



MELBOURNE FOOTBALL CLUB LIMITED

(ACN 005 686 902)

FINANCIAL REPORT

FOR THE YEAR ENDED 31 OCTOBER 2008

DIRECTORS' REPORT

To the Members of the Melbourne Football Club Limited ("the Club")

The Directors hereby present their report pursuant to the requirements of the Corporations Act 2001 on the state of affairs of the Club and its controlled entity at 31 October 2008.

1. DIRECTORS

Jim Stynes

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

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

Guy Jalland

Guy has been a director and Vice President of the Melbourne Football Club Limited since 12 June 2008. Guy is a member of the Club's Finance, Audit & Risk Committee, and has particular involvement at Board level on our gaming investments and new home and training facility projects. Guy holds a Bachelor of Laws. Guy is a senior executive Consolidated Press Holdings Limited, and has been employed by CPH and Publishing and Broadcasting Limited (formerly 38% owned by CPH) since 1998.

Don McLardy

Don has been a director of the Melbourne Football Club Limited since 12 June 2008, and was appointed Vice President on 27 June 2008. Don has particular involvement at Board level on our membership and sponsorship, our marketing and communications, and our supporter groups and stakeholders. Don has a Diploma in Financial Services (Broking) and is a Qualified Practising Insurance Broker (QPIB). Don is a director and shareholder of Insurance Advisernet Australia Pty Ltd. He is a member of the MCC, Metropolitan Golf Club and VRC. Don conceived and manages the "Business of Sport Luncheon" which benefits the Club.

Stuart Grimshaw

Stuart has been a director of the Melbourne Football Club Limited since 12 June 2008. Stuart is a member of the Club's Finance, Audit & Risk Committee, as well as the Club's Governance, Remuneration & Performance Committee. Stuart has particular involvement at Board level on our relationship with the AFL. Stuart holds a Bachelor of Commerce & Administration and a Masters of Business Administration. Stuart has recently been appointed as CEO of Caledonia Funds Management. Stuart has extensive experience in the banking and finance industries, and recently resigned as Group Executive Premium Business Services for the Commonwealth Bank of Australia, having previously performed the role of CFO and Group Executive Financial and Risk Management.

Karen Hayes

Karen has been a director of the Melbourne Football Club Limited since 21 January 2006. Karen is a member of the Club's Governance, Remuneration & Performance Committee, and has particular involvement at Board level on our relationship with the Melbourne Cricket Club and our supporter groups. Karen is Director Corporate Engagement and Human Capital with UXC Limited. Karen was previously CEO of Planpower, one of the business units within the UXC Group. Karen is a past finalist in the Telstra Business Woman of the Year Awards and has sat on the Board of the Breast Cancer Network Australia since its establishment in 1998.

Russel Howcroft

Russel has been a director of the Melbourne Football Club Limited since 12 June 2008. Russel has particular involvement at Board level on our marketing and communications, our membership and sponsorship, our supporter groups and our relationship with the AFL. Russel is Chairman and Managing Director of George Patterson Y&R. Russel was previously CEO of The Furnace, the Havas-owned agency he co-founded as Brandhouse in 1995. Russel has also worked for McCann Erickson, Lowe Howard-Spink (in London), and George Patterson. Russel is the former Chairman of the Advertising Federation of Australia, and is a founding Board Member of Media Team, an organization that assists not-for-profits with their media and marketing endeavours. Russel is a Board Member of The Melbourne International Arts Festival, a permanent panel member of the ABC TV show "The Gruen Transfer", and a regular contributor to Lindy Burns' afternoon show on ABC 774 in Melbourne. Russel also helped create and fund EMIT - one of Australia's first carbon trading companies.

Andrew Leoncelli

Andrew has been a director of the Melbourne Football Club Limited since 24 October 2007. Andrew has particular involvement at Board level on our football department and playing list management. Andrew played a total of 146 games with the Melbourne Football Club between 1996 and 2003, was deputy vice captain between 1998 and 2003, and a Grand Finalist in 2000. Andrew finished third in the Club Best and Fairest in 1997 and 1999, and fifth in 1998 and 2000. He was awarded Best Clubman in 1998. Andrew was the AFL Players' Association Vice President between 2000 and 2003. Andrew is Associate Director of the Residential Development team at VALAD Property Group. He has an undergraduate Commerce Degree from the University of Melbourne and Graduate Diploma in Applied Finance and Investment (FINSA).

