonstrates, even without these amounts the turnaround from 2016 has been remarkable.

	2017 $000	2016 $000
Earnings before interest, depreciation, amortisation and items noted below	4,925	(1,344)
Net interest	(143)	(182)
Depreciation and amortisation	(3,455)	(3,440)
	1,327	(4,966)
Grants and donations		
- Normal	160	288
- Capital Campaign	3,973	582
Impairment (Windy Hill)	-	(807)
ASADA/WADA related costs	(406)	(4,922)
Net profit	5,054	(9,825)

The most significant drivers of the improvement in earnings before interest, depreciation and amortisation were as follows:

- Increase of $1.1 million in the net membership revenue, from $6.3 million to $7.4 million.
- Increase in match receipts revenues of $2.2 million.
- Increased AFL distributions of $3.1 million, offset to some extent by increased player payments and other expenses.
- Increase in net marketing revenues of $1.8 million, due to increased sponsorship and match day revenues.

Grants and donations

Each year we receive a certain amount of general purpose donations. In addition to that, during 2017 we launched a Capital Campaign to our high net worth supporters, to raise funding for the proposed extension of our Tullamarine facility. To date we have received and earmarked $4.0 million in relation to this Capital Campaign with a further $1.9 million pledged for future years.

WADA/ASADA related costs

The great majority of the compensation claims were provided for in the 2016 financial statements and all of them have now been settled. The only additional costs incurred in 2017 were $0.4 million of legal and other associated costs. Importantly, this represents the end of the financial impact of the saga upon the Club.

Financial position

At 31 October 2017, the net assets of the Club were $32.5 million (2016 $27.5 million).

Gross borrowings were $6.9 million (2016 $9.0 million) offset by cash at bank of $1.6 million (2016 $2.9 million).

We continue to have undrawn facilities of $6.0 million.

Borrowings will increase as we embark upon the extension of the Tullamarine facility, but the cash flows of the Club are very strong and should allow us to retire all of the 'old' debt over the next 3 years.

Governance

During the last few years, we have made significant advances in our governance systems and structure. Many of these are overseen by the Audit, Risk and Integrity Committee, which I chair in my role as Finance Director.

A summary of the advances which have been made in the area of risk and governance can be found on the Club's website at essendonfc.com.au/governance. I recommend that you read these as it will give you a good understanding of how seriously the Club, and everyone within it, are taking issues of governance and risk.

Looking Ahead

Our cash flows are strong, our plans are ambitious, the team is exciting and for the first time in the last four years we can concentrate solely on the future. It is a good time to be an Essendon member.

On behalf of the Board, I would like to thank all of our staff, members, sponsors and other stakeholders for their support during 2017.

Paul Brasher
Finance Director

DIRECTORS' REPORT

Your directors submit their report on the Essendon Football Club (the "Company") for the financial year ended 31 October 2017.

1. DIRECTORS

The names of the directors in office at any time during or since the end of the year are:

L. Tanner *(Chairman)*	P. Brasher	D. Barham	P. Cousins	C. Heffernan
K. Lay	C. Lio	A. Muir	S. Madden	

All of these directors have been in office since the start of the financial year to the date of this report.

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. There were no significant changes in the nature of the principal activities during the financial year.

3. OBJECTIVES AND STRATEGIES OF THE COMPANY

Our objective is to be a thriving professional sporting club delivering consistent top 4 performance in all key on and off field measures.

The Company's short term (2018) objectives are to:

- Execute our football philosophy to deliver improved performance
- Enhance the club's brand and reputation with focus on the club's history and heritage
- Build best practice member and supporter experience
- Further strengthen key stakeholder relationships
- Re-establish the club as the benchmark community club
- Improve financial position while continuing to invest in facilities
- Reinvigorate focus on innovation and growth

The Company's medium term (2019-2021) objectives are to:

- Deliver best practice member and supporter experience
- Maximise and leverage key commercial relationships
- Deliver genuine community outcomes, participation & engagement
- Embed unique EFC football philosophy and culture
- Maximise investments and return the club to a position of financial strength
- Drive and execute purposeful innovation to deliver new revenues
- Proactively engage broader industry stakeholders
- Focus on maximising high performance culture

Our long term vision is to be the most inclusive, successful, and respected club on and off the field.

