



Financial Report
Essendon Football Club

2003



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DEAR FELLOW MEMBERS

On behalf of the Board of the Essendon Football Club it is my pleasure to present my Chairman's report at the conclusion of this 2003 season.

FOOTBALL

In a year that saw the introduction of a number of new players to our club, the senior team's effort in competing in another AFL finals series was a commendable result. Notwithstanding, many members were disappointed to be knocked out of the premiership race by way of the semi-final loss to Port Adelaide. Everyone at the club, including the coaches and the players, shared in that disappointment.

There is no doubt the loss of several games which not only could have been won, but should have been won, counted heavily against us, causing Essendon to travel twice on successive weekends to play firstly in Western Australia and then in South Australia in its finals matches. A top four finish at the end of the home and away season was our aim and had we achieved that it could have dramatically changed the club's finals fortunes.

On the credit side we have introduced a number of new young players and given added experience to others. No doubt the lessons to be learned from those unnecessary losses will have been well and truly taken on board by the entire playing list.

For the team to have reached the final series for the sixth year in a row is an achievement in itself and a tribute to the entire football department at Essendon. On behalf of the board and members of the club generally I offer our thanks and congratulations to all involved. In doing so we must acknowledge the enjoyment provided to us throughout the year. I have often said Essendon supporters are spoiled by the continued on-field success of our playing team, year after year.

It would be remiss of me not to mention the remarkable contribution made to the club by our captain, James Hird. I am sure members will agree with me that some of his performances during 2003 were truly memorable, and it did not surprise that he almost won a second Brownlow Medal - despite having missed a significant number of games through injury. Well done James. We all look forward to you enjoying an injury-free season and who knows what might happen then?

I must also record my admiration of Adam Ramanuskas. His courage in coming to grips with his sudden illness has been inspirational. We wish him a full and speedy recovery.

The past season saw our players participate for the first time in the new Bendigo Bombers composite team competing in the Victorian Football League competition.

The season concluded with that team missing the finals by just one win, an outcome that was pleasing to the boards of both Essendon and the Bendigo Diggers. As a consequence of the relative success of the combined team, it has been resolved to continue the relationship for a further three years. This will give the administrations of both clubs the opportunity to consolidate what was achieved in 2003 and to undertake some long-term initiatives that should guarantee the future success of the Bendigo Bombers.

Quite simply, a city of the size and importance of Bendigo deserves to be represented in the premier Australian Rules competition in this state. The board is pleased that by Essendon being involved, we are contributing to the probability of that continuing into the future.

The club was not under the same salary cap pressure this season as we have recently been and as a result was not forced to terminate the services of senior players during the Player Trade/Draft dealings. Nevertheless, we lost a number of players from our 2003 list. To all of those who have now finished their playing careers with Essendon I offer the congratulations and thanks of the entire club. In particular I would like to mention Steve Alessio and Paul Barnard who have announced their retirements. They have been great contributors.

We wish all departing players good fortune in whatever it is they decide to do in the future. We now look forward eagerly to greeting a new group who have joined our club. We will welcome each of them at the Annual General Meeting.

OFF-FIELD

In my report to members for season 2002, I stated it had been a difficult year off the field for our club. Little did we realise at that time what was to come in 2003. As it has transpired, 2003 has proven to be a much tougher year.

Issues such as:

- the seating reduction at the MCG because of redevelopment;
- the increase in football costs;
- a tougher sponsorship market;
- a reduction in merchandise sales;
- a substantial fall in gaming revenue contributions;
- a reduction in membership and reserved seating; and
- AFL penalties

have all contributed to our club failing to meet its revenue and profit targets for the past year.

While the board and management worked hard to cut costs, the end result has been a profit of \$409,652 for season 2003, a significantly lower figure than that of previous years.

Notwithstanding this much reduced annual profit, the club continues to carry no debt and has cash reserves of \$5,001,200 at year's end.

Members can comfortably consider the club is not financially threatened for the foreseeable future. Our Finance Director, Tim Jonas, reports more fully on the club finances later in this Financial Report.

Included in the costs for 2003 is a fine of \$85,000 enforced as a penalty on the club as a result of Essendon having been found guilty of a "technical breach" of the AFL player rules. The breach involved the contracts entered into between the club and players James Hird and Matthew Lloyd relating to our acquisition of their respective residual rights; contracts which we consider to be normal commercial transactions and not player payments.

The charge against Essendon came as a complete surprise since the contracts were entered into only after obtaining legal advice on the matter. Members should be aware that advice convinced the club the offending contracts did not cover what are normally described as football payments but rather the purchase of assets from the two players involved.

The AFL determined that our interpretation of the player rules was incorrect and did not accord with its legal opinion, resulting in charges being laid.

As has been widely publicised in the media, Essendon has elected not to test the matter in court at this time. Instead we have pointed out to the AFL Commission that the rules, as interpreted by it, are in our view a blatant restriction of trade and must be amended if legal action is to be avoided in the future. Essendon has been invited to make a submission on the matter, which we have now done.

While the board does not expect to be reimbursed the \$85,000 penalty it suffered, we do expect the rules to be rewritten for the future. In the event that does not occur, I would expect the AFL will find itself defending its rules in the courts in the not too distant future, whether through Essendon or some other club initiating the action.

We would hope that fairness will prevail and that no club will find itself without any alternative other than to contest the AFL Player Rules in their entirety. The formal policy of this club states that we will not knowingly breach the Total Player Payment limits at any time. We consider we have not breached that policy.

Our two associated recreational club businesses located at Windy Hill and Melton have both had difficult years as a direct result of the campaign against gambling and the new restrictive rules introduced by the Victorian Government. Both organisations have seen their profit severely reduced, which in turn has affected the financial position of the Essendon Football Club.

In recent months there have been signs of a slight recovery. However, it will take a lot of hard work and considerable time before the trading result of these two entities will once again be considered as satisfactory.