Peter Spargo

Peter has been a director of the Melbourne Football Club since 13 March 2008. Peter is a member of the Club's Finance, Audit & Risk Committee, and has particular involvement at Board level on our gaming investments, our football department, and our relationship with the Melbourne Cricket Club. Peter holds a Bachelor of Economics. Peter is the Managing Director and owner of family companies associated in the oil industry, retail businesses and property development.

DIRECTORS' REPORT (CONTINUED)**1. DIRECTORS (CONTINUED)****Peter Szental**

Peter has been a director of the Melbourne Football Club Limited since 12 June 2008. Peter is a member of the Club's Governance, Remuneration & Performance Committee, and has particular involvement at Board level on our playing list management and new home and training facility projects. Peter holds degrees in science, politics and philosophy and a Master's degree in business. Peter is the founder and owner of the Szencorp Group, a business involved in building sustainability and property development in Australia and Asia. Peter is President of the Australasian Energy Performance Contracting Association, and also serves as Treasurer of the Australian Sustainable Built Environment Council. Peter is also a member of various government advisory committees covering greenhouse emissions, the Australian Building Codes Board, Standards Australia and the Asia-Pacific Partnership on Clean Development and Climate.

David Thurin

David has been a director of the Melbourne Football Club Limited since 12 June 2008. David is a member of the Club's Governance, Remuneration & Performance Committee, and has particular involvement at Board level on our playing list management and new home and training facility projects. David holds a Bachelor of Medicine with post-graduate qualifications in family medicine and obstetrics and gynaecology, as well as a Masters Degree in Management from Stanford University in California. David is Managing Director and owner of Tigcorp, a privately owned company that owns, develops and manages retirement communities. David has previously been involved in the Gandel Group of Companies, as a director for fourteen years and as a Joint Managing Director of both the Gandel Group and Gandel Retail Management for six years. David is currently the President of the International Diabetes Institute, and has served on its Board since June 2003. He is a Director of the Baker IDI Heart and Diabetes Institute and has been a member of the Young Presidents Organisation since 1999.

2. CHIEF EXECUTIVE OFFICER AND COMPANY SECRETARY**Cameron Schwab**

Cameron was appointed Chief Executive Officer of the Melbourne Football Club Limited on 29 September 2008. Cameron is an executive member of the Club's Finance & Risk Audit Committee and Governance, Remuneration and Performance Committee. Cameron holds a Master of Business Administration, a Master of Marketing and has completed an Advanced Management Program with the Harvard Business School. Cameron commenced his working life as a cadet administrator with Melbourne Football Club in 1982, and was later appointed Recruiting Manager. In 1988 Cameron was appointed General Manager of Richmond Football Club. He returned to Melbourne Football Club as CEO in 1997 following the failed merger with Hawthorn. In 2000 he was appointed CEO of afl.com.au, the AFL's official website. In September 2001, Cameron commenced the role as CEO of the Fremantle Football Club, the position he held until returning to Melbourne.

Mark Long

Mark has been the Company Secretary of the Melbourne Football Club Limited since 18 August 2008. Mark is an executive member of the Club's Finance & Risk Audit Committee. Mark holds a Bachelor of Commerce. Mark has held the position of Finance Manager with the Club since August 2006, and has previously worked with the AFL. Mark has experience in sporting administration and accounting, and has also been employed with a Chartered Accounting firm.

3. PRINCIPAL ACTIVITIES

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

4. OPERATING RESULTS AND REVIEW OF OPERATIONS

The Club has reported a loss of \$549,298 (2007: \$103,311 loss) for the year ended 31 October 2008.

Through 2008, the Club's core operations traded very poorly. The Club's revenue generation fell well short of management's expectations at the start of the year, particularly in corporate partnerships, sponsorships, game day hospitality and retail. Our match day attendances were down, perhaps reflecting our struggling on-field performance.