4. OPERATING RESULT

For the year ended 31 October 2017 the Company had an operating profit of $5,054,186 (2016: operating loss $9,825,375).

5. MEETINGS OF DIRECTORS

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

NAME OF DIRECTOR	DIRECTORS' MEETINGS		AUDIT, RISK & INTEGRITY COMMITTEE MEETINGS		NOMINATIONS & REMUNERATION COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
L. Tanner	13	13	-	-	-	-
D. Barham	13	13	-	-	-	-
P. Brasher	13	12	5	5	1	1
P. Cousins	13	13	5	5	-	-
C. Heffernan	13	11	-	-	-	-
K. Lay	13	13	5	4	4	4
C. Lio	13	13	-	-	4	4
S. Madden	13	12	-	-	-	-
A. Muir	13	13	-	-	4	4

6. INFORMATION ON CURRENT DIRECTORS

LINDSAY TANNER – CHAIRMAN

Bachelor of Laws, Master of Arts

Lindsay joined the Board in 2015. He was MP for Melbourne in the Australian Parliament from 1993 to 2010 and Finance Minister from 2007 to 2010. Currently he works as a special advisor to Lazard, a financial advisory and asset management firm and is also a Board member for Virgin International Australia, VICT, Covata Ltd and chairs the Mitchell Institute for Health and Education Research. Lindsay was previously the Club's Number One Ticket Holder from 2009-2010.

PAUL BRASHER – FINANCE DIRECTOR & DEPUTY CHAIRMAN

Bachelor of Economics (Hons), FCA, FAICD

Paul was appointed to the Board in October 2011 and is Deputy Chairman and Finance Director of the Club. He also serves as Chairman of the Audit, Risk & Integrity Committee and is a member of the Nominations & Remuneration Committee. Paul was a Partner in the accounting and professional services firm PricewaterhouseCoopers from 1982 to 2009. He chaired the Australian firm and was Chairman of the global Board of PwC from 2005 to 2009. Paul is Chairman of Incitec Pivot Limited, a Director of Amcor Limited and a board member of Teach For Australia. He was previously Chairman of the Reach Foundation and a number of other philanthropic organisations and a Board member of the Victorian Arts Centre Trust.

DAVID BARHAM

David was elected to the Board in December 2015. He has over 25 years' experience in the AFL industry having established the AFL's film and videotape library in the early 1990s. In 1996, David was the Executive Producer of "100 Years of Australian Football" for the Seven Network. For the following 10 years, David produced all of Ten's AFL programs, including another 8 AFL Grand Finals. From late 2010 until the end of 2015 David was Head of Sport for the Ten Network. He now is the Ten Network's executive responsible for the Big Bash and the Australian F1 Grand Prix.

PAUL COUSINS

Paul was elected to the Board in December 2014. He is a member of the Club's Audit Risk & Integrity Committee and has been President of the VFL program since 2015. Following a successful stint in hospitality management, Paul spent several years in IT management and business development with an accounting and financial services firm, before starting his digital agency, Web Initiatives, in 2004. Paul has spent the past 13 years managing a diverse client base, ranging from small to large business and government agencies focussing on website design and development, social media, marketing and web hosting.

CHRIS HEFFERNAN

Bachelor of Business (Admin), Master of Applied Finance

Chris joined the Board in October 2011, and is the Club's Football Director and a member of the List Management Committee. He played 170 senior AFL matches and was a member of the Club's 2000 premiership team. After retiring from football in 2007, Chris worked with Deutsche Bank's funds management business in New York for three years, before returning to Melbourne in 2011 to join Ernst & Young. Currently a Director in the Mergers and Acquisitions team at Ernst & Young. Chris provides advice to large private and ASX listed companies on acquisitions, mergers, capital raisings and business divestments.

