FINANCIAL REPORT

YEAR ENDED 31 OCTOBER 2017

NORTH MELBOURNE FOOTBALL CLUB LIMITED
ABN 21 006 468 962

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North Melbourne Football Club Limited
ABN 21 006 468 962

Directors' Report

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company in respect of the financial year ended 31 October 2017.

Directors

The following directors were in office during the period from 1 November 2016 to the date of this report, unless otherwise stated:

Ben Buckley	Appointed Director on 14 May 2013 Appointed Chairman on 19 October 2016
Carl Dilena	Appointed Director on 21 December 2007 Managing Director and Chief Executive Officer
Geoff Lewis	Appointed Director on 21 December 2007 Member – Finance & Audit Committee CEO and Co-Founder ASG Group
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven
Brady Scanlon	Appointed Director on 17 July 2012 Chairman – Finance & Audit Committee Executive Chairman of Alady Group
Glenn Archer	Appointed Director on 15 April 2015 Director – Kode Entertainment Group
Brian Walsh	Appointed Director on 19 October 2016 Managing Director – Bastion Reputation Management

Company Secretary

Chris Simmonds	Appointed as Secretary on 5 June 2012

Directors' Meetings

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

Director	Number of meetings attended	Number of meetings eligible to attend
Ben Buckley	10	10
Carl Dilena	10	10
Geoff Lewis	8	10
Julie Laycock	8	10
Brady Scanlon	9	10
Glenn Archer	9	10
Brian Walsh	10	10

The Company has the following subcommittees made up of the following members:

Finance & Audit Committee – Brady Scanlon (Chairman), Geoff Lewis, Rodney Piltz, John Magowan

Integrity Committee – Will Houghton QC (Chairman), Julie Laycock, Andrew Harris, Xavier Walsh, Paul Stevens, Cameron Joyce

Principal Activities

North Melbourne Football Club Limited is a member of the Australian Football League. The principal activities of the Company during the financial year consisted of promoting the playing of Australian Rules football by providing a team of footballers bearing the name of the North Melbourne Football Club.

There has been no significant change in those activities.

Objectives and Strategies of the Company

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

- To meet targets set that will allow the Company to continue to invest in the football department, in particular player payments, which will give us the best opportunity to achieve on-field success.
- To investigate innovative ways to grow football revenue above 2017 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To grow non-football revenue.
- To establish a strong new market of supporters by further developing relationships in Hobart and developing regions in Victoria.
- To continue to reduce the Company's debt with ongoing supporter and member driven campaigns involving member contributions, unique events and products.

The Company's long-term objectives (2019 – 2021) are:

- To deliver sustained on-field success.

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

- To actively engage with members, supporters and communities.
- To explore strategies for new markets in Hobart and Wyndham whilst continuing to maintain its existing strong Melbourne based supporter areas.
- To develop a best practice football department.
- To ensure strong and effective financial management along with sound risk management and integrity practices.
- To ensure strong alignment with the AFL and other key stakeholders.

Directors' Report (continued)

Operating Results

The operating result of the Company for the year ended 31 October 2017 was a profit of $633,625 (2016: $470,046).

The net profit of the Company was $242,656 (2016: $83,039) after non-operating items for the year ended 31 October 2017.

Review of Operations

2017 was a year of development for the club on-field. The team debuted 14 new players for the club with some competitive performances, particularly in the first half of the year, finishing 15th on the ladder. Off-field the club achieved another solid operating profit and further reduction of debt. The business was able to absorb a much softer year on the field, which impacted areas such as membership, gate receipts and merchandise, through prudent management. The continuation of the debt reduction program and achievement of operating profits has enabled the club to reduce commercial debt by a further $400k, taking the debt below $1m.

Overall revenue for the club grew to just under $40m, an increase of $1.17m on 2016.

In 2017, the club directed a large portion of the increased revenue to football operations with football expenditure increasing by $1.51m on 2016. The investment in football operations is critical to ensuring that the club has the best possible opportunity for sustained on-field success. On-field performance has a direct impact on multiple commercial areas of the club.

The club's key challenges for 2018 and beyond remain further reducing debt levels, growing core football related revenue and ensuring the club has the ability to fund a competitive football department with continued capability to fully pay up to all Total Player Payment limits. The club will field a stand-alone VFL side in 2018 and was awarded an AFLW licence for the 2019 season.

Significant changes in the State of Affairs

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

Significant Events after Year End

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 October 2017.

Dividends

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

Rounding of Amounts

The North Melbourne Football Club Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in the financial report have been rounded to the nearest dollar.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings.