Our reported loss includes revenue from our Debt Demolition fundraising campaign. This key contribution has masked what would otherwise have been a disastrous 2008 core trading loss of over \$3.0m, derived as follows:

Income Statement Reconciliation 2008

	\$
Operating Loss	(4,076,004)
Add back: Asset Write-downs	1,024,926
Core Trading Loss	(3,051,078)
Debt Demolition Net Proceeds	2,501,780
Net Loss as reported in Income Statement	<u>(549,298)</u>

DIRECTORS' REPORT (CONTINUED)

For some years now the Club has performed below the benchmark of our peer AFL Clubs in most of the key revenue indicators. These core elements are being addressed by the Board and management.

We again suffered from a high number of injuries, which impacted not only the team's on-field success, but had a significantly detrimental financial cost. We also incurred the cost of retiring and replacing two CEOs. Gaming venues generally face a number of challenges, and our gaming investments traded poorly. The Leighoak Club's financial results were very disappointing, and we have written down our investment in that business. In addition there were further asset write downs in relation to new facility development, Junction Oval assets, other general assets and merchandise totalling \$1.025m (as detailed below).

Asset Write-down Reconciliation

	\$
Leighoak asset impairment	542,173
Leighoak asset accelerated depreciation	260,449
Junction Oval asset write down	58,504
New Facility asset write down	124,586
Other asset write-downs	39,213
	<u>1,024,926</u>

In early June we celebrated the 150th anniversary of the Club's founding, a truly remarkable achievement. The celebrations culminated in a terrific 150 Heroes Dinner, which was a credit to everyone involved in its organisation. It was one of the Club's finest evenings.

On 12 June, a number of the Club's directors retired, many having given years of service to our Club. Our thanks go to Paul Gardner, Beverley O'Connor, Stephen Bickford, Michael Coglein, John Phillips, Anthony Starkins, Sue Natrass and Charles Sitch for their considerable efforts for the Club, and we acknowledge the professional manner in which they permitted President Jim Stynes and the new Board to be appointed.

As trading deteriorated through the season, by July our debt had reached close to \$5m, an unacceptably high level. In August, the Club's members rallied phenomenally to raise nearly \$3m to pay down the debt.

It is often said of troubled sporting Clubs that "it is only the members who can save a Club" – and we believe that Melbourne Football Club members came out in force to save the Club with our Debt Demolition campaign. Generous contributions were received at all levels, from members on our "Debt Demolition" website, to donors to our call centre, from contributions mailed to the Club, to members at specially arranged events in the city and in country locations, to corporate support from Foxtel, and from our 150 Foundation Heroes donors.

These monies have been accounted as follows:

Debt Demolition Funding	\$	notes
Bookings, Raffle, Auction Income etc	143,335	
Foxtel Sponsorship	97,455	
Donation Pledges	1,747,111	
Sponsorship Pledges	<u>1,087,955</u>	
Total Pledges & Other Income	<u>3,075,856</u>	
Less Pledges Outstanding	(112,500)	1
Less Payments to be made in future years	(100,000)	1
Less Payments made to Red and Blue Foundation	(115,000)	2
Less Expenditure incurred	<u>(216,944)</u>	
Total Adjustments	<u>(544,444)</u>	
Net Debt Demolition Funds	<u>2,531,412</u>	
Reconciliation of Funds Recognised in the Financial Report		
Net Income derived from Debt Demolition as per the Income Statement	2,501,780	
Amount recognised as Unearned Income on the Balance Sheet	<u>29,632</u>	3
	<u>2,531,412</u>	

1. Due to Accounting Standards, these pledges have not met the criteria for recognition as revenue in the Financial Reports.

2. The Red & Blue Foundation does not form part of the consolidated results of the Melbourne Football Club shown in this Financial Report.

3. Some fulfilment of obligations to Donors had not occurred at 31 October 2008 which prevents these amounts been recognised as revenue.

The media gave us good publicity to support our cause. Special mention must be made of our players, current and past, who stepped into the breach to help. At our major Debt Demolition dinner, past great Garry Lyon, our coach Dean Bailey and general manager - football Chris Connolly all spoke. Dean had permitted his address to the players before the Collingwood game on Queens Birthday to be recorded, and we were able to use that footage on the night. Twenty-eight present and nineteen past players attended to ensure the night was a success. Our thanks especially go to Ron Barassi who has made himself available on countless occasions to help, not only for Debt Demolition month (including making radio advertisements for the Club), but throughout the rest of the year. One senses that Ron understands more than any of us the challenges the Club faces, and he is putting in an extra huge effort to get the Club going.