The Hall of Fame, while a wonderful asset for the club, continues to require financial support from the football club. We are exploring ways to generate more revenue from this asset.

The relocation of the Essendon Cricket Club to Cross Keys Reserve, foreshadowed last year, has not progressed during the past 12 months and must now be considered in doubt. Your board continues to talk to both the cricket club administration and the council about the matter and possible moves, however the current restriction on watering of ovals has seemingly made any changes in the immediate future doubtful.

Notwithstanding, your board has authorised management to proceed as soon as possible to resurface the Windy Hill oval. We expect this will occur beginning in the New Year.

Members will no doubt understand that the board is continuously searching for new opportunities which may arise from time to time and which have the potential to generate financial benefits for the Essendon Football Club.

During the past year we have examined the possibility of the club investing in gaming/entertainment venues to add to the Essendon Football and Community Sporting Club and the Melton Country Club, which are separate legal entities. It would be intended that if any such investment were entered into, the venue would be owned and operated by the football club, as is the case with a number of other AFL clubs.

In the course of this work, the board identified that the Constitution of our club as presently written does not permit the club to acquire or otherwise invest in such a business opportunity if, and when, identified. Appropriate changes to some clauses need to be made along with other insertions covering matters such as membership and the legal requirements of both the State Gaming and Liquor legislation. These are required to go before the members for approval as provided in the club Constitution.

So as to remove any obstacle to the club becoming directly involved in gaming business ventures, the board has resolved unanimously to move a special resolution of the club to seek the necessary approval of the members to make these changes to the Constitution. This will remove any obstacle to the possible expansion of the club's business activities.

Voting on this resolution has been timed to coincide with the 2003 Annual General Meeting in order to avoid incurring unnecessary costs. Included with this annual Finance Report are detailed



papers explaining the changes to the Constitution and full details of the methods of voting available to all members. I recommend the changes to you and seek your support.

THE COMPETITION

Your club has continued to take a lead role in pushing for change on a number of issues to do with the competition generally, and during the past season we have seen the AFL alter its policies on two matters which the majority of AFL clubs believed was necessary.

The unfair salary cap concessions that have been afforded to Sydney and Brisbane have been reduced with effect from 2004. Whilst this has been a step in the right direction, it has not gone far enough, particularly with respect to the concessions that apply to Brisbane. I continue to hold the view that a powerful club like ours must take the fight to the AFL to restore equity to all clubs on this issue.

On a second issue, the AFL has made a decision that will see all ten Victorian clubs retained until at least 2005. Once again, while this is a step in the right direction it has not gone far enough. If any club is to attract quality long-term sponsors and grow its membership base it must be seen to have an ongoing future. The recruitment and retention of quality players has the same requirement. Essendon has continued to urge the AFL to make a permanent decision on the future of the 16 clubs and then ensure financial support is available to make it happen. Surely by now the AFL Commission should have gathered enough evidence to decide the right number of teams to allow our competition to operate at the

highest level. Essendon has lodged its views in writing, as will have all other clubs, and we await an outcome.

APPRECIATION

As is usual I wish to thank a number of organisations and individuals for the support they have provided to the Essendon Football Club over the past 12 months. I have regularly stated that without the support our club does get we would struggle to survive.

Firstly, the sponsors deserve our highest praise. In particular our major sponsor Hutchison 3G Australia and our Platinum Sponsors Puma, Musashi, i7, IMB, Coca Cola, Carlton and United Breweries and Smorgon Steel - they make up an outstanding group. On behalf of the Essendon Football Club I extend our sincere thanks and in doing so urge all of our members and supporters to demonstrate that thanks by using the sponsor's products. We look forward to continuing our sponsorship associations.

To the myriad of other club sponsors, too many to name here, I offer the same thank you.

All clubs rely heavily on the resources generated by the club supporter groups and coteries and Essendon is no exception. Fortunately we are blessed with having a wide range of such entities. They are The Coleman Club, The Essendonians, The Diamond Dons, The Coaches Club, The Women's Network, The Dick Reynolds Club, The Lawdons, The Uptown Dons and our regional and interstate groups. On behalf of the club I would like to thank all of the individuals who choose to support Essendon by becoming a member of these groups. In particular the various leaders of these groups deserve special mention for the time and effort

they each put in to organise and operate their respective organisations. Thank you sincerely.

To the Essendon Cheer Squad members I offer a particular thank you.

The staff of the Essendon Football Club has of course been an integral part of our club having another good year. Our ongoing success on and off the field only occurs as a direct result of the work done by these people. Quite simply if we do not have dedicated, hardworking, quality people in our employ we cannot hope to enjoy success.

To all the employees of Essendon Football Club and to the families and friends I offer the thanks of the club and its members. In particular I want to thank our CEO, Peter Jackson, and his senior management team.

Put bluntly, the success that our club has enjoyed over recent years has emanated from the efforts of Peter and his team. It is they who deserve the credit for what has been achieved. The club's ability to recruit and retain quality executives and staff arises directly from the board's decision in 1996 to operate as a board of governance and not a board of management. It is my view that structure must be jealously guarded!

To the many volunteers who work so enthusiastically for the club and make themselves available when needed, you too must be recognised. Thank you.

To you the members, I offer our thanks once again. The importance of strong membership has been highlighted this year, when for some reason our numbers fell away by around 3000. We must strive to not only recover those members but grow our membership base further in the future. To those who have remained loyal, I salute you. To the hundreds of thousands who are not members, I ask you to become members. It is after all the only true way of demonstrating your support for the Essendon Football Club, which, as I have stated earlier in this report, gives us all so much pleasure and enjoyment.

FINALE

No doubt most members will be aware this is the last occasion on which I shall be presenting this report, having chosen not to submit myself for re-election to the board for a further term. I have made that decision for no other reason other than a belief that our club can best move forward with an injection of new thoughts and ideas. As a result, I believe seven years is enough.

