Financial Report
For the year ended 31 October 2011

ACN 005 686 902

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Directors' Report

To the Members of the Melbourne Football Club Limited ("the Club" or "MFC").

The Directors hereby present their report pursuant to the requirements of the Corporations Act 2001 on the state of affairs of the Club at 31 October 2011.

1. Directors

Jim Stynes

Jim has been a director and President of the Melbourne Football Club Limited since 12 June 2008. Jim has particular involvement at Board level on our playing list management, our supporter groups, and our relationships with the AFL and the Melbourne Cricket Club. Jim played his first senior game for the Melbourne Football Club in 1987 and retired 264 games later in 1998. He received the Brownlow Medal in 1991, and won four Melbourne Football Club Best & Fairest awards (1991, 1995, 1996, 1997), equalling the Club record. He played an AFL record-breaking 244 consecutive games between 1987 and 1998. Jim was inducted into the AFL Hall of Fame in 2003 and Melbourne's Hall of Fame in 2006. Jim co-founded The Reach Foundation in 1994, and currently serves as an executive director. Reach is a non-profit, non-denominational organisation committed to supporting young people. Reach works with over 50,000 teenagers a year, encouraging them to discover their purpose and realise their potential in a positive and supportive learning environment.

Jim was awarded the Order of Australia Medal in 2007 for his work with youth and contribution to AFL.

Don McLardy

Don has been a director of the Melbourne Football Club Limited since 12 June 2008, and was appointed Vice President on 27 June 2008. Don has particular involvement at Board level on membership, sponsorship, marketing and communications, and supporter groups and stakeholders. Don has a Diploma in Financial Services (Broking) and is a Qualified Practicing Insurance Broker (QPIB). Don is a Managing Director and major shareholder of McLardy McShane & Associates Pty Ltd, an Insurance & Financial Services intermediary. He is also on the Chairman of the Reach Foundation, and a member of the MCC, Metropolitan Golf Club and VRC.

Guy Jalland

Guy has been a director and Vice President of the Melbourne Football Club Limited since 12 June 2008. Guy is a member of the Club's Finance and Governance Committees, and has particular involvement at Board level on our strategic projects including gaming, facilities and Casey. Guy holds a Bachelor of Laws. Guy is a senior executive at Consolidated Press Holdings Limited, and has been employed by CPH and Publishing and Broadcasting Limited since 1998.

Stuart Grimshaw

Stuart has been a director of the Melbourne Football Club Limited since 12 June 2008. Stuart is the Chairman of the Club's Finance Committee and is a member of the Governance Committee. Stuart holds a Bachelor of Commerce & Administration and a Masters of Business Administration. Stuart is currently the CEO of the Bank of Queensland, having previously been the CEO of Caledonia Funds Management. Stuart has extensive experience in the banking and finance industries, formerly working as Group Executive: Premium Business Services for the Commonwealth Bank of Australia, having previously performed the role of CFO and Group Executive Financial and Risk Management.

Directors' Report (continued)

1. Directors (continued)

Karen Hayes Karen has been a director of the Melbourne Football Club Limited since 21 January 2006. She is the Chair of the Club's Governance and Remuneration Committee, and has particular involvement at Board level with the Women of Melbourne supporter group. Karen is the CEO for Guide Dogs Victoria and was previously Director Corporate Engagement and Human Capital with UXC Limited. Karen is a past finalist in the Telstra Business Woman of the Year Awards and has been on the Board of the Breast Cancer Network Australia since its establishment in 1998 for whom she is currently the Vice Chair.

Russel Howcroft Russel has been a director of the Melbourne Football Club Limited since 12 June 2008. Russel has particular involvement at Board level with our marketing and communications, our membership and sponsorship, our supporter groups and our relationship with the AFL. Russel is the Australian and New Zealand CEO of the Y&R Brands group of companies. Companies include: George Patterson Y&R, The Campaign Palace, Ideaworks, Wunderman, CAW, Blaze and Brand Asset Consulting. He is also a member of the Y&R global management team. Russel was previously CEO of The Furnace, the Havas-owned agency he co-founded as Brandhouse in 1995. Russel has also worked for McCann Erickson, Lowe Howard-Spink (in London), and George Patterson. Russel is a permanent panel member of the ABC TV show "The Gruen Transfer," and is a regular media commentator on the world of marketing and advertising. Currently Russel hosts "The Weekend Break" on 3AW on Saturday afternoons.

Peter Spargo Peter has been a director of the Melbourne Football Club since 13 March 2008. Peter served as interim CEO of the Club during 2008 before the appointment of Cameron Schwab. Peter is a member of the Club's Finance, List Management and MFC/MCC Committees, and has particular involvement at Board level on our gaming investments and our relationship with the Melbourne Cricket Club. Peter holds a Bachelor of Economics. Peter is the Managing Director and owner of family companies associated in the oil industry, retail businesses and property development.

David Thurin David has been a director of the Melbourne Football Club Limited since 12 June 2008 and is a member of the Club's List Management Committee and Strategic Relationships and Facilities Project Team. David is Managing Director and owner of Tigcorp, a privately owned company that owns, develops and manages retirement communities as well as having listed and private equity investments. David has previously been involved in the Gandel Group of Companies, as a director for fourteen years and as a Joint Managing Director of both the Gandel Group and Gandel Retail Management for six years. David has been the President of the International Diabetes Institute and currently is a Director of the Baker IDI Heart and Diabetes Institute. He also is a member of the World Presidents Organisation and the MCC. David holds a Bachelor of Medicine with post-graduate qualifications in family medicine and obstetrics and gynaecology, as well as a Masters Degree in Management from Stanford University in California.