By end October our core debt was down to \$2.045m, and we will need to continue our campaign through 2009 to further eliminate debt. Questions are validly asked as to why your Board is focussing on eliminating this debt, when other clubs are able to carry debt at these levels. The answer is that Melbourne's current business model and revenue streams are weaker than other clubs. Until our new CEO and management are able to secure the business and rebuild it, it would be imprudent to carry debt.

We are very grateful for the AFL's provision in 2008 of a \$1m ASD and the substantial funding support received from the MCC. A continuation of the AFL's ASD into 2009 is important to give management an extra year to implement strategies to commence building our revenue streams, and we are in discussions with the AFL on this issue. Under an agreement reached in 2006 the Club is to receive an ASD in 2009 of \$250,000. Detailed submissions have been made for the AFL to consider an increased amount, and we expect a determination from the AFL in the next few months. There can be no certainty that the AFL will increase funding above the previously agreed level.

DIRECTORS' REPORT (CONTINUED)

Forging an ever closer relationship with the MCC is critical to the Club. Not only does the MCC (and the MCG) occupy a unique part of our heritage, we also believe a closer affiliation can make very sound commercial sense for both the MCC and ourselves. We hope that in the next few months those discussions will result in a relationship framework which will be rewarding for both sides.

It is incumbent on the Board and management, if we are to receive further support from the AFL and the MCC, that we demonstrate to those organisations that their funds are being sensibly and prudently deployed to build the Club's business, rather than simply covering trading losses.

In August we started cutting our costs to minimise our trading losses and hold our debt down. Whilst necessary in the short term, it is difficult to "cut your way to growth". We are delighted to have been able to appoint Cameron Schwab as our CEO, and he started work on 1 October. Cameron has spent much of his time securing the business, and laying the platform for the business to grow. Cameron's considerable experience in football club management is being called upon as we tackle our core business issues.

We have made a number of key management appointments to support Cameron. In November John Poulakakis joined as our Chief Commercial Officer, and in December Matthew Green joined as our Chief Operating Officer. We are very excited that these executives have joined the Club.

The Club has experienced an unacceptably high level of staff turnover in recent years, and this has placed additional workloads on our continuing staff and executives. We thank our staff and executives sincerely for their efforts throughout the year, at various times under difficult conditions.

We also acknowledge the contributions made by former CEOs Stephen Harris and Paul McNamee, and also thank George Savvides who was CFO of the Club for three years and resigned in July 2008. We also acknowledge the contribution of director Peter Spargo, our Acting CEO for three months whilst the search for our new CEO was undertaken.

On field, it was a very tough year. Our inability to sustain the pressure and intensity of our opponents was disappointing. As a Club, we were devastated by the serious injury sustained by our captain David Neitz, which ultimately forced his retirement. David is one of the greatest players to have worn the Red & Blue. Unfortunately many of our senior players were injured – Russell Robertson, Brock McLean, Brent Maloney and Aaron Davey all sustained season ending injuries which required surgery.

Dean Bailey and his assistant coaching staff used the difficult season as an opportunity to expose many of our younger players to the game at the highest level. Through the season seven players debuted. Many of our 2nd and 3rd year players improved noticeably. We again congratulate Cameron Bruce on winning the Club's Best & Fairest, followed by runner up Brock McLean, with Brad Green in 3rd. We also pay tribute to some outstanding players who retired at the end of the season – Jeff White, Adem Yze and Ben Holland have made significant contributions to the Club and will be missed.

We are impressed that the playing group commenced pre-season training early (on 3 October), held for the first time at the excellent sporting facilities at Casey Fields. We are working with the City of Casey and the Casey Scorpions to cement arrangements which will give the Club both a long term presence in the City of Casey, as well as a football affiliation with the Casey Scorpions. Casey is a fast growing city with progressive leadership, and is an ideal base for our Club and our players to be involved in community programs. Our aim is to be able to utilise training facilities at Casey in conjunction with facilities in the MCG precinct.

Last month heralded the National Draft, and we are thrilled with all our selections. We acknowledge the considerable efforts put in by Barry Prendergast and his recruiters.