KEN LAY AO APM

BA (Pol Stud), GDip Pub Admin, HonLLD (Monash), FAICD

Ken joined the Board in December 2015. He is a member of the Audit, Risk & Integrity and Nominations & Remuneration Committees and chairs the Gender Diversity Working Group. He was Chief Commissioner of Victoria Police from 2011 – 2015 in a career that spanned over 40 years with the force. In 2015, he was appointed as a the Chair of the Council of Australian Governments Expert Advisory Panel on Family Violence as well as Chair of the Prime Minister's National Ice Task Force. Ken is currently Chair of the Ambulance Victoria Board, a Director of the Alannah and Madeline Foundation, and a former Non-Executive Director of Dixon Hospitality Ltd. He was awarded an Officer of the Order of Australia in the 2017 Australia Day Awards for services to policing and the community. He was awarded a Doctor of Laws (Honoris Causa) by Monash University for his service to the community in 2015. Ken was previously the number one ticket holder in 2015.

CATHERINE (KATIE) LIO

AAICD

Katie was elected to the Board in December 2014 and is a member of the Nominations Committee, Remuneration Committee and Reconciliation Action Plan Committee. She is currently driving digital innovation and customer experience in her role as a Senior Product Manager at Sensis, having previously delivered large scale digital initiatives within sport & entertainment from her role at Telstra Media. Over the years Katie has developed a wide range of skills within the digital industry including agile delivery, human centred design, digital marketing specialisation and innovative design. Katie was recently appointed to a steering committee as part of the Equality Project.

SIMON MADDEN

Diploma of Teaching, Grad Dip. Special Ed.

Simon was elected to the Board in 2013. He played 378 games for the Club and played in the 1984 and 1985 premiership teams. He is a Life Member of the Essendon Football Club, the AFL and the AFL Players' Association. He is also a member of the Essendon Hall of Fame and the AFL Hall of Fame. Originally a teacher, Simon has worked in business for 20 years. He runs his own business-coaching consultancy, "Simon Madden Consulting" specializing in "Sustainable High Performance". He has previously been the President and a Director of the AFL Players Association.

ANDREW MUIR

Bachelor of Economics, Post Graduate Diploma of Financial Management. Advanced Management Program – Harvard Business School

Andrew joined the Board in 2015. He is chair of the Nominations & Remuneration Committee. He is a successful business leader, thought leader and philanthropist with over 25 years of retail, leadership, strategic and management experience. He served as Executive Chairman of The Good Guys from 2005 to 2017 after being CEO of The Good Guys from 1993. Andrew is also Founder and Director of the national Best Friends Pet Supercentres chain, JXT Global and ShoeBox Timeline – Momatu. Andrew is also the Founder and Director of the Good Foundation - promoting good health and nutrition, including operating Jamie's Ministry of Food Australia and Advisor and Principal Partner of Orange Sky Laundry providing mobile laundry services nationally to the Homeless.

7. AUDITOR INDEPENDENCE

A copy of the Auditor's Independence Declaration as required under s.307C of the Corporations Act 2001 is included in page 7 of this financial report and forms part of the Directors' Report.

8. MEMBERS' GUARANTEE

The Company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of $20 towards meeting any outstanding obligations of the Company. At 31 October 2017 the number of members was 67,768 (2016: 57,494).

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

L. Tanner
Director

P. Brasher
Director

Signed this 10th day of November, 2017.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

(1) The financial statements and notes, as set out on pages 8 to 22, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 31 October 2017 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(2) in the Directors' 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 declaration is made in accordance with a resolution of the Board of Directors.

L.Tanner
Director

P. Brasher
Director

Signed this 10th day of November, 2017.