Likely developments

Information on likely developments in the Company's operations and the expected results have not been included in this report because there are no known future developments that will have a material impact on future operations.

Environmental regulation

The operations of the Company are not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Directors' Report (continued)

Indemnification of Officers and Auditors

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate indemnified against a liability incurred as an officer, including costs and expenses in defending legal proceedings.

Auditor Independence

The directors received the declaration on page 5 from the auditor of North Melbourne Football Club Limited which forms part of this report.

This report has been made in accordance with a resolution of directors.

Ben Buckley (Chairman)

Brady Scanlon (Director / Chairman – Finance & Audit Committee)

Dated: 21st February 2018

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

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

B L Taylor
Partner - Audit & Assurance

Melbourne, 21 February 2018

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North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 October 2017

	Notes	2017	2016
		$	$
Revenue from operating activities	3	**39,717,822**	**38,548,700**
Operating expenses			
Administration expenses		5,907,620	5,563,571
Commercial business, events and fundraising		1,786,012	1,883,157
Depreciation		286,815	284,731
Football operations		23,851,745	22,337,950
Membership		3,174,470	3,348,008
Merchandise		836,253	1,403,545
Sales and sponsorship		3,133,886	3,116,817
Finance costs		71,711	91,028
Other expenses		35,685	49,847
Total expenses from operating activities		**39,084,197**	**38,078,654**
Profit from operating activities		**633,625**	**470,046**
Non-operating expenses			
Amortisation on Arden Street redevelopment		390,969	387,007
Total expenses from non-operating activities		**390,969**	**387,007**
Loss from non-operating activities		**(390,969)**	**(387,007)**
Profit before income tax		**242,656**	**83,039**
Income tax expense	2(d)	-	-
Net profit after tax		**242,656**	**83,039**
Other comprehensive income		-	-
Total comprehensive income		**242,656**	**83,039**
Attributable to:			
Members of North Melbourne Football Club Limited		**242,656**	**83,039**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Financial Position
As at 31 October 2017

	Notes	2017	2016
		$	$
Current Assets			
Cash and cash equivalents	6	1,303,050	1,475,807
Trade and other receivables	7	229,512	153,147
Inventories	8	233,751	103,751
Other assets	9	486,264	431,566
Total Current Assets		**2,252,577**	**2,164,271**
Non-Current Assets			
Investment accounted for using the equity method		57,140	28,570
Property, plant and equipment	10	13,411,955	13,719,121
Total Non-Current Assets		**13,469,095**	**13,747,691**
Total Assets		**15,721,672**	**15,911,962**
Current Liabilities			
Trade and other payables	11	1,645,944	1,703,645
Interest bearing loans and borrowings	12	850,000	1,250,000
Employee benefits	13(a)	592,875	714,022
Income received in advance	14	2,495,845	2,353,990
Total Current Liabilities		**5,584,664**	**6,021,657**
Non-Current Liabilities			
Employee benefits	13(b)	146,506	142,459
Total Non-Current Liabilities		**146,506**	**142,459**
Total Liabilities		**5,731,170**	**6,164,116**
Net Assets		**9,990,502**	**9,747,846**
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		6,401,894	6,159,238
Total Equity		**9,990,502**	**9,747,846**

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

North Melbourne Football Club Limited
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Statement of Changes in Equity
For the year ended 31 October 2017

	Member funds	Accumulated profits	Total Equity
	$	$	$
Balance at 1 November 2015	**3,588,608**	**6,076,199**	**9,664,807**
Total Comprehensive Income for the period	-	83,039	83,039
Balance at 31 October 2016	**3,588,608**	**6,159,238**	**9,747,846**
Balance at 1 November 2016	**3,588,608**	**6,159,238**	**9,747,846**
Total Comprehensive Income for the period	-	242,656	242,656
Balance at 31 October 2017	**3,588,608**	**6,401,894**	**9,990,502**

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

North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Cash Flows
For the year ended 31 October 2017

	Notes	2017	2016
		$	$
Cash flows from operating activities			
Receipts from customers		41,332,841	39,894,853
Payments to suppliers and employees		(40,641,254)	(38,327,024)
Interest received		6,555	6,670
Interest and other finance costs paid		(71,711)	(91,028)
Net operating cash flows	15	**626,431**	**1,483,471**
Cash flows from investing activities			
Purchase of property, plant and equipment		(370,618)	(533,411)
Payments for investment accounted for using the equity method		(28,570)	(28,570)
Net cash flows used in investing activities		**(399,188)**	**(561,981)**
Cash flows from financing activities			
Repayment of borrowings		(400,000)	(451,500)
Net cash flows used in financing		**(400,000)**	**(451,500)**
Net increase/(decrease) in cash and cash equivalents held		**(172,757)**	**469,990**
Cash and cash equivalents at the beginning of the financial year		1,475,807	1,005,817
Cash and cash equivalents at the end of the financial year	6	**1,303,050**	**1,475,807**

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

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2017 was authorised for issue in accordance with a resolution of the directors on 21 February 2018.