Despite the considerable challenges faced during the year and the inevitable setbacks which occur when rebuilding the Club's business and the playing team at the same time, your Board is totally focussed on the tasks at hand. We assure all members that all decisions have been made, and will continue to be made, in the long term interests of the Club. We are enthusiastically looking forward to 2009, and thank all members for permitting us the privilege of serving as your directors of this great club.

5. EVENTS SUBSEQUENT TO BALANCE DATE

In November we reached a confidential agreement for Nathan Carroll to leave the Club, and the cost of settling Nathan's contract has been incorporated into the 2008 financial result as well as the Total Player Payment ("TPP") result. We wish Nathan well for the future.

Isaac Weetra, Jace Bode and Chris Johnson also finished with the Club in 2008 and we thank them for their service and wish them well for the future.

6. LIKELY DEVELOPMENTS

Two further significant items require attention in coming months.

Primus, our major sponsor since 2004, is not continuing. We fully understand their decision, and thank them for their past support. We need to put in place a major sponsor for the 2009 season, and we are working hard on this challenge.

Addressing the training conditions for the players and the football department is critical. If at all possible, we want to bring the football department and the players' training facilities back to the MCG precinct. We continue to assess the facilities on offer at the new Rectangular Stadium under construction at Olympic Park, and are having continuing discussions with various stakeholders. There are some aspects which require further work and negotiation, but we are confident the end result will be first rate facilities for our players and the football department. We must take time to get this decision absolutely right – it will be a long term commitment at considerable cost to the Club.

7. ENVIRONMENTAL REGULATION

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

8. AUDITORS INDEPENDENCE DECLARATION

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 7 and forms part of the Directors' Report for the year ended 31 October 2008.

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

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

- Other assurance related services \$9,000

DIRECTORS' REPORT (CONTINUED)

9. DIRECTORS' MEETINGS

The number of Directors' meetings held in the period that each Director held office during the year ended 31 October 2008 and the number of meetings attended by each Director are:

Director	Number held	Number attended
Paul Gardner (resigned 12 June 2008)	6	6
Beverley O'Connor (resigned 12 June 2008)	6	6
Stephen Bickford (resigned 12 June 2008)	6	6
Peter Dohrmann (resigned 17 March 2008)	3	1
Michael Coglein (resigned 12 June 2008)	6	6
John Phillips (resigned 12 June 2008)	6	6
Anthony Starkins (resigned 12 June 2008)	6	4
Sue Natrass (resigned 12 June 2008)	6	5
Charles Sitch (resigned 12 June 2008)	6	4
Jim Stynes (appointed 12 June 2008)	6	6
Guy Jalland (appointed 12 June 2008)	6	6
Don McLardy (appointed 12 June 2008)	6	5
Stuart Grimshaw (appointed 12 June 2008)	6	5
Karen Hayes	11	9
Russel Howcroft (appointed 12 June 2008)	6	5
Andrew Leoncelli	11	10
Peter Spargo (appointed 17 March 2008)	9	9
Peter Szental (appointed 12 June 2008)	6	6
David Thurin (appointed 12 June 2008)	6	6

10. INDEMNIFICATION AND INSURANCE OF OFFICERS

Insurance and indemnity arrangements concerning Directors of the Club have continued since 31 October 2007. Under the agreement the Directors of the Club are indemnified against any claim to a maximum of five million dollars which may arise as a result of work performed in their capacity as a Director.

The Club has a Finance, Audit and Risk Committee, which met on 11 occasions during the year. Stuart Grimshaw (Chairman), Guy Jalland and Peter Spargo are the Board representatives on this Committee, together with two non-Board independent members.

Since 31 October 2007, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

Signed in accordance with a resolution of Directors at Melbourne this 16th day of December 2008.



Jim Stynes

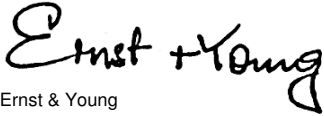


Peter Spargo

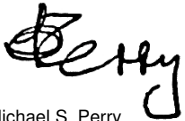
AUDITOR INDEPENDENCE DECLARATION

TO THE MEMBERS OF THE MELBOURNE FOOTBALL CLUB LIMITED

In relation to our audit of the financial report of Melbourne Football Club Limited for the financial year ended 31 October 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads "Ernst + Young". The signature is written in a cursive, flowing style.

Ernst & Young

A handwritten signature in black ink that reads "Perry". The signature is written in a cursive, flowing style.