The temptation to continue on has been, and remains, strong, but I truly believe that would not be in the best interests of the club. I believe that my job is done and that I leave Essendon in a better state than I found it when I arrived in early 1997.

I would like to thank the people who made it possible for me to become Chairman of the Essendon Football Club for the past seven years. I am most grateful to you, the members, who have supported me during that period and particularly to board members past and present. Together we have achieved some good things for Essendon.

I have no doubt I will miss having direct involvement with "my team". To the coaches, players and staff I offer my deepest thanks. It has been a great pleasure to be able to associate so closely with such a wonderful group. A good club is made up of good people. Essendon Football Club has the best!

Finally, I publicly record my thanks to my wife and family. Without their support I could not adequately have filled the role of chairman at the Essendon Football Club. It has been a rare privilege for which I shall be forever grateful.

Yours Sincerely,

Graeme McMahon
Chairman



THE 2003 SEASON proved to be one of the most frustrating years in my time at Essendon Football Club - from both on-field and off-field perspectives.

On-field, the trading of some senior players during the off-season due to salary cap pressures led to significant media and football public scrutiny. Many seriously doubted the team's ability to push into the top eight, let alone win a Premiership. A strong second half to the season, however, did prove the talent still exists in the playing list to win a Premiership.

As we look to the 2004 season, I think it is important to note that the difficult decisions made during trade week 2002 were vindicated as this past season has unfolded. The team became very competitive in the second half of the season, and in my opinion was as good as any team in the competition. Unfortunately, unacceptable losses to Carlton and then the Kangaroos cost the team dearly. Wins in those two games would have seen Essendon playing for the right to host a Preliminary Final and it could have been a very different ending to the season had that been the case.

But I think it augurs well for 2004. Members and supporters will now realise this playing group has the talent to do very well in 2004 - and the list has only been enhanced in the recent trade week. The injection of some players with proven ability and experience will add to our chances of success in 2004. Hopefully this will see those members that did not renew in 2003 get back on board.

It is also important for all to understand that the club's on-field fortunes have been re-established, with players coming into the club at very reasonable contract levels. The AFL has specified that the Total Player Payment cap will only increase 3% in each of 2004 and 2005, and then no increase in 2006.

As a result, clubs simply cannot afford significant increases in individual player contracts if they hope to keep the whole list together. Players like Adam McPhee and Damian Cupido have shown that untried talent exists at other clubs, and if pay demands continue to be excessive then the club must look further at such options. We have followed this strategy again in trade week 2003 with the injection of talented players that we believe will add to our list but without excessive payments.

I congratulate James Hird and Scott Lucas on being joint winners of the Crichton Medal. In particular, James' win and his outstanding performance in the Brownlow Medal has re-established him in his rightful position as one of the leading players in the competition and an all-time great at the Essendon Football Club.

Off-field, a number of factors combined to see us record an unsatisfactory profit result for the financial year ending October 31st. The redevelopment of the MCG significantly reduced the revenue generated from games played at that venue. The AFL - at the insistence of broadcasters - continues to fixture Essendon games at night. This had serious implications for both our membership and gate receipt revenue. Our slow start to the season did not help either. It only served to reinforce the media view that this was a team in decline.

The combined effect hurt the club financially. The club reported a net profit of \$409,652, down from \$1,007,857 last year. Although a disappointing result, it was at least encouraging to have achieved a profit despite revenue declining by over \$2 million, or about 9% from 2002 levels, due to the factors outlined above.

Memberships were down by about 3000. As a consequence, reserved seating income was also down. The combined effect on

profit was over \$300,000 compared to 2002. Match receipts declined by almost \$150,000 (16%) from 2002 to only \$762,000.

The corporate hospitality market was also very tough. Corporate clients have far more options to choose from now, including the Rugby World Cup which took a lot of money out of AFL football.

Merchandise sales were also down in the first half of the season, reflecting in part the team's slow start to the season. The decline for the full year was in excess of \$600,000 compared to 2002.

The impact of the State Government's policy on smoking in gaming venues also substantially reduced the operating performance of both the Essendon Community and Sporting Club and the Melton Country Club, and as a result reduced the income to Essendon Football Club.

Despite this severe reduction in revenue, the fact the club was able to report a net profit was encouraging. This was achieved as a result of strong cost control implemented right across the club. In particular, total football and administration costs were lower in 2003 than in 2002.

Other factors added to make this a frustrating year. The AFL's investigation into various aspects of the club's salary cap management was also a major frustration and distraction during the year. We had unsubstantiated claims of payments made by third parties to two senior players. The AFL subsequently advised there was no basis to these claims - an outcome that we fully expected.

We also had the investigation into the James Hird and Matthew Lloyd Internet agreements. Despite the fact that we were ultimately fined \$85,000 for a "technical" breach of the Total Player Payment Rules, I believe the outcome in many ways vindicated the position the club took in relation to these payments. Indeed, the rules in relation to this breach may be reviewed in light of a submission we have put to the AFL.

As we have said from day one, we believe we acted fairly and reasonably when we entered into these commercial arrangements. We received legal advice that such an arrangement was a legitimate commercial transaction.

Both James Hird and Matthew Lloyd are integral to the success of this club's website - an asset we manage independently of the AFL's Telstra network. Our website underpins a business strategy that we believe will further stabilise this club's financial well-being, and as such our two biggest on-field assets needed to be a part of that plan. Notwithstanding the fine, I believe the AFL understood our position.

While on the subject of the website I am pleased to report that it remains the number one club website in the AFL, attracting upwards of 10,000 unique visitors per day during the season, generating upwards of 60,000 page impressions. The website generated direct revenue in excess of \$425,000 in 2002/2003 and a further \$1 million in indirect revenue from membership and merchandise sales. The profit from direct revenue alone was about \$180,000.