John Trotter John has been a director of the Melbourne Football Club since November 10th 2010, is a member of the Club's Finance and Governance Committees, and has particular involvement at the Board level on the governance structures, risk management and finance operations of the club as well as being on the Committee of Mates of Melbourne business network. John is the Managing Partner of Deloitte Victoria, an advisory member of the Deloitte New Zealand Board, a Fellow of the Institute of Chartered Accountants, a member of the Institute of Internal Auditors and a member of the Australian Institute of Company Directors. He also holds a Bachelor of Commerce from Melbourne University.

Directors' Report (continued)

2. Chief Executive Officer and Company Secretary

Cameron Schwab Cameron was appointed Chief Executive Officer of the Melbourne Football Club Limited on 29 September 2008.

Cameron is an executive member of the Club's Finance, Governance and List Management Committees.

Cameron holds a Master of Business Administration, a Master of Marketing and has completed an Advanced Management Program with the Harvard Business School. Cameron commenced his working life as a cadet administrator with Melbourne Football Club in 1982, and was later appointed Recruiting Manager. In 1988 Cameron was appointed General Manager of Richmond Football Club. He returned to Melbourne Football Club as CEO in 1997. In 2000 he was appointed CEO of afl.com.au, the AFL's official website. In September 2001, Cameron commenced the role as CEO of the Fremantle Football Club, the position he held until returning to Melbourne in 2008.

Matthew Green Matthew has been the Company Secretary of the Melbourne Football Club Limited since 5 February 2009 after joining the club on 27 November 2008. Matthew is the Chief Operating Officer of the Club, sits on the Senior Executive team and is an executive member of the Club's Finance, Governance and List Management Committees. Matthew is a Chartered Accountant and holds a Bachelor of Commerce/Arts degree. Matthew joined MFC from a large accounting firm and has had extensive experience in turnaround consulting and restructuring.

3. Principal Activities

The principal activities of the Club are to conduct the operations of the Melbourne Football Club and manage its affairs to promote the playing of the Australian game of football in general and, in particular, to promote the game by maintaining, controlling and otherwise providing a team or teams of footballers bearing the name of the Club. There was no significant change in the nature of the Club's activities during the year.

4. Operating Results and Review of Operations

The Club has reported an operating profit of $135,976 (FY10: $724,458) for the year ended 31 October 2011.

There are a number of contributing factors to this year's result: breaking our membership record for the fifth consecutive year; the continued support of all of our sponsors, in particular Hankook and Kaspersky; ongoing MCC and AFL support; improved performance from the Leighoak club venue; and other improvements across the Club in key areas driven by strong corporate governance and risk management.

After on-going discussions, the Club completed the Bentleigh Club merger during the year – this provided a net gain at merger date of $5.904 million. While the Bentleigh Club merger required us to take on additional debt of $1.8 million, and their outstanding gaming machine entitlement commitments of $1.2 million, this has been significantly outweighed by the assets of the Bentleigh Club, which totalled $9.155 million at merger date. It is important to point out that the debt taken on as part of the merger will be repaid from the profits of the club venues and not from the rest of the operations of the Club. The Club would like to thank all the members of the Bentleigh Club and their Board for their support throughout the discussions, and we look forward to working with the members and the local community to build a strong future for the Bentleigh Club in the coming years.

The statutory profit for the year is $6.041 million (FY10: $3.525 million) - this result is largely driven by the Bentleigh Club merger, as outlined above and detailed on the following page:

Directors' Report (continued)

4. Operating Results and Review of Operations (continued)

	$
Operating Net Profit	**135,976**
Bentleigh Club merger (net)	5,904,653
Net Profit as reported in Statement of Comprehensive Income	**6,040,629**

The Club is pleased to have achieved the above result, particularly given the level of strategic reinvestment that we were able to make in 2011. We continued to invest in our community programs as part of our fan development strategy, particularly in the City of Casey, and this year launched the "Digital Demons" (an anti cyber bullying program) and "Dare to Dream (a program to inspire teenage girls to pursue their dreams). These programs complement established programs such as "Read Like a Demon" and "Don't Drive Like a Demon". The Club also increased its investment in the football department with an additional $978,000 spent across coaching, player support and infrastructure and facilities.

In 2011 we were again able to make a strategic investment in Total Player Payments (TPP), thanks largely to the generous contribution of our Foundation Heroes. The investment made in TPP involves a pre-payment to a number of players in 2011 of amounts they were due to be paid in 2012. Hence the Club is bringing forward a future payment - without changing the total amount the player is to be paid over the life of his contact – to create room in the salary cap in future years. This investment is important in that it gives the club an improved ability to both keep the current list together and also potentially attract new players. The investment made in prior years assisted in MFC being able to trade for Mitch Clarke this year. We again thank our Foundation Heroes and all members who made a pledge for their extraordinary contribution.

The funding from the AFL equalisation pool for 2012 – 2014 was announced during 2011. Pleasingly, the Club has secured $9.070 million over this period, which will be used to fund football, commercial and fan development initiatives to improve our ability to compete and give the Club the capacity to grow. The Club is thankful for the ongoing support of the AFL as we grow the Club.

The MCC again provided significant funding in 2011 and we thank the Committee and the members for their ongoing support. We consider our relationship with the MCC to be fundamental to our future and we are proud to be a sporting section of this great club.

The improvement in returns from our club venue, The Leighoak, continued in 2011 with an overall profit of $496,000. With the merger with the Bentleigh Club, and the transition to the new gaming regime from August 2012, the Club is well positioned to continue to generate strong returns from our club venues into the future.

The on field performance of the Club in 2011 was disappointing. While there were certainly some memorable performances throughout the season, the average margin from games we lost was of concern with the team not able to remain competitive for long enough in some games.

The Club decided not to renew Senior Coach Dean Bailey's contract for 2012 and we thank Dean for his contribution over the past four seasons and wish him all the best for his future endeavours. We also thank Todd Viney for stepping in as interim coach for the last five games of the season.