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF ESSENDON FOOTBALL CLUB

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of the Essendon Football Club for the year ended 31 October 2017, 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

A. J. Pititto
Partner - Audit & Assurance

Melbourne, 10 November 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Essendon Football Club,

We have audited the financial report of the Essendon Football Club (the "Company"), which comprises the statement of financial position as at 31 October 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Essendon Football Club is in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the Company's financial position as at 31 October 2017 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

BASIS FOR OPINION

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

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

INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 October 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

RESPONSIBILITIES OF THE DIRECTORS' FOR THE FINANCIAL REPORT

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

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

RESPONSIBILITIES OF THE DIRECTORS' FOR THE FINANCIAL REPORT

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A. J. PITITTO
Partner - Audit & Assurance

Melbourne, 10 November 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 OCTOBER 2017

	NOTE	2017 $	2016 $
Revenues from operations	3(a)	65,165,407	53,499,545
Expenses from operations	3(b)	(60,111,221)	(63,324,920)
NET PROFIT/(LOSS) FROM OPERATIONS		**5,054,186**	**(9,825,375)**
OTHER COMPREHENSIVE INCOME FOR YEAR		-	-
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR YEAR		**5,054,186**	**(9,825,375)**

STATEMENT OF FINANCIAL POSTION AS AT 31 OCTOBER 2017

	NOTE	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	14(a)	2,036,791	3,272,449
Trade and other receivables	4	1,250,101	862,082
Inventories	5	297,633	310,630
Other assets	6	1,531,131	801,113
TOTAL CURRENT ASSETS		5,115,656	5,246,274
NON-CURRENT ASSETS			
Property, plant and equipment	7	38,486,397	40,443,288
Intangible assets	8	1,760,491	2,127,794
TOTAL NON-CURRENT ASSETS		40,246,888	42,571,082
TOTAL ASSETS		45,362,544	47,817,356
CURRENT LIABILITIES			
Trade and other payables	9	2,746,276	4,775,016
Provisions	10	1,856,823	4,543,475
Income in advance	11	1,054,666	892,877
Other financial liabilities	12	80,527	784,236
Borrowings	13	6,900,000	-
TOTAL CURRENT LIABILITIES		12,638,292	10,995,604
NON-CURRENT LIABILITIES			
Provisions	10	109,477	174,033
Other financial liabilities	12	106,990	187,517
Borrowings	13	-	9,006,603
TOTAL NON-CURRENT LIABILITIES		216,467	9,368,153
TOTAL LIABILITIES		12,854,759	20,363,757
NET ASSETS		32,507,785	27,453,599
MEMBERS' FUNDS			
Accumulated funds		24,902,090	23,820,537
Asset revaluation reserve		3,633,062	3,633,062
Future capital funding reserve		3,972,633	-
TOTAL MEMBERS' FUNDS		32,507,785	27,453,599

STATEMENT OF CHANGES IN MEMBERS' FUNDS FOR THE YEAR ENDED 31 OCTOBER 2017

	Future Capital Funding Reserve	Asset Revaluation Reserve	Accumulated Funds	Members' Funds
	$	$	$	$
BALANCE AT 31 OCTOBER 2015	-	3,633,062	33,645,912	37,278,974
Loss for the year	-	-	(9,825,375)	(9,825,375)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(9,825,375)	(9,825,375)
BALANCE AT 31 OCTOBER 2016	-	3,633,062	23,820,537	27,453,599
Profit for the year	-	-	5,054,186	5,054,186
Other comprehensive income	-	-	-	-
Transfer to future capital funding reserve	3,972,633	-	(3,972,633)	-
Total comprehensive profit	3,972,633	-	1,081,553	5,054,186
BALANCE AT 31 OCTOBER 2017	3,972,633	3,633,062	24,902,090	32,507,785