The club was deeply saddened by the death of former player and club runner Neil 'Nobby' Clarke. News of Neil's passing filtered through on the eve of the club's first game against Brisbane and it came as a shock to the entire club. The huge turnout at Neil's funeral was a testament to his character and the esteem in which he is held at this football club.

And late in the season the club was again shaken by news that Adam Ramanauskas had been diagnosed with a low-grade cancer in

his neck. It ended his season prematurely and he has recently completed a six-week course of radiotherapy. We wish Adam all the best in his recovery and look forward to seeing him back out on the ground next season.

In light of all these frustrations and happenings around the club, the financial result and the on-field result were encouraging.

During the year, the AFL reviewed its financial equalisation policy and as a result has recommended the implementation of a Competitive Balance Fund. This basically puts money aside from AFL revenues to assist those clubs where demographic issues are affecting their ability to survive. As a result of seeking feedback from clubs, we have advised the AFL that we support this policy, and in particular their decision not to change the existing financial equalisation rules.

However, we have also advised the AFL that Essendon's experience in 2003 is a clear example of the fragile nature of all Victorian football clubs' financial position. Many things beyond the control of the club can seriously impact on financial stability - the re-development of the MCG and the AFL fixture are cases in point.

Although Essendon is considered a wealthy club, much of our profit is non-football related, and therefore should not be subject to equalisation policy review. This was clearly the case in 2003, with the reported profit flowing basically from the sale of Waverley funds and from related investments.

We also advised the AFL that it should accept some responsibility for the need to even consider a Competitive Balance Fund. The only income clubs are seeing from the record broadcast rights deal is that being used to fund the increase in the TPP, and so the net return to clubs from the TV deal is nil. Add to this the deleterious effect of the fixture and Essendon is actually worse off from this deal. Clubs are the AFL's shareholders and the AFL has a responsibility to ensure their welfare as well as that of all other stakeholders.

In essence, the AFL has incurred significant debt in recent years and is using the TV income in part - certainly until the Waverley funds become fully available - to reduce that debt over the life of the current TV deal. The infrastructure that AFL football will have access to in the future will be second to none. But the repayment of debt could better reflect the life of those assets and free up funds to be evenly distributed to all its stakeholders, including the clubs. Certainly, if the new TV deal in 2007, which presumably will be negotiated well in advance, provides income streams similar to the current deal, the AFL must review its debt repayment program and distribute more of the funds to clubs.

2003 saw the alignment between the Bendigo Diggers and Essendon Football Club and the formation of the Bendigo Bombers. The first year of all new alignments can be difficult, with different groups of people coming together to try to form one united club. The final decision to align was only made in October last year, and that certainly limited the pre-season planning. Despite these factors, the first year has been judged to be a success. The team's performance improved dramatically in the second half of the year and a late charge for the finals only just fell short. Based on this success, Essendon has committed to this alignment for another three years, provided the Bendigo Bombers remain financially viable.

As part of this alignment, Essendon now has a presence in one of Victoria's largest regional centres. And as such the club has seen fit to get involved in the local community. In 2003 we ran a trial community program called "On The Ball", with Eaglehawk and Flora Hill secondary colleges - a program aimed at addressing some of the significant adolescent health issues in regional Australia. This program will be run as a season-long pilot next season and it is hoped it will eventually become a model for other major sporting organisations throughout Australia.

I would also like to take this opportunity to congratulate Wayne Jackson on his retirement. He has played a significant role in further establishing the national competition and the game has never been stronger. I would also like to congratulate Andrew Demetriou

on his appointment and wish him the best in his tenure as CEO of the AFL.

We had two players retire at the end of the season in Paul Barnard and Steven Alessio. Both have played some very good football for this club and they have also been very good people to have around the place. I thank both of them for everything they have given Essendon and wish them all the best in retirement. I thank other players who have left the club this year for their contribution.

I must also congratulate the Brisbane Lions on winning a third consecutive Premiership. Although we disagree with the AFL's TPP policy that advantages them, they are none-the-less a great team and we must recognise that. To do what they have done in this modern era of salary caps and drafts is outstanding.

This football club is extremely grateful to its sponsors and I must first thank Hutchison 3G Australia who have provided this club with outstanding support over the past three years. I am pleased to report that this relationship will continue for at least another two years and we will endeavour to provide their fantastic '3' product with excellent exposure.

Puma joined us as the club's apparel sponsor and I thank them for their support. The relationship worked very well in year one and I think it will only strengthen next season and beyond. I would also like to thank our other platinum sponsors Puma, Musashi, i7, IMB, Coca Cola, Carlton and United Breweries and Smorgon Steel.

Once again, our coterie groups have provided this club with outstanding support and I thank everyone associated for the support they give this club. I can assure all it does not go unnoticed. Thank you to the Coleman Club, the Essendonians (president Noel Freeman), the Diamond Dons (chairperson Bryan Kenner), the Coach's Club (chairperson Allan Comrie), the Dick Reynolds Club (chairman Greg Brown), the Essendon Football Club Women's Network (chairperson Linda Dessau) and the Uptown Dons. I would also like to thank the chairpeople of our interstate and regional supporter groups for their input.

I wish to congratulate Graeme McMahon on his tenure as Chairman of the club. A leader of any organisation is judged by whether he left that organisation in better shape than when he joined. This is certainly the case with Graeme. His commitment to the principle of a board of governance, his strong leadership and his business acumen combined to provide the right environment for the club to succeed. In this environment, we have employed the very best managers and staff, and coaches, and the club has enjoyed continued success on and off the field.

I also want to thank the staff of the Essendon Football Club for their efforts during the year. Working at a football club can be a very demanding job, but our staff do so professionally and diligently. I would also like to thank the partners of everyone associated with the club. The staff, players and coaches have to work some long and unusual hours and the partners and families deserve credit for the support they provide.