2011 saw the debuts of Luke Tapscott, Jeremy Howe, Michael Evans, Max Gawn, Daniel Nicholson, Sam Blease, Tom McDonald and Jack Fitzpatrick, with Jordan Gysberts and Sam Blease securing rising star nominations for their performances during the year. Aaron Davey played his 150th game in 2011, while Nathan Jones, Mark Jamar, Joel Macdonald all chalked up 100 games, and Brent Moloney played his 100th game for the Club. Congratulations to all players who achieved a milestone during 2011.

The outstanding players in red and blue for 2011 were recognised at our Best and Fairest with Brent Moloney taking out the Keith 'Bluey' Truscott trophy after an outstanding year. Jared Rivers, James Frawley, Nathan Jones and Jack Trengove filled out the rest of the top five positions respectively and we congratulate all winners on their seasons.

Directors' Report (continued)

4. Operating Results and Review of Operations (continued)

The trade period saw Mitch Clark join the Club from the Brisbane Lions in exchange for pick 12 in the National Draft. We are very pleased to have Mitch at the Club.

The National Draft saw Rory Taggart, Josh Tynan and James Sellar added to the list – we welcome all three players to the Club and look forward to watching their development over the coming seasons.

After a year of speculation, Tom Scully informed the Club that he was leaving to pursue an offer with Greater Western Sydney. While the Club made every effort to retain Tom, we were not prepared to match Greater Western Sydney's offer at the expense of compromising our other list management objectives. MFC acknowledges the contribution of Matthew Warnock, Austin Wonaeamirri, Michael Newton, Addam Maric, Tom McNamara, Robert Campbell and Cameron Johnston, who have also departed the Club in 2011.

The off-season brings renewed optimism following the restructure of the football department. The Club welcomes a number of hew staff and in particular we welcome Mark Neeld (Senior Coach), Neil Craig (Director of Sport Performance) and David Misson (Elite Performance Manager). We believe we have established an elite performance team and coupled with outstanding training facilities we will provide all our players every chance to achieve their potential.

As mentioned earlier, we also acknowledge Hankook and Kaspersky's contribution to this year's result. While neither will continue as major sponsors in 2012, their contribution to the Club at a time when it was most needed was a vital part of rebuilding the Club.

In August the Club announced our new major sponsor in EnergyWatch and we look forward to working with EnergyWatch for the next three seasons in an exciting new partnership.

The Board would again like to single out the outstanding contribution of our President. Jim continues to amaze and inspire us with his courage and determination. He continues to provide strong leadership and direction through his personal challenges and we thank him for all he does for our club.

2011 has been a difficult year for the Club, both on and off the field, however we believe these challenges have galvanised the Club and have strengthened our resolve and passion to achieve the Club's goals. Your Board remains committed to growing the Melbourne Football Club, and forming a stable, financially sounds business off the field while delivering a sustained period of success on the field. We again thank all members for permitting us the privilege of serving as Directors of this great Club.

5. Events Subsequent to Balance Date

There are no events subsequent to balance date likely to materially impact the Club.

6. Likely developments

There are no developments likely to materially impact the Club.

7. Environmental Regulation

The Directors believe that the operations of the Club are not subject to any particular or significant environmental regulation.

Directors' Report (continued)

8. Auditors Independence Declaration

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 9 and forms part of the Directors' Report for the year ended 31 October 2011.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amount for the provision of other services:

- Other assurance related services $10,000

9. Directors' Meetings

The number of Directors' meetings held and the number of meetings attended by each Director are:

	Number held	Number attended
Director		
Jim Stynes	13	10
Don McLardy	13	13
Guy Jalland	13	10
Stuart Grimshaw	13	7
Karen Hayes	13	12
Russel Howcroft	13	11
David Thurin	13	13
Peter Spargo	13	13
John Trotter	12	12
Andrew Leoncelli	3	3

10. Indemnification and Insurance of Officers

Insurance and indemnity arrangements concerning Directors of the Club have continued since 31 October 2010. Under the agreement the Directors of the Club are indemnified against any claim to a maximum of $5 million which may arise as a result of work performed in their capacity as a Director.

The Club has a Finance Committee, which met on 10 occasions during the year. Stuart Grimshaw (Chairman), Guy Jalland, Peter Spargo and John Trotter are the Board representatives on this Committee.

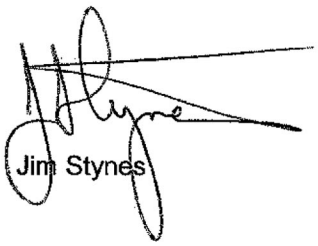
During the financial year, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which they are a member, or with a company in which he has a substantial financial interest.

The Club has not, during or since the end of the financial year, in respect of any person who is or has been an auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred.

Directors' Report (continued)

10. Indemnification and Insurance of Officers (continued)

Signed in accordance with a resolution of Directors at Melbourne this 5th day of December 2011.