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 OCTOBER 2017

	NOTE	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members, sponsors, supporters and other operations		60,618,768	54,271,985
Receipts from grants and donations		4,132,722	870,431
Payments to suppliers, employees and players		(61,823,146)	(54,857,093)
Finance costs		(312,259)	(287,717)
Interest received		169,533	163,141
NET CASH FLOWS FROM OPERATING ACTIVITIES	14(b)	2,785,618	160,747
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(1,130,438)	(1,312,555)
Payments for gaming entitlements		(703,709)	(752,046)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(1,834,147)	(2,064,601)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from borrowings		(2,187,129)	3,999,514
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		(2,187,129)	3,999,514
Net movement in cash and cash equivalents		(1,235,658)	2,095,660
Cash and cash equivalents at beginning of the financial year		3,272,449	1,176,789
CASH AND EQUIVALENTS AT END OF THE FINANCIAL YEAR	14(a)	2,036,791	3,272,449

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS FOR THE YEAR ENDED 31 OCTOBER 2017

1. ESSENDON FOOTBALL CLUB

The Essendon Football Club (the "Company") is an unlisted public company limited by guarantee, incorporated in Australia, with a registered office and principal place of business at 275 Melrose Drive, Melbourne Airport, Victoria 3045. The liability of each member of the Company is limited to $20.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Financial Report of the Company was authorised for issue by the Directors on 10 November 2017. The Company is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. Actual results may differ from these estimates.

Going concern basis of accounting

The financial report has been prepared on a going concern basis. This contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 October 2017 the Company had net current liabilities, being current assets less current liabilities, of $7,522,636 (2016: $5,749,330).

The Directors have considered the position of the Company and consider that the going concern basis is appropriate for the preparation of the financial report due to the following factors:

i) The 2018 forecasts show positive contributions and sufficient unused finance facilities to fund any cashflow shortfalls.

ii) The Company's bankers ("Westpac" and "Bendigo Bank") have continued to provide financial support through to the date of this report. The finance facility from Westpac has a limit of $10,000,000 ($6,900,000 utilised at 31 October 2017). The facility has a fixed term that currently expires on 31 December 2017. Based on discussions and correspondence with Westpac it is expected that this facility will be renewed prior to its expiry date. The AFL provides a guarantee for the full amount of the Westpac facility. The finance facility from Bendigo Bank has a limit of $2,935,000 ($nil utilised at 31 October 2017). This facility has a fixed term that expires on 30 June 2019, with the next review date being 28 February 2018.

iii) The Company has unused finance facilities of $6,035,000 as disclosed in note 13 to the financial statements.

iv) The AFL has committed to provide additional financial support should it be required.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Adoption of new and revised accounting standards

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

No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

(b) Inventories

Inventories are measured at the lower of cost and net realisable value. The Directors assess inventory balances for impairment annually.

(c) Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and 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. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets. Trade and other receivables of the Company fall into this category.

Financial liabilities

Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Trade and other payables of the Company fall into this category.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit or loss.

The carrying amount of financial assets, including uncollectible trade receivables, is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are debited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are brought to account at cost or at independent or Directors' valuation, less, where applicable, any accumulated depreciation or amortisation and impairment losses.

Land

Freehold land is shown at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). Land is revalued at a minimum of every three years based on a valuation by external independent valuers. Land is not depreciated.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS FOR THE YEAR ENDED 31 OCTOBER 2017

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and decreases to the extent such decreases relate to an increase on the same asset previously recognised in equity

Plant and equipment/leasehold improvements

Plant and equipment and leasehold improvements are measured at cost less depreciation, amortisation and impairment losses.

The depreciable amounts of all fixed assets including leasehold improvements, but excluding freehold land, are depreciated on a straight line basis 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% - 20%
Plant & equipment	10% - 33.3%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

(f) Impairment of assets

At each reporting date, the Company reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed.

(g) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered and other obligations. Employee entitlements expected to be settled within one year (entitlements arising from wages and salaries and annual leave) have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on high-quality corporate bonds with terms to maturity that match the expected timing of cash flows. Probabilities have been applied in the calculation of long service leave entitlements in order to estimate the likelihood of an employee remaining with the Company until they are entitled to long service leave. These probabilities are based on historical trends and patterns. Employees with service in excess of 7 years have their long service leave liability included as a current liability as the Company does not have an unconditional right of deferral at balance date.