Season 2004 could be very exciting for the club, and I sincerely hope our members and supporters understand that. We have the talent in the playing list to succeed, but we need your support to make it happen. The financial results of 2003 show what can happen when that support is reduced. And we don't want Kevin Sheedy having to call on supporters to create the "House of Horrors"; we want our members and supporters do it of their own volition. Supporters of interstate clubs have been doing this for some time with very effective results.

To all our members and supporters, don't be complacent about our team's success or our financial strength. Without the support of members and supporters, that success is not guaranteed.

Peter Jackson
Chief Executive Officer



ON BEHALF OF the Board I am pleased to present the financial report of the club for the year ended 31 October 2003.

TRADING RESULT

Referring to the financial reports, members will note that the club earned a profit of \$409,652 compared to last year's profit of \$1,007,857. This year's profit again includes the \$300,000 special distribution from the AFL on account of proceeds from the sale of Waverley Park. If this item is deducted, it demonstrates how tough the year was for the club financially.

As reported last year, the 2002 result included two extraordinary income items totalling approximately \$500,000. If these two items are disregarded, then this year's result is not as different from last year as it may first appear. However, the 'make-up' of the result is quite different.

This year we were faced with significant revenue reductions in a number of areas, in particular membership, merchandise, and match receipts. Profit from membership was of particular concern, being \$309,000 less than last year, resulting from the club having approximately 3,000 fewer members sign up in 2003. Another disappointing area was match receipts which were \$147,000 less than last year, with a number of factors contributing to this reduction including the reduced capacity at the MCG, our own team's performance early in the year, and the weakness of previously strong clubs such as Carlton in terms of attracting match attendance.

However, timely action by the club's management to implement a rigorous program of cost control measures throughout the club largely offset the revenue reductions.

FINANCIAL POSITION

Nevertheless, the club was able to generate cash from operating activities during the year of \$1,104,770. This cash was applied to purchase plant and equipment during the year of \$295,000, with the balance adding to cash balances and investments still on hand at year end.

In this respect, at year end, cash balances were \$3,045,000 and investments at market value \$1,956,000, a total just in excess of \$5,000,000.

In relation to investments, the club reinvested \$430,000 in managed funds, being a similar amount to that redeemed in the previous year. The club also invested \$1,000,000 in direct share investments after taking advice from external advisors.

The Board is currently considering a number of proposals for further investments including expansion of certain business activities at the Napier St premises.

LOOKING AHEAD

The club is budgeting for a significantly higher profit in 2004. In particular, every effort is to be made to restore income losses in all areas, for example membership, which were so damaging in 2003.

Of course, success by our team on the field always translates into improved financial returns, and this is another reason to hope for an excellent year on field for the club in 2004.

Tim Jonas
Finance Director



DIRECTORS' REPORT

Your directors submit their report on the company for the financial year ended 31 October 2003.

1. DIRECTORS

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

- K. Egan B. Dunn
- N. Gay A. Epis
- B. Knight T. Jonas
- N. McKissock P. Leggett
- B. Teal G. McMahon
- R. Horsburgh (appointed 11/8/03)

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

2. PRINCIPAL ACTIVITY

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

3. OPERATING RESULT

For the year ended 31 October 2003 the company had an overall profit of \$409,652 (2002: \$1,007,857).

4. REVIEW OF OPERATIONS

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

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

6. MATTERS SUBSEQUENT TO YEAR END

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

7. LIKELY DEVELOPMENTS

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

8. DIRECTORS AND AUDITORS INDEMNIFICATION

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

- indemnified or made any relevant agreement for indemnifying against a liability incurred as a director or officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director or officer for the costs or expenses to defend legal proceedings with the exception of the following matter. During the financial year the company paid a premium to insure each of the company's directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

9. DIRECTORS' BENEFITS

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

10. MEETINGS OF DIRECTORS

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

	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
B. Dunn	16	13	2	1
K. Egan	16	15	-	-
A. Epis	16	16	-	-
N. Gay	16	13	-	-
R. Horsburgh	5	4	-	-
T. Jonas	16	12	2	2
B. Knight	16	15	-	-
P. Leggett	16	16	2	2
N. McKissock	16	16	-	-
G. McMahon	16	16	-	-
B. Teal	16	15	-	-

11. INFORMATION ON CURRENT DIRECTORS

G. McMahon	Chairman 1997-03	Chairman Board of Directors Chairman EFCSC President Melton Country Club Inc. Chairman Hall of Fame Trustees
B. Dunn	Board 1999-03	Member Audit Committee
K. Egan	Life Member Senior Player 1963-69 Board 1996-03	Chairman of Selectors
A. Epis	Life Member Senior Player 1958-68 Board 1998-03	
N. Gay	Life Member Committee 1971-75 Treasurer 1976-77 Vice President 1978-97 Board 1998-03	
R. Horsburgh	Board 2003	
T. Jonas	Board 1997-03	Finance Director Finance Director EFCSC Treasurer Melton Country Club Inc. Chairman Audit Committee
B. Knight	Board 1994-03	Committee EFCSC Vice President Melton Country Club Inc. Trustee Hall of Fame
P. Leggett	Board 1999-03	Committee EFCSC Member Audit Committee
N. McKissock	Board 1997-03	Deputy Chairman Deputy Chairman EFCSC Committee Melton Country Club Inc.
B. Teal	Board 1999-03	Committee Melton Country Club Inc.

12. AUDIT COMMITTEE

At the date of this report the Essendon Football Club had an audit committee consisting of the following directors:

T. Jonas (Chairman)	P. Leggett	B. Dunn
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The external auditors, the Chief Executive Officer and the Finance Manager are invited to Audit Committee meetings at the discretion of the Committee. The Chairman attends Audit Committee meetings ex officio at his discretion.

The responsibilities of the Audit Committee include:

- reviewing financial statements and other information distributed externally;

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

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

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



G. McMahon Director
T. Jonas Director

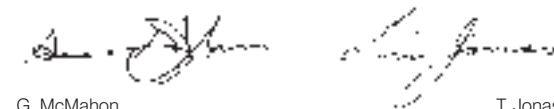
Signed this 11th day of November, 2003.