Jim Stynes

Peter Spargo

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Auditor's Independence Declaration to the Directors of Melbourne Football Club Limited

In relation to our audit of the financial report of Melbourne Football Club Limited for the financial year ended 31 October 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

D. J. Shewring
Partner
Melbourne
5 December 2011

Liability limited by a scheme approved
under Professional Standards Legislation

Statement of Comprehensive Income

For the year ended 31 October 2011	Note	2011 $	2010 $
Revenue	3	33,514,371	34,357,061
Other income	3	6,723,515	42,822
Social club and gaming expenses		(2,567,792)	(2,528,400)
Football department costs		(16,309,582)	(15,330,598)
Cost of sales		(874,568)	(782,872)
Administration costs		(3,935,931)	(3,649,689)
Corporate, membership and marketing expenses		(7,519,637)	(6,957,844)
Finance costs	4	(13,452)	(74,472)
Other expenses		(1,867,021)	(1,341,064)
Bentleigh Club merger costs including stamp duty		(786,554)	-
Depreciation		(322,720)	(209,599)
Net profit/(loss) for the period	13	**6,040,629**	**3,525,345**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**6,040,629**	**3,525,345**
Net profit/(loss) for period attributable to members		6,040,629	3,525,345
Total comprehensive income for period attributable to members of Melbourne Football Club Limited		6,040,629	3,525,345

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

As at 31 October 2011	Note	2011 $	2010 $
CURRENT ASSETS			
Cash and cash equivalents	5	858,078	807,777
Trade and other receivables	6	596,067	619,037
Inventories	7	131,228	81,063
Other assets	8	422,052	263,301
TOTAL CURRENT ASSETS		**2,007,425**	**1,771,178**
NON CURRENT ASSETS			
Receivables	16	75,800	140,000
Property, plant and equipment	9	11,513,588	2,445,238
TOTAL NON CURRENT ASSETS		**11,589,388**	**2,585,238**
TOTAL ASSETS		**13,596,813**	**4,356,416**
CURRENT LIABILITIES			
Trade and other payables	10	3,529,736	2,621,595
Interest bearing liabilities	11	65,200	-
Provisions	12	372,947	266,761
Income received in advance	2(q)	1,452,537	1,105,395
TOTAL CURRENT LIABILITIES		**5,420,420**	**3,993,751**
NON CURRENT LIABILITIES			
Provisions	12	46,022	47,723
Interest Bearing Liabilities	11	1,774,800	-
TOTAL NON CURRENT LIABILITIES		**1,820,822**	**47,723**
TOTAL LIABILITIES		**7,241,242**	**4,041,474**
NET ASSETS		**6,355,571**	**314,942**
MEMBERS' FUNDS			
Retained earnings	13	6,355,571	314,942
TOTAL MEMBERS' FUNDS		**6,355,571**	**314,942**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 October 2011	Note	2011 $	2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and operations		33,250,539	32,165,821
Interest received		32,308	42,822
Payments to suppliers and employees		(33,233,881)	(30,314,798)
Interest and other costs of finance paid		(13,452)	(74,472)
Receipt of grants		650,000	1,900,000
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		**685,514**	**3,719,373**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(1,041,023)	(1,521,931)
Cash acquired through merger with the Bentleigh Club	14	301,610	-
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(739,413)**	**(1,521,931)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan proceeds from/(to) key management personnel		64,200	(140,000)
Repayment of borrowings		(1,800,000)	(1,530,000)
Proceeds from borrowings		1,840,000	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**104,200**	**(1,670,000)**
Net increase/(decrease) in cash held		50,301	527,442
Cash at the beginning of the year		807,777	280,335
CASH AT THE END OF THE FINANCIAL YEAR	5	**858,078**	**807,777**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 October 2011	(Accumulated losses)/ Retained earnings	Total Equity
	$	$
BALANCE AS AT 1 NOVEMBER 2009	(3,210,403)	(3,210,403)
Profit for the year	3,525,345	3,525,345
Other comprehensive income	-	-
Total comprehensive income for the period	**3,525,345**	**3,525,345**
BALANCE AS AT 31 OCTOBER 2010	**314,942**	**314,942**
BALANCE AS AT 1 NOVEMBER 2010	**314,942**	**314,942**
Profit for the year	6,040,629	6,040,629
Other comprehensive income	-	-
Total comprehensive income for the period	**6,355,571**	**6,355,571**
BALANCE AS AT 31 OCTOBER 2011	**6,355,571**	**6,355,571**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 October 2011

1. Club Information

Melbourne Football Club Limited is incorporated in Australia and is a company limited by guarantee. Statutory members of the Club guarantee its liabilities to the extent of $5 each (refer note 2(r)).

The registered office and principle place of business of the Club is located at:

Melbourne Cricket Ground, Great Southern Stand
Brunton Avenue
East Melbourne VIC 3002

The principal activities of the Club are the playing and promotion of the game of Australian Rules Football and the operation of related facilities. The Club is a member of the Australian Football League.

The financial report of the Club for the year ended 31 October 2011 was authorised for issue in accordance with a resolution of the Directors on 5th December 2011.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation of Accounts

This financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards – Reduce Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

Both the functional and presentation currency of the Club is Australian dollars ($). All amounts are rounded to the nearest dollar.

The financial report has been prepared on a going concern basis.

The Club reported a profit of $6.041 million for the year ended 31 October 2011. The Club had positive operating cashflows of $0.686 million during the 2011 year, and a net asset position of $6.356 million. The Club had a net current asset deficiency of $3.413 million at 31 October 2011. This amount includes unearned income accrued amounts relating to 2012 memberships with no cash outflow impact, and other payables to be repaid from operating cashflows generated by the Club, or through access to commercial bill and overdraft facilities.

The Directors have assessed that the positive financial performance and financial position of the Club at 31 October 2011, together with the Club's ongoing operating activities and cashflows, are such that the going concern basis of accounting continues to be appropriate. The Directors have determined that appropriate cashflows and financing facilities are available to the Club for the purposes of capital and operational investments in the next 12 month period.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(b) Statement of compliance

The Group has early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* for the financial year beginning on 1 November 2010.

The Group is a not-for-profit, private sector entity which is not publicly accountable. Therefore the financial statements of the Club are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

The adoption of AASB 1053 and AASB 2010-2 allowed the Club to remove a number of disclosures. There was no other impact on the current or prior year financial statements.