Michael S. Perry
Melbourne
16 December 2008

INCOME STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
Revenue	3(a)	26,876,036	26,301,393
Other Income	3(d)	28,931	31,174
Social Club and Gaming Expenses		(3,648,379)	(2,321,256)
Football department costs		(14,219,903)	(13,273,939)
Cost of Sales		(756,526)	(675,586)
Administration costs		(3,034,271)	(2,456,597)
Corporate, Membership and Marketing Expenses		(6,692,250)	(6,212,596)
Finance Costs		(272,095)	(190,916)
Other expenses		(1,332,621)	(1,304,988)
Loss attributable to the football operations of Melbourne Football Club Limited		(3,051,078)	(103,311)
Net Income derived from Debt Demolition fundraising		2,501,780	-
Net Loss attributable to members of Melbourne Football Club Limited	14	(549,298)	(103,311)

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

BALANCE SHEET AS AT 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	5	272,722	232,375
Trade and other receivables	6	553,777	564,449
Inventories	7	97,389	132,461
Prepayments	8	112,472	313,793
Other financial assets	9	-	25,200
TOTAL CURRENT ASSETS		<u>1,036,360</u>	<u>1,268,278</u>
NON CURRENT ASSETS			
Plant and equipment	10	625,642	1,710,480
TOTAL NON CURRENT ASSETS		<u>625,642</u>	<u>1,710,480</u>
TOTAL ASSETS		<u>1,662,002</u>	<u>2,978,758</u>
CURRENT LIABILITIES			
Trade and other payables	11	1,582,442	1,466,620
Interest bearing liabilities	12	2,045,000	2,750,000
Provisions	13	203,777	231,018
Income received in advance	2(p)	1,607,760	1,751,427
TOTAL CURRENT LIABILITIES		<u>5,438,979</u>	<u>6,199,065</u>
NON CURRENT LIABILITIES			
Provisions	13	20,609	27,981
TOTAL NON CURRENT LIABILITIES		<u>20,609</u>	<u>27,981</u>
TOTAL LIABILITIES		<u>5,459,588</u>	<u>6,227,046</u>
NET ASSETS/(DEFICIENCY)		<u>(3,797,586)</u>	<u>(3,248,288)</u>
MEMBERS' FUNDS			
Accumulated Losses	14	(3,797,586)	(3,248,288)
TOTAL MEMBERS' FUNDS/(DEFICIENCY)		<u>(3,797,586)</u>	<u>(3,248,288)</u>

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2008

	NOTE	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and operations		29,461,765	26,152,044
Interest received		28,931	31,174
Payments to suppliers and employees		(28,116,137)	(25,519,500)
Interest and other costs of finance paid		(272,095)	(190,916)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	5	<u>1,102,464</u>	<u>472,802</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of other financial assets		-	(200)
Payments for plant and equipment		(357,117)	(1,162,869)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		<u>(357,117)</u>	<u>(1,163,069)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3,000,000	650,000
Repayment of borrowings		(3,705,000)	-
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		<u>(705,000)</u>	<u>650,000</u>
Net increase/(decrease) in cash held		40,347	(40,267)
Cash at the beginning of the year		232,375	272,642
CASH AT THE END OF THE FINANCIAL YEAR	5	<u>272,722</u>	<u>232,375</u>

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

STATEMENT OF CHANGES IN EQUITY

	Accumulated Losses \$
BALANCE AS AT 1 NOVEMBER 2006	(3,144,977)
Total income and expenses for the period recognised directly in equity.	<u>-</u>
Loss for the year	(103,311)
Total income and expense for the period	<u>(103,311)</u>
BALANCE AS AT 31 OCTOBER 2007	<u>(3,248,288)</u>
Total income and expenses for the period recognised directly in equity.	<u>-</u>
Loss for the year	(549,298)
Total income and expense for the period	<u>(549,298)</u>
BALANCE AS AT 31 OCTOBER 2008	<u>(3,797,586)</u>

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 1 - CLUB INFORMATION

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

The registered office of the Club is located at:
Melbourne Cricket Ground Southern Stand
Brunton Avenue
East Melbourne VIC 3002

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

The financial report of the Club for the year ended 31 October 2008 was authorised for issue in accordance with a resolution of the Directors on 15 December 2008.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis. The accounting policies adopted in preparing the financial statements are consistent with those adopted in previous years. Comparative information is reclassified where appropriate to enhance comparability.