DIRECTORS' DECLARATION

The directors of the company declare that :

- (1) the financial statements and notes, as set out on pages 11 to 15, are in accordance with the Corporations Act 2001:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 October 2003 and of the performance for the year ended on that date of the company.
- (2) in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



G. McMahon Director
T. Jonas Director

Signed this 11th day of November, 2003.

INDEPENDENT AUDIT REPORT

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

Scope
The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Essendon Football Club Limited, for the year ended 31 October 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

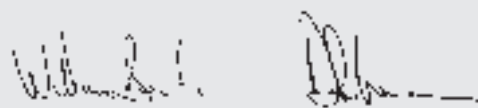
In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the Corporations Act 2001.

Audit Opinion

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

- (a) the Corporations Act 2001, including :
 - (i) giving a true and fair view of Essendon Football Club Limited's financial position as at 31 October 2003 and of their performance for the year ended on that date ;
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001 ; and

- (b) other mandatory financial reporting requirements in Australia.



William Buck Chartered Accountants
David A. McC. Ashmore Partner

Dated this 11th day of November, 2003
Melbourne, Australia.



Statement of Financial Performance

FOR THE YEAR ENDED 31 OCTOBER 2003

	NOTE	2003 \$	2002 \$
Revenues from ordinary activities	3(a)	20,579,700	22,608,514
Expenses from ordinary activities	3(b)	20,170,048	21,600,657
Net profit from ordinary activities	3(c),(d)	409,652	1,007,857
Net increase in asset revaluation reserve	15	50,000	75,000
Total changes in equity		459,652	1,082,857

Statement of Financial Position

AS AT 31 OCTOBER 2003

CURRENT ASSETS

Cash assets	17	3,045,142	3,686,903
Receivables	5	1,591,686	1,368,049
Inventories	6	236,159	117,436
Other	7	81,810	420,300
TOTAL CURRENT ASSETS		4,954,797	5,592,688

NON-CURRENT ASSETS

Receivables	8	255,885	450,885
Investments	9	1,956,058	459,510
Property, Plant and Equipment	10	4,652,044	4,686,307
TOTAL NON-CURRENT ASSETS		6,863,987	5,596,702
TOTAL ASSETS		11,818,784	11,189,390

CURRENT LIABILITIES

Payables	11	1,963,266	1,750,648
Provisions	12	587,053	341,286
Other	13	29,651	111,974
TOTAL CURRENT LIABILITIES		2,579,970	2,203,908

NON-CURRENT LIABILITIES

Provisions	14	92,211	298,531
TOTAL NON-CURRENT LIABILITIES		92,211	298,531
TOTAL LIABILITIES		2,672,181	2,502,439

NET ASSETS

		9,146,603	8,686,951
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MEMBERS FUNDS

Accumulated Funds	16	8,781,603	8,371,951
Asset Revaluation Reserve	15	365,000	315,000
TOTAL MEMBERS FUNDS		9,146,603	8,686,951

Statement of Cash Flows

FOR THE YEAR ENDED 31 OCTOBER 2003

	NOTE	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Members, Sponsors, Supporters and Other Operations		21,661,424	26,317,016
Payments to Suppliers, Employees and Players		(20,801,992)	(23,367,815)
Interest Received		245,338	205,199
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	17 (b)	1,104,770	3,154,400

CASH FLOWS FROM INVESTING ACTIVITIES

Redemption of Investments		-	429,706
Payment for Investments		(1,430,000)	-
Proceeds from sale of property, plant and equipment		454	2,719
Purchase of property, plant and equipment		(294,881)	(2,013,088)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(1,724,427)	(1,580,663)

CASH FLOWS FROM FINANCING ACTIVITIES

Net proceeds from related party borrowings:			
Essendon Football and Community Sporting Club		148,842	180,000
Melton Country Club		(170,946)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		(22,104)	180,000
NET INCREASE (DECREASE) IN CASH HELD		(641,761)	1,753,737
CASH AT BEGINNING OF THE FINANCIAL YEAR		3,686,903	1,933,166
CASH AT END OF THE FINANCIAL YEAR	17 (a)	3,045,142	3,686,903

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2003

1. ESSENDON FOOTBALL CLUB LIMITED

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

(a) Inventories

Inventories are measured at the lower of cost and net realisable value.

(b) Investments

Non-current investments are measured on a fair basis. The fair value is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

(c) Property, Plant and Equipment

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

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

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	2.5% - 10%
Plant & Equipment	15% - 33.3%
Motor Vehicles	22.5%

(d) Employee Benefits

Provision is made for the company's liability for employee benefits to annual leave and long service leave from services rendered by employees to balance date. Long service leave is provided for employees with five or more years' service for amounts which approximate the present value of future payments to be made to employees.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred. At 31 October 2002 an issue existed in relation to long service leave entitlements for players which was not clearly covered by the standard playing contract and the AFL and AFLPA Collective Bargaining Agreement.

This issue was resolved during the financial year. An agreement has been reached between the Essendon Football Club and its players, with the agreement being certified by the Australian Industrial Relations Commission. This agreement extinguishes the Essendon Football Clubs liability for long service leave for players with less than nine years service of the time of the agreement being reached. The Essendon Football Club has reached agreement with those players currently entitled to long service leave to extinguish any entitlement during their period of employment with the Essendon Football Club.

(e) Income Received in Advance

Income is brought to account in the period in which it relates. Income received prior to 31 October 2003, which relates to future periods, has been recorded as income received in advance.