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New Accounting Standards and Interpretations

The accounting policies adopted in preparing the financial statements are consistent with those adopted in previous years with the exception of:
►AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective 1 January 2010
►AASB 2009-8 *Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]* effective 1 January 2010
►AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]* effective 1 February 2010
► AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]* effective 1 July 2010
► AASB Interpretation 19: *Extinguishing financial liabilities with equity instruments*

(c) Basis of Consolidation

At 31 October 2011 the Melbourne Football Club Limited did not have any subsidiaries.

(d) Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Club acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Club's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Club and the revenue can be reliably measured.

Revenues are detailed in Note 3 and comprise revenue earned from AFL dividends and distributions, membership, reserved seating, sponsorships, fundraising, gate receipts, corporate hospitality and gaming activities. Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST). Sponsorships involving contra arrangements are recognised as revenue equivalent to the fair value of the services provided by the sponsor. Interest income is recognised as it accrues using the effective interest method.

Fundraising and membership income is accounted for on the basis of the period to which it relates. Income received in the year ended 31 October 2011, but relating to future accounting periods is carried on the Statement of Financial Position and will be recognised in the period in which it relates.

Grant income, including contributions of assets, is recognised when the Club controls the contribution or right to receive the contribution, and it is probable that the economic benefits comprising the contributions will flow to the Club, and the amount of the contribution can be measured reliably. Grants are recognised in the statement of financial position as a liability (deferred income) when the grant is received. The grant is released to the statement of comprehensive income over the expected useful life in equal instalments.

(f) Property, Plant and Equipment

Cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. All acquisitions of property, plant and equipment and leasehold improvements are recorded at cost.

Depreciation and Amortisation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets, from the time the asset is held ready for use, as follows:

Furniture and fittings	10% - 33%
Computer hardware	25% - 33%
Computer software	33% - 40%
Plant and equipment	7.5% - 15%
Motor vehicles	12.5%
Purchased memorabilia	Not depreciated
Land	Not depreciated

Leasehold improvements are amortised over the period of the Club's lease arrangements or the estimated useful life of the improvement, whichever is the shorter.

Items of purchased memorabilia are recorded at cost of acquisition. Memorabilia assets are kept under special conditions so that there is no physical deterioration and they are anticipated to have a very long and indeterminate useful life. No amount of depreciation has been recognised in respect of purchased memorabilia as their service potential has not, been consumed during the period.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end date and adjusted if appropriate on a prospective basis.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Impairment

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

The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use in the instance indicators of impairment are present, an assessment of the current value of the assets was made on the basis of an earnings multiple.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

(i) Income tax

No income tax is payable by Melbourne Football Club Limited as it is an exempt sporting organisation in accordance with Section 50-45 of the *Income Tax Assessment Act 1997*.

(j) Provisions and employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Expected future payments are discounted using market yields at 31 October 2011 on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions are made by the Club to an employee superannuation fund and are charged as expenses when incurred. All superannuation guarantee legislative requirements are met.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST). The amounts reported for receivables and payables are inclusive of GST. The net amount of GST receivable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows from operating activities are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows applicable to investing and financing activities that are recoverable from, or payable to, the ATO are classified in operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

(m) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity 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 value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are shown as a current liability in the Statement of Financial Position.

(n) Trade and other receivables

Trade receivables, which generally have 0 - 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is made when there is objective evidence the Club will not be able to collect the debts. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Bad debts are written off when identified. Non-current receivables are carried at the net present value of the future cash flows that they represent.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Interest-bearing loans and borrowings

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

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

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(p) Interest-bearing loans and borrowings (continued)

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

Borrowing Costs

Borrowing costs are expensed in the period they are incurred.

(q) Income received in advance

Income received in advance is recognised in line with the terms of specific contracts. Membership subscription income in advance is recognised in line with the membership subscription period and the service obligations of the Club.

(r) Members' liability on winding up

The Club is a company limited by guarantee and domiciled in Australia. Accordingly the liability of the members of the Club is limited. As stated in clause 2.2 of the Club's Constitution, if the Club is wound up each Member undertakes to contribute to the assets of the Club up to an amount not exceeding $5 for payment of the debts and liabilities of the Club, including the costs of winding up. This undertaking continues for one year after a person ceases to be a Member.

(s) Leases

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

(t) The Club as a lessee

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(u) Other financial assets

Loans and receivables including loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(v) Significant accounting judgments, estimates and assumptions

In applying the Club's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Club. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Long service leave provision

As discussed in Note 2(j), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. The related carrying amounts are disclosed in note 12.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

2. Summary of significant accounting policies (continued)

(v) Significant accounting judgments, estimates and assumptions (continued)

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and manufacturers warranties. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. The related carrying amounts are disclosed in note 9.

Land fair value measurement at recognition.

On recognition, land was measured at its fair value. The valuation of this land was based on an independent valuation. The valuation was determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, comparative sales evidence, land use, locality and residential zoning. The related carrying amount is disclosed in note 9.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
3. Revenue			
Revenue from Football related activities			
Gate receipts (i)		3,981,110	5,440,371
Distributions from the AFL		8,422,004	8,129,500
Merchandise		806,732	746,131
Membership and annual reserved seating		5,746,734	5,024,803
Marketing/corporate sponsorship and general fundraising		8,133,129	7,531,850
Grant income		833,372	1,664,437
Foundation heroes/debt demolition fundraising		952,249	1,527,105
Other revenue		1,045,028	1,147,939
Total revenue from Football related activities		**29,920,358**	**31,212,136**

(i) As a result of the agreement reached between the Australian Football League, Melbourne Cricket Club and the State Government, an extra $100,000 distribution was received for each home game played at the Melbourne Cricket Ground in the 2011 year. This amounted to an additional $1 million in gate receipts for the year ended 31 October 2011. In the prior year, this agreement resulted in an additional $1 million in gate receipts for both the 2010 and 2009 seasons ($2 million in total).