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

NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that have been adopted have not had a significant impact on the Company.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the reporting period ended 31 October 2017. The Company does not consider the Australian Accounting Standards and Interpretations that have been issued or amended but not yet mandatory to have a material impact upon the financial report with the exception of the following:

AASB 16 Leases

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, lease assets and financial liabilities on the balance sheet will both increase. Furthermore, EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for operating leases will be presented as part of finance costs rather than being included in operating expenses.

(c) Critical accounting estimates and judgements

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

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

(d) Income tax

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

(e) Going concern

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

(f) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates are increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company. Unrealised gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(g) Property, plant & equipment

Each class of property, plant and equipment is carried at cost, less any accumulated depreciation and impairment losses.

Plant & equipment

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	3 - 7%
Plant and equipment	5 - 33%

Impairment

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

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

(h) Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include cash at bank, on deposit with associated companies and on hand.

Bank overdrafts are shown within the interest bearing liabilities section of the statement of financial position.

(i) Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment.

Interest is recognised by applying the effective interest rate.

Amounts recognised using the percentage of completion method of accounting are shown as accrued revenue service fees. The outstanding balance of accrued revenue service fees is reviewed monthly for collectability and all items not considered collectable are written off.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(j) Employee benefits

Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date. They are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government's bonds at the balance sheet date which have maturity dates approximating to terms of the Company's obligations.

As a result of a federally certified long service leave agreement between the players and the Australian Football League, the Company has no obligation for long service leave benefits to players.

Superannuation

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

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Costs have been assigned to inventory quantities on hand at balance date using average cost per unit.

(l) Revenue

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

- AFL-sourced income including distributions, prize money and gate receipts, is recognised on an accruals basis. AFL funding of $5.11 million (2016: $3.75 million) was paid in the year ended 31 October 2017.
- Revenue from the sale of memberships, corporate hospitality and sponsorships, is recognised in the relevant football year.
- Revenue from the sale of goods is recognised upon delivery of goods to the customer.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
- Donations are recognised upon receipt.

(m) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as a part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(n) Trade and other receivables

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

(o) Trade and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(p) Income received in advance

Income is brought to account in the period to which it relates. Income received prior to balance date, which relates to future periods, has been recorded as income received in advance, and will be brought to account in the forthcoming period.

(q) Comparative figures

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

(r) Provisions

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

(s) Interest bearing liabilities and borrowings

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

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

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

Borrowing costs

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

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

(t) Leases

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

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

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

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

	2017	2016
	$	$
NOTE 3 – REVENUE FROM OPERATING ACTIVITIES		
AFL – Distributions	10,611,443	9,388,484
AFL – Prize Money	-	65,000
AFL – Future Funding	5,111,381	3,750,004
AFL – Stadium Bonus Money	200,000	200,000
AFL – Signage	400,000	400,000
Commercial Business, Events and Fundraising	2,962,741	3,141,171
Gate Receipts	1,722,528	2,265,583
Membership	6,593,189	7,263,161
Merchandise	1,001,931	1,764,335
Sales and Sponsorship	9,341,921	8,559,657
Other	1,772,688	1,751,305
	39,717,822	**38,548,700**
NOTE 4 – EXPENSES AND LOSSES/(GAINS)		
Profit from continuing operations is arrived at after charging the following expenses:		
a) Charge / (write-back) to Doubtful Debts expense	-	-
b) *Depreciation of non-current assets*		
- Plant & Equipment	286,815	284,731
Amortisation of non-current assets		
- Amortisation of Leasehold Improvements	390,969	387,007
Total depreciation & amortisation expense	**677,784**	**671,738**
c) Rent expense	68,442	67,106

	2017	2016
	$	$

NOTE 5 – AUDITOR'S REMUNERATION

Amounts received or due and receivable by Auditors for:		
- auditing the accounts	39,000	36,000
- other services – total player payments audit	11,000	10,000
- other services – football department soft cap audit	7,000	7,000
	57,000	**53,000**

The auditors, Grant Thornton, received no other benefits.