Contributions are made by the Company to complying superannuation funds and are charged as expenses when incurred.

(h) Income received in advance

Income is brought to account in the period to which it relates. Income received prior to 31 October 2017 which relates to future periods has been recorded as income received in advance.

(i) 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.

(j) Football expenses

Football expenses include football department related costs including total player payments, coaching and support staff remuneration, recruiting costs and costs in respect of the standalone VFL team.

(k) Revenue

Revenue is measured as the fair value of the consideration received/ receivable. All amounts are net of returns, discounts, allowances and rebates.

Revenue is recognised when the amount can be reliably measured and it is probable that the future economic benefits will flow to the Company and the following additional criteria have been met:

- Revenue from the sale of goods is recognised upon the delivery of goods to customers, which is the date of the transfer of risks.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.
- Fundraising donations which have been directly received by the Company are recognised on receipt.
- Grant income from the Australian Sports Foundation is recognised when the approved grant has been received by the Company.
- Any cost reimbursements are netted against the expense to which they relate and are not shown as revenue.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

(m) Leases

Operating leases

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease.

Finance leases

Leases of plant and equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS FOR THE YEAR ENDED 31 OCTOBER 2017

2. Statement of significant accounting policies (cont.)

(n) Intangible assets

Gaming entitlements

Gaming entitlements acquired are recorded at cost less accumulated amortisation and impairment.

Gaming entitlements have a finite useful life of 10 years commencing 16 August 2012. The gaming entitlements are amortised, on a straight line basis, over a 10 year period.

(o) Gaming liabilities

Gaming liabilities relate to instalment payments for the acquisition of gaming entitlements for the Windy Hill Venue and Melton Country Club. Gaming liabilities are included as non-current liabilities except those with maturities less than 12 months from the reporting date, which are classified as current.

Gaming liabilities are measured at amortised cost, using the effective interest method.

(p) Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

(q) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may differ.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainty exists, as actual useful lives may differ from that estimated.

Liabilities arising from legal matters

Liabilities arising from legal matters are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Such liabilities are estimated based on either objective evidence or where objective evidence is not available, management's best estimate. Timing or the amount of the outflow may still be uncertain.

Liabilities, net of any appropriate contributions, associated with claims made by current and former players stemming from the ASADA/WADA investigation, have been recorded in the financial statements based on management's best estimate after considering all relevant facts and appropriate external advice.

(r) Future capital funding reserve

This reserve is earmarked for future capital works of the Essendon Football Club.

3. RESULTS FROM OPERATIONS	2017 $	2016 $
(a) Revenue from ordinary activities		
(i) Operating revenue		
AFL annual distribution	12,880,389	9,824,470
AFL Prize monies	65,000	-
Marketing revenues	14,326,352	12,493,197
Membership revenues	11,971,985	10,100,110
Merchandise - sale of goods	2,066,030	2,268,964
Match receipt revenue	2,368,742	216,850
Windy Hill Fitness Centre revenue	3,722,993	3,891,993
Venues revenue - sales of food & liquor	4,909,512	5,020,559
Venues revenue - other	8,441,784	8,519,447
Total operating revenue	60,752,787	52,335,590
(ii) Non-operating revenue		
Donations and grants from the Australian Sports Foundation	3,972,633	582,033
Donations revenue	160,089	288,398
Interest revenue	169,533	191,462
Rental income	110,365	102,062
Total non-operating revenue	4,412,620	1,163,955
Total Revenue from operations	65,165,407	53,499,545
(b) Expenses from operations		
AFL Equalisation Levy	-	350,004
Administration expenses	3,991,420	3,235,103
ASADA/WADA related costs	405,577	4,921,584
Football expenses	23,687,766	22,981,249
IT expenses	801,258	674,563
Marketing expenses	7,630,230	7,561,363
Membership expenses	4,533,032	3,757,297
Merchandise - cost of sales	1,049,705	1,232,999
Rental expenses	354,955	295,406
Site expenses	3,383,146	3,240,081
Impairment expenses - Windy Hill leasehold improvements	-	806,833
Windy Hill Fitness Centre expenses	2,886,731	2,812,198
Venues expenses	11,075,142	11,083,238
Financing costs	312,259	373,002
Total Expenses from operations	60,111,221	63,324,920
Profit/(loss) from operations	5,054,186	(9,825,375)