Revenue from other activities			
Social and gaming revenue		3,594,013	3,144,925
Total revenue from other activities		**3,594,013**	**3,144,925**
Total revenue		**33,514,371**	**34,357,061**
Other income			
Interest		32,308	42,822
Gain on merger with the Bentleigh Club	14	6,691,207	-
Total other income		**6,723,515**	**42,822**

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
4. Expenses			
Expenses			
Finance Costs			
- Interest paid to external entities		13,452	74,472
Total finance costs		13,452	74,472
Depreciation and amortisation			
Total depreciation and amortisation expense		322,724	209,599
Employee benefits expense			
Salary, wages and termination expense		17,187,868	15,380,175
Superannuation expense		1,141,521	1,051,208
Total employee benefits expense		18,329,389	16,431,383
Occupancy Expenses			
Minimum lease payments		1,536,326	1,143,611
Other			
Bad debts		9,416	9,193
Doubtful debts recognised/(reversed)		(11,435)	110,700
5. Cash and Cash Equivalents			
Cash at bank and in hand		858,078	807,777
		858,078	**807,777**

Reconciliation to statement of cash flows
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand as at 31 October 2011.

Financing facilities
At 31 October 2011, the Club had a $300,000 overdraft facility with Westpac (undrawn). The overdraft facility, if utilised, will impose an interest rate of 10.61% per annum, with interest charged monthly.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
6. Trade and Other Receivables			
Current			
Trade receivables		416,945	658,194
Less provision for impairment loss (a)		(14,407)	(112,927)
Other receivables		102,147	14,635
GST receivable		91,382	59,135
		596,067	**619,037**
(a) Movements in the provision for impairment loss were as follows:			
At 1 November		112,927	2,227
Charge for the year		14,407	110,700
Previously recognised doubtful debts written off		(87,500)	-
Amounts recovered		(25,427)	**-**
At 31 October		**14,407**	**112,927**
7. Inventories			
Merchandise		76,904	58,243
Food and beverage		54,324	22,820
		131,228	**81,063**

(a) Cost of Sales
Cost of Sales for the year ended 31 October 2011 totalled $874,568 (2010: $782,872) for the Club.
Inventory assets have been pledged as security for commercial bill and overdraft liabilities as disclosed in note 5 and 11.

8. Other Assets			
Prepayments		409,218	248,301
Other		12,834	15,000
		422,052	**263,301**

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
9. Property, Plant and Equipment			
Furniture and fittings			
Cost			
Opening balance		471,614	298,616
Additions		7,578	172,998
Closing balance		**479,192**	**471,614**
Accumulated depreciation			
Opening balance		276,944	263,804
Depreciation for the year		24,595	13,140
Closing balance		**301,539**	**276,944**
Net book value		**177,653**	**194,670**
Plant and equipment			
Cost			
Opening balance		1,410,311	1,157,146
Additions		342,547	253,165
Closing balance		**1,752,858**	**1,410,311**
Accumulated depreciation			
Opening balance		990,734	843,802
Depreciation for the year		170,176	146,932
Closing balance		**1,160,910**	**990,734**
Net book value		**591,948**	**419,577**
Leasehold improvements			
Cost			
Opening balance		1,638,905	122,409
Additions		203,769	1,266,496
Transfers from capital work in progress		-	250,000
Closing balance		**1,842,674**	**1,638,905**
Accumulated depreciation			
Opening balance		154,857	108,752
Depreciation for the year		124,527	46,105
Closing balance		**279,384**	**154,857**
Net book value		**1,563,290**	**1,484,047**
Motor vehicles			
Cost			
Opening balance		27,376	27,376
Closing balance		**27,376**	**27,376**
Accumulated depreciation			
Opening balance		9,704	6,282
Depreciation for the year		3,422	3,422
Closing balance		**13,126**	**9,704**
Net book value		**14,250**	**17,672**

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
9. Plant and Equipment (continued)			
Purchased Memorabilia			
Cost			
Opening balance		97,918	97,918
Closing balance		**97,918**	**97,918**
Net book value		**97,918**	**97,918**
Capital work in progress			
Cost			
Opening balance		231,354	250,000
Additions		138,955	231,354
Transfers to leasehold improvements		-	(250,000)
Disposals		(1,779)	-
Closing balance		**368,530**	**231,354**
Net book value		**368,530**	**231,354**
Land			
Cost			
Opening balance		-	-
Additions		8,700,000	-
Closing balance		**8,700,000**	**-**
Net book value		**8,700,000**	-
Total property, plant and equipment			
Opening balance		3,877,477	1,953,465
Additions		9,392,849	1,924,012
Disposals		(1,779)	-
Closing balance		**13,268,547**	**3,877,477**
Accumulated depreciation			
Opening balance		1,432,239	1,222,640
Depreciation for the year		322,720	209,599
Closing balance		**1,754,959**	**1,432,239**
Net book value		**11,513,588**	**2,445,238**

All plant and equipment assets have been pledged as security for commercial bill and overdraft liabilities as disclosed in note 5 and 11.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
10. Trade and Other Payables			
Current			
Trade creditors	(a)	1,216,145	677,267
Other creditors and accruals		2,288,600	1,926,848
GST Payable		24,991	17,480
		3,529,736	**2,621,595**

(a) Terms and Conditions
(i) All payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

11. Interest Bearing Loans and Liabilities			
Current			
Commercial bill facility – secured	(i)-(ii)	65,200	-
		65,200	**-**
Non-Current			
Commercial bill facility – secured	(i)-(ii)	1,774,800	**-**
		1,774,800	-

The Club has two facilities with Westpac as at 31 October 2011.