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	1,303,050	1,475,807
Total cash and cash equivalents	**1,303,050**	**1,475,807**

The effective interest rate on bank deposits was 0.01% (2016: 0.01%). These deposits have no maturity date.

NOTE 7 – TRADE AND OTHER RECEIVABLES

Current		
Trade receivables	161,133	47,123
Allowance for doubtful debts	-	-
	161,133	47,123
GST receivable	19,880	46,553
Other debtors	48,499	59,471
Total trade and other receivables	**229,512**	**153,147**

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

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

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

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

As at 31 October 2017, trade receivables with a carrying amount of $51,743 (2016: $7,524) for the Company were past due but not doubtful. These trade receivables are not considered doubtful as they comprise customers with good debt history and are therefore considered recoverable.

The ageing of the trade receivables is:

	2017 Gross $	2017 Allow-ance $	2016 Gross $	2016 Allow-ance $
Not past due	109,390	-	39,599	-
Past due 0-30 days	-	-	2,209	-
Past due 31-60 days	-	-	5,315	-
Past due 60 days	51,743	-	-	-
Total	**161,133**	**-**	**47,123**	**-**

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

	2017 $	2016 $
Not more than 3 months	51,743	7,524
More than 3 months but not more than 6 months	-	-
More than 6 months but not more than 1 year	-	-
Total	**51,743**	**7,524**

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

	2017 $	2016 $
Opening balance	-	-
Additional provisions	-	-
Amounts used	-	-
Total	**-**	**-**

NOTE 8 – INVENTORIES	2017	2016
	$	$
Roo Shop merchandise – at lower of cost and realisable value	**233,751**	**103,751**

NOTE 9 – OTHER ASSETS		
Prepayments	114,805	55,255
Unexpired contra	22,607	3,780
Accrued income	17,400	85,983
Arden Street Facility Capital Fund – Refer to Note 9(a)	331,452	286,548
Total other assets	**486,264**	**431,566**

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

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT		
Plant & Equipment – at cost	2,712,106	2,367,970
Less: Accumulated Depreciation	(1,766,776)	(1,479,960)
	945,330	**888,010**
Leasehold Buildings – at cost	15,492,868	15,466,386
Less: Accumulated Amortisation	(3,026,243)	(2,635,275)
	12,466,625	**12,831,111**
Total property, plant and equipment	**13,411,955**	**13,719,121**

	2017	2016
	$	$

Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Plant & Equipment		
Carrying amount at beginning	888,009	888,094
Additions	344,136	285,837
Write-offs	-	(1,191)
Depreciation expense	(286,815)	(284,731)
	945,330	**888,009**
Leasehold Buildings		
Carrying amount at beginning	12,831,112	12,970,545
Additions	26,482	247,574
Write-offs	-	-
Amortisation expense	(390,969)	(387,007)
	12,466,625	**12,831,112**
Total Assets & Leasehold Buildings		
Carrying amount at beginning	13,719,121	13,858,639
Additions	370,618	533,411
Write-offs	-	(1,191)
Depreciation & amortisation expense	(677,784)	(671,738)
	13,411,955	**13,719,121**

	2017	2016
	$	$
NOTE 11 – TRADE AND OTHER PAYABLES		
Trade creditors	497,656	516,466
Accruals	1,148,288	1,187,179
Total trade and other payables	**1,645,944**	**1,703,645**
NOTE 12 – INTEREST BEARING LIABILITIES		
Commercial bill – secured	850,000	1,250,000
	850,000	**1,250,000**

The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club Limited, a specific fixed Mortgage debenture charge from North Melbourne Football Club Limited, and a limited guarantee from the Australian Football League. The facility is due on 31 October, 2017. As this is within 12 months of balance date, the facility is classified as current. The borrowing facility will be renewed in 2-year intervals. The undrawn financial facilities at balance date were $2.15m.

Facilities available at year end	3,000,000	3,000,000
Amounts drawn at year end	(850,000)	(1,250,000)
Available undrawn facilities at year end	2,150,000	1,750,000
NOTE 13 – EMPLOYEE BENEFITS		
(a) Current		
Provision for annual leave	214,477	389,492
Provision for long service leave	378,398	324,530
	592,875	**714,022**
(b) Non-Current		
Provision for long service leave	146,506	142,459
Total employee benefits	**739,381**	**856,481**