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS
FOR THE YEAR ENDED 31 OCTOBER 2017

3. RESULTS FROM OPERATIONS (cont.)

	2017 $	2016 $
(c) Profit/(loss) from operations above has been determined after :		
Charging as expenses:		
Depreciation of:		
- Plant and equipment	1,412,281	1,367,148
Amortisation of:		
- Leasehold improvements	1,675,048	1,705,525
- Intangibles	367,303	367,304
Doubtful debts provided for or written off	39,012	26,640
Venue cost of sales - food and liquor	1,651,953	1,591,638
Employee expenses	19,011,836	18,113,161

4. TRADE AND OTHER RECEIVABLES

	2017 $	2016 $
Trade and sundry debtors	1,289,113	888,722
Less allowance for impairment	(39,012)	(26,640)
	1,250,101	862,082

	2017 $	2016 $

Allowance for impairment of receivables

An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in administration expenses. A reconciliation of the movement in the allowance for impairment of trade receivables is shown below.

Opening balance	26,640	241,090
Additional allowance	39,012	26,640
Amounts used or recovered	(26,640)	(241,090)
Closing balance	39,012	26,640

5. INVENTORIES

	2017	2016
	$	$
Merchandise - at cost	155,340	196,522
Less provision for obsolescence	(18,363)	(44,532)
Food and liquor - at cost	160,656	158,640
	297,633	310,630

6. OTHER ASSETS

	2017	2016
	$	$
Prepaid expenses	1,531,131	801,113

7. PROPERTY, PLANT AND EQUIPTMENT

		2017	2016
		$	$
Land - at independent valuation	(a)	5,550,000	5,550,000
Plant and equipment - at cost		13,803,934	12,622,592
Accumulated depreciation		(7,972,786)	(6,560,505)
Accumulated impairment	(b)	(11,903)	(11,903)
		5,819,245	6,050,184
Leasehold improvements - at cost		40,591,245	40,642,149
Accumulated amortisation		(12,679,163)	(11,004,115)
Accumulated impairment	(b)	(794,930)	(794,930)
		27,117,152	28,843,104
Total property, plant and equipment		38,486,397	40,443,288

(a) An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 12 October 2015 by P.W. Stokes CEA FAPI FREI. This valuation was based on the market value of the land at the time. The Directors have not commissioned a valuation of the land since the valuation date on the basis that market factors do not indicate a material change in fair value from the carrying value of the land.

(b) In accordance with the Accounting Standards, the vacated assets and space at Windy Hill, which are no longer being used for their original purpose by the football and administration departments, are impaired.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS
FOR THE YEAR ENDED 31 OCTOBER 2017

7. PROPERTY, PLANT AND EQUIPTMENT (cont.)

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year:

2017	Land	Plant & Equipment	Leasehold Improvements	Total
	$	$	$	$
Opening balance	5,550,000	6,050,184	28,843,104	40,443,288
Additions	-	1,130,438	-	1,130,438
Transfers in/(out)	-	50,904	(50,904)	-
Depreciation/amortisation expense	-	(1,412,281)	(1,675,048)	(3,087,329)
Closing balance	5,550,000	5,819,245	27,117,152	38,486,397

8. INTANGIBLE ASSETS

	2017	2016
	$	$
Gaming entitlements	3,673,039	3,673,039
Less accumulated amortisation	(1,912,548)	(1,545,245)
	1,760,491	2,127,794