(i) Operating Facility

The first facility provides the Club to draw funds up to a limit of $1.0 million ($0.3 million overdraft facility, $0.7 million commercial bill facility). Under the terms of the commercial bill, the facility is repayable on demand. This facility can be used as either an overdraft facility or a commercial bill facility up to $1.0 million. This facility is supported by a $1 million guarantee provided by the Australian Football League extended to 31 October 2012. This facility is also secured by a fixed and floating charge over all existing and future assets of the Club. This facility remained undrawn at 31 October 2011.

(ii) Bentleigh Club Facility

The second facility enables the Club to draw funds up to a limit of $3.539 million ($1.840 million drawn at 31 October 2011) until 30 June 2013. Under the terms of the commercial bill facility, $65,200 is repayable on 31 October 2012, with $190,200 then repayable each quarter. This facility is supported by a $1.77 million guarantee provided by the Australian Football League.

This facility is also secured by a fixed and floating charge over all existing and future assets of the Club, as well as a specific mortgage charge over the Club's liquor licence, gaming licences, and leasehold interest relating to the Leighoak Club venue.

(ii) The carrying amount of the Club's borrowings approximate their fair value.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $

11. Interest Bearing Loans and Liabilities (continued)

Defaults and breaches
During the current and prior years, there were no defaults or breaches on any of the loans.

Capital Management
When managing capital, management's objective is to ensure the Club continues as a going concern, and has available funds to execute the Club's operational and strategic activities. The capital structure of the Club during the year consisted of debt, which included the interest bearing loans as disclosed above, and cash and cash equivalents.

As part of the Bentleigh Club merger completed during the year, the Club assumed the debt of the Bentleigh Club. The Club has committed to a quarterly repayment schedule commencing from 31 October 2012.

The Club is not subject to any externally imposed capital requirements. The Club is prohibited by its Constitution from making distributions to members.

	Annual Leave $	Long service leave $	Total $

12. Provisions

At 31 October 2011	**298,848**	**120,121**	**418,969**
Current	298,848	74,099	372,947
Non-current	-	46,022	46,022
	298,848	**120,121**	**418,969**
At 31 October 2010	**246,544**	**67,940**	**314,484**
Current	246,544	20,217	266,761
Non-current	-	47,723	47,723
	246,544	**67,940**	**314,484**

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $
13. Retained Earnings			
Retained earnings/(accumulated losses) at beginning of financial year		314,942	(3,210,403)
Net profit		6,040,629	3,525,345
Retained earnings at end of financial year		**6,355,571**	**314,942**

14. Business combination

Merger with the Bentleigh Club
On 5 October 2011, the Club merged with the gaming venue the Bentleigh Club.

As consideration for the transaction, the Bentleigh Club's liabilities were assumed by the Club as well as the provision of member benefits as outlined under the Business Transfer Deed. Under the Business Transfer Deed, the Club is unable to sell the land and property acquired until 15 August 2022 unless certain conditions are met, or the Bentleigh Club members approve the relocation of the business to another venue.

The fair values of the identifiable assets and liabilities of the Bentleigh Club as of the date of merger were:

		Fair value at merger date $
Cash and cash equivalents		301,610
Trade receivables		6,050
Inventory		31,317
Other assets		50,985
Prepaid gaming entitlements		65,200
Property, plant and equipment		8,700,000
		9,155,162
Trade creditors		417,143
Other payables		206,001
Provision for employee entitlements		40,811
Interest bearing liabilities		1,800,000
		2,463,955
Fair value of identifiable net assets		6,691,207
Gain on merger	3	(6,691,207)
		-

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $

15. Commitments for Expenditure

Operating leases

Commitments in relation to leases contracted for at reporting date but not recognised as liabilities are payable as follows:

-	Not later than 1 year	1,086,480	1,041,419
-	Later than 1 year but not later than 5 years	2,834,164	3,910,080
-	Later than 5 years	-	-
		3,920,644	**4,951,499**

The Club has entered into commercial leases on its premises at the Leighoak Club and for certain fixed assets. These leases have a term of between 3 years and 5 years. There are no restrictions placed upon the Club by entering into these leases. The option to extend the lease on the Leighoak Club until 2015 was exercised during 2008.

The Club entered into a number of commercial leases with Melbourne and Olympic Parks Trust in June 2010. These leases have a term of 5 years. At the end of this period, the Club has the option to extend the lease for a further two 5 years periods and one 6 year period. There are no restrictions placed upon the Club by entering into these leases.

Player and coaching staff commitments

In relation to the future seasons, the Club has a liability for player and coaching contracts which comply with AFL regulations. Included in this, the following commitments exist in relation to signed player contractual arrangements. This excludes player payments associated with contingent performance obligations which are deemed not to be reliably measurable. These contingencies will only arise subject to the inclusion of the players on the Club's official list and performances. Player payments are underwritten by the AFL in accordance with the Collective Bargaining Agreement between the AFL and the AFL Players Association.

-	Not later than 1 year	9,566,464	7,723,490
-	Later than 1 year but not later than 2 years	5,421,209	5,092,500
-	Later than 2 years but not later than 5 years	3,656,794	1,580,000
		18,644,467	**14,395,990**

Gaming machine entitlement commitments

Leighoak Club

The Club purchased 92 gaming machine entitlements from the State Government during the year ended 31 October 2010.

Bentleigh Club

The Club acquired the Bentleigh Club's gaming machine entitlements though its merger with the Bentleigh Club on 5 October 2011. The Bentleigh Club purchased 88 gaming machine entitlements from the State Government during the year ended 31 October 2010.

At balance date, the Club has contractual commitments in respect of gaming machine entitlements which are expected to be settled as follows:

-	Not later than 1 year	1,338,638	-
-	Later than 1 year but not later than 5 years	1,797,115	1,297,917
-	Later than 5 years	-	599,038
		3,135,753	**1,896,955**

Notes to the Financial Statements (continued)

Year ended 31 October 2011

	Note	2011 $	2010 $

15. Commitments for Expenditure (continued)

Gaming machine entitlement commitments (continued)
Deposits paid of $165,040 for these gaming machine entitlements has been reflected in the financial statements as a prepayment (refer note 8).