(f) Income Tax

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

(g) Player Acquisition Costs

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

(h) Revenue

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

(i) Goods and Services Tax (GST)

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

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

(j) Comparatives

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

3. OPERATING PROFIT FROM ORDINARY ACTIVITIES

	2003 \$	2002 \$
(a) Revenue from Ordinary Activities		
(i) Operating revenue		
AFL annual distribution	3,907,000	3,532,000
AFL Prizemones	165,000	165,000
Marketing revenues	13,430,688	15,117,328
Sale of goods	1,338,819	1,953,137
Match receipts	762,134	908,828
VFL revenues	-	18,920
TOTAL OPERATING REVENUE	19,603,641	21,695,213
(ii) Non-operating revenue		
AFL distribution from sale of Waverly Park	300,000	300,000
Interest received	245,338	236,266
Rental income	348,470	443,149
Net income from investments	82,251	(66,114)
TOTAL NON-OPERATING REVENUE	976,059	913,301
TOTAL REVENUE FROM ORDINARY ACTIVITIES	20,579,700	22,608,514
(b) Expenses from Ordinary Activities		
Marketing expenses	6,778,223	7,605,929
Cost of sales	731,010	1,047,596
Football expenses	10,491,878	10,709,084
Administration	1,233,164	1,238,128
Venue expenses	810,197	822,265
IT expenses	125,576	177,655
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	20,170,048	21,600,657
(c) Profit from ordinary activities has been determined after :		
(i) Charging as Expenses (Revenue):		
Depreciation of:		
- Plant and Equipment	191,417	218,192
- Motor Vehicles	7,158	7,157
Amortisation of:		
- Leasehold Improvements	180,285	138,268
Provision for Employee Entitlements	39,447	1,062
Provision for Doubtful Debts	-	(130,000)

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2003

3. OPERATING PROFIT FROM ORDINARY ACTIVITIES (cont.)

	2003 \$	2002 \$
(Profit)/Loss on disposal of property, plant & equipment	(170)	5,990
(Profit)/Loss on disposal and (write-up)/write-down of non-current investments to recoverable amount	(35,520)	97,182
Dividend/Distribution income received on investments	(46,731)	(31,068)
Write-down of inventories to net realisable value	-	34,443
(d) Significant Items		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Revenue		
Sponsor contract settlement	-	275,000
AFL distribution from sale of Waverly Park	300,000	300,000
	300,000	575,000
Expense		
AFL Investigation fine	85,000	-

4. AUDITORS' REMUNERATION

Remuneration of the auditor for:

- auditing the annual financial report	20,000	17,500
- other	8,000	8,000
	28,000	25,500

The auditors received no other benefits.

5. RECEIVABLES (CURRENT)

Trade and Sundry Debtors	1,035,827	1,023,898
Less Provision for Doubtful Debts	(15,000)	(15,000)
	1,020,827	1,008,898
Trading amounts receivable from associated entities (Refer Note 20a)	173,755	179,151
Loans receivable from associated entities (Refer Note 20b)	397,104	180,000
	1,591,686	1,368,049

6. INVENTORIES

Merchandise - at cost	248,159	129,436
Less Provision for obsolete stock	(12,000)	(12,000)
	236,159	117,436

7. OTHER ASSETS

Prepaid expenses	81,810	420,300
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8. RECEIVABLES (NON-CURRENT)

Loans receivable from associated entities (Refer Note 20b)	255,885	450,885
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Note 10 continued

2003	Land \$	Plant & Equipment \$	Motor Vehicles \$	Leasehold Improvements \$	Total \$
Beginning of financial year	435,000	389,735	7,954	3,853,618	4,686,307
Additions	-	145,424	-	149,457	294,881
Cost of assets no longer in use	-	(78,586)	-	-	(78,586)
Disposals	-	(284)	-	-	(284)
Revaluations	50,000	-	-	-	50,000
Depreciation expense	-	(191,417)	(7,158)	(180,285)	(378,860)
Accumulated depreciation on assets no longer in use	-	78,586	-	-	78,586
End of financial year	485,000	343,458	796	3,822,790	4,652,044

9. INVESTMENTS (NON-CURRENT)

Shares - at cost	150	150
- at market value	1,007,594	-
Units in managed funds - at market value	948,314	459,360
	1,956,058	459,510

10. PROPERTY, PLANT AND EQUIPMENT

Land - at cost	35,000	35,000
Land - at 2003 Independent Valuation	450,000	400,000
	485,000	435,000
Plant and Equipment - at cost	1,451,932	1,391,681
Provision for Depreciation	(1,108,474)	(1,001,946)
	343,458	389,735
Motor Vehicles - at cost	31,814	31,814
Provision for Depreciation	(31,018)	(23,860)
	796	7,954
Leasehold Improvements - at cost	4,664,803	4,508,754
Provision for Amortisation	(842,013)	(655,136)
	3,822,790	3,853,618
TOTAL PROPERTY, PLANT AND EQUIPMENT	4,652,044	4,686,307

An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 7 November 2003 by P.W. Stokes FAPI FREI. The valuation was based on the current market value of the land. The valuation revealed a current market value of \$450,000.

See table at bottom of page for movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

11. PAYABLES (CURRENT)

Trade Creditors	416,228	117,443
Accruals	1,547,038	1,633,205
	1,963,266	1,750,648

12. PROVISIONS (CURRENT)

Annual Leave	249,417	274,634
Long Service Leave	337,636	66,652
	587,053	341,286

13. OTHER LIABILITIES (CURRENT)

Income Received in Advance	29,651	111,974
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14. PROVISIONS (NON-CURRENT)

Long Service Leave	92,211	298,531
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15. ASSET REVALUATION RESERVE

Balance at the beginning of the financial year	315,000	240,000
Revaluation increment on freehold land (Refer Note 10)	50,000	75,000
Balance at the end of the financial year	365,000	315,000

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2003

	2003 \$	2002 \$
16. ACCUMULATED FUNDS		
Balance at the beginning of the financial year	8,371,951	7,364,094
Net profit for the year	409,652	1,007,857
Balance at the end of the financial year	<u>8,781,603</u>	<u>8,371,951</u>

17. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

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

Cash on Hand	3,300	3,300
Cash at Bank	41,842	221,363
Short Term Deposits	3,000,000	3,462,240
	<u>3,045,142</u>	<u>3,686,903</u>

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

Operating profit/(loss) from ordinary activities	409,652	1,007,857
(Profit)/Loss from Sale of Fixed Assets	(170)	5,990
Increase/(Decrease) in Provision for Doubtful Debts	-	(130,000)
Depreciation and Amortisation	378,860	363,617
(Increase)/Decrease in Receivables and Other Assets	331,957	2,536,845
(Increase)/Decrease in Inventory	(118,723)	165,023
(Increase)/Decrease in value of Investments	(66,548)	66,114
Increase/(Decrease) in Payables and Income in Advance	130,295	(862,108)
Increase/(Decrease) in Provision for Employee Entitlements	39,447	1,062
Net Cash Provided by (used in) Operating Activities	<u>1,104,770</u>	<u>3,154,400</u>

18. CAPITAL AND LEASING COMMITMENTS

(a) Operating Lease Commitments

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

Payable:		
- not later than one year	173,334	168,333
- later than one year but not later than 5 years	58,333	231,667
	<u>231,667</u>	<u>400,000</u>

(b) Capital Expenditure Commitments

Payable:		
- not later than one year	33,100	103,400

19. REMUNERATION OF DIRECTORS

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

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

B. Dunn	K. Egan	A. Epis
N. Gay	R. Horsburgh (appointed 11/8/03)	
T. Jonas	B. Knight	P. Leggett
N. McKissock	G. McMahon	B. Teal

20. RELATED PARTIES

(a) Related Party Trading Balances

Trading amounts receivable from associated entities:

Current		
EFC Hall of Fame Trust	37,384	8,410
Essendon Football and Community Sporting Club	92,565	92,104
Melton Country Club Inc.	43,806	78,637
	<u>173,755</u>	<u>179,151</u>

(b) Related Party Loans

Loans receivable from associated entities:

Current		
Essendon Football and Community Sporting Club (refer (i) below)	226,158	180,000
Melton Country Club Inc. (refer (ii) below)	170,946	-
	<u>397,104</u>	<u>180,000</u>
Non-current		
Essendon Football and Community Sporting Club (refer (i) below)	255,885	450,885

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

(ii) The balance receivable from Melton Country Club Inc. is unsecured. Interest is payable on the loan balance at a rate of 4% per annum.

(c) Related Party Transactions

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

(i) Associated Entities

Rental income received or receivable from:		
Essendon Football and Community Sporting Club	40,000	40,000
Melton Country Club Inc.	284,470	379,149
EFC Hall of Fame Trust	24,000	24,000
	<u>348,470</u>	<u>443,149</u>

Sponsorship income received or receivable from:		
Essendon Football and Community Sporting Club	160,517	245,264

Interest received or receivable from:		
Essendon Football and Community Sporting Club	35,819	45,374
Melton Country Club Inc.	2,695	2,489
	<u>38,514</u>	<u>47,863</u>

Management fees received or receivable from:		
Essendon Football and Community Sporting Club	68,344	64,423
Melton Country Club Inc.	55,078	44,578
	<u>123,422</u>	<u>109,001</u>

(ii) Directors and Director Related Entities

Courier fees paid or payable to Couriers Express Services of which Mr Patrick Leggett is a director.	14,160	19,028
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Consulting fees paid or payable to Pitcher Partners of which Mr Tim Jonas is a partner.	10,480	9,500
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NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 31 OCTOBER 2003

21. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

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

Note	2003 Fixed interest maturing in:				Total \$	Weighted average Interest rate %
	Floating Interest rate \$	1 year or less \$	1 to 5 years \$	Non interest bearing \$		
Financial Assets						
Cash	17(a)	41,842	3,000,000		3,045,142	4.84
Receivables - Trade debtors	5			1,194,582	1,194,582	Nil
Loans	20(b)		397,104	255,885	652,989	5.85
Investments	9			1,956,058	1,956,058	Nil
		<u>41,842</u>	<u>3,397,104</u>	<u>255,885</u>	<u>3,153,940</u>	<u>6,848,771</u>
Financial Liabilities						
Payables	11			1,963,266	1,963,266	Nil
		-	-	-	1,963,266	-
Net financial Assets/(liabilities)		<u>41,842</u>	<u>3,397,104</u>	<u>255,885</u>	<u>1,190,674</u>	<u>4,885,505</u>

Note	2002 Fixed interest maturing in:				Total \$	Weighted average Interest rate %
	Floating Interest rate \$	1 year or less \$	1 to 5 years \$	Non interest bearing \$		
Financial Assets						
Cash	17(a)	221,363	3,462,240		3,686,903	3.44
Receivables - Trade debtors	5			1,188,049	1,188,049	Nil
Loans	20(b)	630,885			630,885	6.5
Investments	9			459,510	459,510	Nil
		<u>852,248</u>	<u>3,462,240</u>	<u>-</u>	<u>1,650,859</u>	<u>5,965,347</u>
Financial Liabilities						
Payables	11			1,750,648	1,750,648	Nil
		-	-	-	1,750,648	-
Net financial Assets/(liabilities)		<u>852,248</u>	<u>3,462,240</u>	<u>-</u>	<u>(99,789)</u>	<u>4,214,699</u>

(b) Credit Risk

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

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

(c) Terms, Conditions and Accounting Policies

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

(i) Financial Assets

Trade Debtors

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

(ii) Financial Liabilities

Trade creditors and other accruals

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

(d) Net Fair Values of Financial Assets and Liabilities

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

22. CONTINGENT LIABILITY

The legal matter referred to in the 2002 Financial Report was settled during the 2003 financial year with an appropriate claim against insurance. The terms of the settlement are bound by a confidentiality agreement.