	2017	2016
	$	$
Opening balance	2,127,794	2,495,098
Amortisation expense	(367,303)	(367,304)
Closing balance	1,760,491	2,127,794

9. TRADE AND OTHER PAYABLES

	2017	2016
	$	$
Trade creditors	552,396	1,638,441
Accruals and other liabilities	2,193,880	3,136,575
	2,746,276	4,775,016

10. PROVISIONS

	2017	2016
	$	$
Current		
Employee entitlements	1,785,227	2,275,532
Other	71,596	2,267,943
	1,856,823	4,543,475
Non-current		
Employee entitlements	109,477	174,033

11. INCOME RECEIVED IN ADVANCE

	2017 $	2016 $
Trading income received in advance	1,054,666	892,877

12. OTHER FINANCIAL LIABILITIES

	2017 $	2016 $
Current		
Gaming entitlement instalments	-	703,709
Finance lease liabilities	80,527	80,527
	80,527	784,236
Non-current		
Finance lease liabilities	106,990	187,517
	106,990	187,517

The Company's finance lease liabilities are secured by the related assets held under finance lease.

13. BORROWINGS

	2017 $	2016 $
Current		
Borrowings	6,900,000	-
Non-current		
Borrowings	-	9,006,603

Unused limits/facilities

	Amount of facility $	Unused $
Westpac finance facility	10,000,000	3,100,000
Bendigo Bank finance facility	2,935,000	2,935,000
	12,935,000	6,035,000

Covenants

The Bendigo Bank facility requires the Company to maintain specific financial covenants and is secured by the freehold land assets of the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS
FOR THE YEAR ENDED 31 OCTOBER 2017

14. NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of cash

For the purposes of the Statement of Cash Flows, 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 Cash Flows is reconciled to the Statement of Financial Position as follows:

	2017 $	2016 $
Cash on hand	405,441	368,057
Cash at bank	1,631,350	2,904,392
Total cash and cash equivalents	2,036,791	3,272,449

b) Reconciliation of net cash from operating activities to net profit/(loss):

	2017 $	2016 $
Profit/(loss) for the year	5,054,186	(9,825,375)
Adjustments for:		
Non-cash financing costs of investing activities	-	78,196
Non-cash financing costs of financing activities	-	7,089
Depreciation and amortisation	3,454,632	3,439,977
Impairment of non current assets	-	806,833
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other assets	(1,130,409)	1,150,132
Increase/(decrease) in provision for doubtful debts	12,372	(214,450)
Decrease in inventory	39,165	145,803
Decrease in provision for obsolete stock	(26,169)	(9,297)
(Decrease)/increase in payables and income in advance	(1,866,951)	1,302,112
(Decrease)/increase in provisions	(2,751,208)	3,279,727
Net cash flows from operating activities	2,785,618	160,747

15. CAPITAL AND OPERATING COMMITMENTS

(a) Operating commitments

	2017 $	2016 $
Payable:		
- not later than one year	572,178	546,131
- later than one year but not later than 5 years	2,176,900	2,268,770
- later than 5 years	3,323,579	3,588,961
	6,072,657	6,403,862

Operating commitments relate to the lease of Windy Hill precinct, Melton Country Club and the High Performance Centre, along with an annual distribution to EFCSC Limited.

(b) Finance commitments

	2017 $	2016 $
Payable:		
- not later than one year	80,527	80,527
- later than one year but not later than 5 years	106,990	187,517
- later than 5 years	-	-
	187,517	268,044

Finance commitments relate to Windy Hill Fitness Centre equipment.

(c) Capital commitments

There are no capital expenditure commitments at the end of the 2017 financial year (2016: $nil).

16. CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the financial year.

17. KEY MANAGEMENT PERSONNEL

	2017 $	2016 $
Short term employee benefits	2,224,646	1,898,573
Post employment benefits	133,807	117,218
Key management personnel compensation included in employee expenses:	2,358,453	2,015,791

18. SUBSEQUENT EVENTS

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.

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AFL
KIA
FUJITSU
ISC

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