16. Remuneration of Auditors

Remuneration of Ernst & Young for audit of the financial reports of the Melbourne Football Club Limited

		58,000	**47,500**
Remuneration for other services	(a)	10,000	9,750
		10,000	**9,750**

(a) Includes assurance related services.

17. Remuneration of Key Management Personnel

Key management personnel are determined to be the Board of Directors, Chief Executive Officer, Chief Operating Officer, Chief Commercial Officer, General Manager Football Operations, General Manager List Management, General Manager Strategy and the Senior Coach.

Compensation for key management personnel

Total compensation*	**2,104,836**	**1,741,289**

* General Manager Strategy commenced with the Club in February 2011.

Loan receivable from key management personnel
In 2010, the Club provided a loan to a key management person of $140,000 at an arm's length commercial fixed interest rate of 6.2%. Repayment of the loan is due by 30 October 2013. The loan is secured by a mortgage over property owned by the key management person. Interest was received as contracted. $64,200 of principal was repaid during the year leaving a balance of $75,800.

Notes to the Financial Statements (continued)

Year ended 31 October 2011

18. Related Parties

Parent entity
Melbourne Football Club Limited is the parent and ultimate parent entity.

Directors and director-related entities
The names of the persons who were Directors of the Club for all or part of the financial year are listed below.

Jim Stynes	Andrew Leoncelli (resigned 4 February 2011)
Guy Jalland	Russel Howcroft
Don McLardy	Peter Spargo
Stuart Grimshaw	David Thurin
Karen Hayes	John Trotter (appointed 10 November 2010)

Certain director related transactions occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the Club would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances.

	2011 $	2010 $
Amounts provided to the Club:		
Jim Stynes (Reach Foundation, Eire Investments) - Corporate Packages	160	-
Guy Jalland - Corporate Packages, and Debt Demolition Fundraising	7,710	7,159
Don McLardy (McLardy McShane & Associates Pty Ltd) - Corporate Packages, Foundation Heroes Fundraising and Debt Demolition Fundraising	39,034	49,844
Stuart Grimshaw (Caledonia) - Corporate Packages and Debt Demolition Fundraising	250	4,470
Russel Howcroft (George Patterson Y & R) - Corporate Packages, Foundation Heroes Fundraising and Debt Demolition Fundraising	10,580	6,622
Peter Spargo (Spargo Group) - Corporate Packages Debt Demolition Fundraising	18,280	21,330
David Thurin (Applewood, Tigcorp) - Corporate Packages	12,065	19,420
Karen Hayes - (UXC) - Corporate Packages, Foundation Heroes Fundraising and Debt Demolition Fundraising	16,017	13,247
Andrew Leoncelli - Corporate Packages	-	670
John Trotter (Deloitte) - Corporate Packages	33,740	-

Notes to the Financial Statements (continued)

Year ended 31 October 2011

19. Financial Instruments

This note presents information about the Club's exposure to financial risks, the Club's objectives, policies and the processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Club's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities and overdrafts.

Fair values
The fair values of the Club's financial instruments are materially consistent with the carrying amounts recognised in the financial statements.

Risk exposures and responses

(a) Interest rate risk
The Club's exposure to market interest rates relates predominately to the Club's holding of cash and cash equivalents and the Club's debt facility obligations.

The Club manages its exposure to key financial risks through the monthly Finance Committee meetings. The objective of this meeting is to support the delivery of the Club's financial targets whilst protecting future financial security.

The main risks arising from the Club's financial instruments are interest rate risk, credit risk and liquidity risk. The Club uses different methods to measure and manage these risks including assessment of market forecasts for interest rate risk, aging analyses to monitor credit and cash flow forecast to monitor liquidity risk.

(b) Foreign currency risk

The Club has no exposure to foreign currency risk.

(c) Liquidity risk
Liquidity risk is the risk that the Club will not be able to meets its financial obligations as they fall due. The Club's objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The Club's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Club's reputation. The Club monitors cash flow requirements daily, ensuring there is sufficient cash on demand to meet expected operational expenses.

20. Economic Dependency

The Melbourne Football Club Limited is economically dependent on the ongoing support of the Australian Football League through receipt of distributions and dividends.

21. Events after the Balance Sheet Date

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected the results of operations or the Club's state of affairs for the year ended 31 October 2011.

Directors' Declaration

In accordance with a resolution of the Directors of the Melbourne Football Club Limited, we state that:

In the opinion of the Directors:

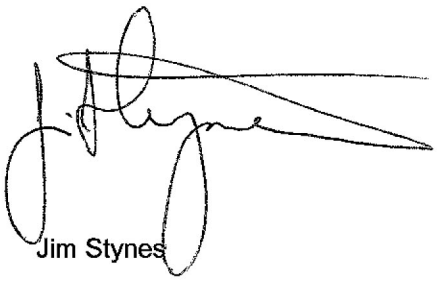
(a) the financial statements and notes of the Melbourne Football Club Limited are in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the Club's financial position as at 31 October 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable..

On behalf of the Board



Jim Stynes

Peter Spargo

Melbourne
5 December 2011

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Independent auditor's report to the directors of Melbourne Football Club Limited

Report on the financial report

We have audited the accompanying financial report of Melbourne Football Club Limited, which comprises the statement of financial position as at 31 October 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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under Professional Standards Legislation

Opinion

In our opinion:

a. the financial report of Melbourne Football Club Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's financial position as at 31 October 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Ernst & Young

D. J. Shewring
Partner
Melbourne
5 December 2011

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