	2017	2016
	$	$

NOTE 14 – INCOME RECEIVED IN ADVANCE

Current

Income received in advance	**2,495,845**	**2,353,990**

NOTE 15 – RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

	2017	2016
	$	$
Net profit	242,656	83,039
Adjustments for:		
Non-cash items		
Depreciation and amortisation	677,784	671,738
Impairment and write-off of non-current assets	-	1,191
Changes in assets and liabilities		
(Increase) / decrease in receivables	(76,365)	97,946
(Increase) / decrease in other assets	(54,698)	(104,573)
(Increase) / decrease in inventories	(130,000)	76,170
Increase / (decrease) in payables	(57,701)	118,934
Increase / (decrease) in employee benefits	(117,100)	76,651
Increase / (decrease) in other liabilities	141,855	462,375
Net operating cashflow	**626,431**	**1,483,471**

NOTE 16 - COMMITMENTS

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

	2017	2016
	$	$
Not later than one year	85,300	87,078
Later than one year and not later than five years	323,718	266,756
Later than five years	788,733	842,291
	1,197,751	**1,196,125**

Remuneration Commitments
The Company negotiates individual contracts of varying length and terms for each of its football players and coaching staff. Certain players are entitled to receive base payments regardless of their level of performance or number of games played, as well as entitlements should player employer contracts be terminated before expiry. Other players and coaching staff are entitled to performance related payments. As contract terms in this regard vary considerably, with some future payments being dependent upon number of matches played, level of performance, whether players remain on approved lists and whether contracts are terminated early, it is not practical to estimate the total future commitments or contingencies under player and coaching contracts.

However, at balance sheet date, base contractual commitments are payable as follows:

	2017	2016
	$	$
Not later than one year	9,766,256	9,462,500
Later than one year and not later than five years	8,206,800	13,255,000
Later than five years	-	-
	17,937,056	**22,717,500**

NOTE 17 – RELATED PARTY TRANSACTIONS

The Company's related parties include its associates and key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(a) Remuneration of Key Management Personnel

(i) Remuneration Policy

There is no separate Remuneration Committee. Therefore, all directors are responsible for determining and reviewing compensation arrangements for the Key Management Personnel (KMP). The directors assess the appropriateness of the compensation by reference to relevant employment market conditions with the overall objective of maximising stakeholder benefit from the retention of a high quality executive team. The executive team have the opportunity to receive their compensation in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans.

NOTE 17 – RELATED PARTY TRANSACTIONS (CONT.)

(ii) Remuneration Paid to Key Management Personnel

	2017	2016
	$	$
Short term employee benefits	1,270,544	1,315,070
Post employment benefits	52,526	64,930
	1,323,070	**1,380,000**

(b) Transactions with associates

The Company is entitled to an annual service fee from its investment accounted for using the equity method. As at the balance date, the Company is owed this service fee. Payment of the service fee is contingent on there being sufficient cash flows in the related party. The Company has not recognised the service fee on the basis that as at balance date, receipt is not probable.

NOTE 18 – EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTE 19 – ECONOMIC DEPENDENCY

A significant portion of the income of the Company is derived from the holding of a licence issued by the Australian Football League.

The Company is dependent upon the continued financial support from the AFL which includes annual funding payments, the continued guarantee of the Company's borrowing facilities totalling $3m (currently drawn to $850k) and the availability of credit.

As part of this commitment, the AFL has agreed to continue to provide additional payments to the Company including annual funding in 2018 of $5.11 million.

NOTE 20 – COMPANY DETAILS

North Melbourne Football Club Limited is incorporated in Australia.

The registered office and principal place of business of the Company is:
North Melbourne Football Club Limited
204-206 Arden Street
North Melbourne VIC 3051

NOTE 21 – FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's financial instruments consist mainly of cash, deposits with banks and commercial bills. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period, the Company's policy that no trading in financial instruments or derivatives shall be undertaken.

North Melbourne Football Club Limited
ABN 21 006 468 962

Directors' Declaration

The directors of North Melbourne Football Club Limited declare that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

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

(ii) complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

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

This declaration is made in accordance with a resolution of directors.

Ben Buckley (Chairman)

Brady Scanlon (Director / Chairman – Audit Committee)

Dated: 21st February 2018

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Independent Auditor's Report
To the Members of North Melbourne Football Club Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of North Melbourne Football Club Limited (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 Company 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 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 31 October 2017 but does not include the financial report and our auditor's report thereon.

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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.

Responsibilities of the Directors' 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 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.

Auditor's Responsibilities for the Audit of 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

B L Taylor
Partner - Audit & Assurance

Melbourne, 21 February 2018

NORTH MELBOURNE FOOTBALL CLUB LIMITED
ABN 21 006 468 962

FINANCIAL REPORT

YEAR ENDED 31 OCTOBER 2017