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Both the functional and presentation currency of the Club is Australian dollars (\$).

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Melbourne Football Club Limited and subsidiaries (if any) as at 31 October each year. At 31 October 2008 the Melbourne Football Club Limited did not have any subsidiaries.

Prior to 1 July 2006 the business of Leighoak operated within Leighoak Limited, a subsidiary of the Melbourne Football Club Limited until it was deregistered on 10 April 2007.

(b) Going Concern

The Club has net liabilities of \$3.798m (2007: \$3.248m) and incurred an operating loss of \$0.549m (2007: \$0.103m) for the year ended 31 October 2008. The ability of the Club to continue as a going concern including the ability to pay their debts as and when they fall due is dependent upon the Club being able to successfully generate sufficient funds through membership, sponsorship, fundraising, gate receipts and other sources, including the Australian Football League's ("AFL") distributions.

The accounts have been prepared on the basis that the Melbourne Football Club Limited is a going concern as the AFL has committed to an annual funding program and furthermore, the Club expects continued support from its lenders.

However, if the Club is unable to successfully generate sufficient funds from their revenue sources to continue to fund their ongoing operations, there is inherent uncertainty whether the Club will be able to continue as a going concern and therefore whether they will be able to pay their debts as and when they become due and payable, and whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Club not continue as a going concern.

(c) Revenue Recognition

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

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

Fundraising and membership income is accounted for on the basis of the period to which it relates. Income received in the year ended 31 October 2008, but relating to future accounting periods has been adjusted accordingly.

NOTES TO AND FORMING PART OF THE ACCOUNTS**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) Plant and Equipment***Cost*

All acquisitions of plant and equipment and leasehold improvements are recorded at cost.

Depreciation and Amortisation of Plant and Equipment

Plant and equipment is depreciated over their estimated useful lives to the Club using the straight line method commencing from the time the asset is held ready for use. The following depreciation rate ranges have been used:

Furniture and Fittings	10% - 33%
Computer Hardware	25% - 33%
Computer Software	33% - 40%
Plant and Equipment	7.5% - 15%
Motor Vehicles	20%

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

Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the Income Statement in the period in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(e) Inventories

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

(f) 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 in the instance indicators of impairment are present, an assessment of the current value of the assets was made on the basis of an earnings multiple.

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

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(g) Income Tax

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

(h) Employee Benefits

A provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs.

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

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

Expected future payments are discounted using market yields at 31 October 2008 on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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

(i) Goods and Services Tax

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

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

NOTES TO AND FORMING PART OF THE ACCOUNTS**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Comparative Figures**

Where necessary (refer Note 23), comparative figures have been adjusted to conform with changes in presentation in the current year.

(k) AFL Distribution from Sale of Waverley Park

Following the sale of Waverley Park to Mirvac, the AFL advised the Club that it would distribute a total of \$2 million from the sale proceeds to the Club. This distribution was made by annual installment each October over the period from 2002 to 2008. In October 2008 the Club received \$250,000 being the final installment of the Club's entitlement. This amount has been treated as revenue in the 2008 financial year.

(l) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(m) Trade and other receivables

Trade receivables, which generally have 0-30 day terms, are initially recognised at the original invoice amount less an allowance for any uncollectable amounts. Collectability of trade receivables is reviewed on an ongoing basis. An impairment provision is made when there is objective evidence the Club will not be able to collect the debts. Bad debts are written off when identified. Non current trade receivables are carried at the net present value of the future cash flows that they represent.

(n) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within the agreed terms for that supplier (averaging 30 days).

(o) Interest-bearing loans and borrowings

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

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

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

Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(p) Income Received in Advance

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

(q) Statement of Compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Club for the annual reporting period ended 31 October 2008. These changes that may effect the Club in the future are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Company
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1-Jan-09	1-Nov-09
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1-Jan-09	1-Nov-09
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1-Jan-09	1-Nov-09
AASB 2008-5 and 2008-6	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1-Jan-09	1-Nov-09

The impacts of these amendments on the Club's future financial reports have not been determined as at the reporting date, if any.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Members' Liability on Winding Up

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

(s) Significant Accounting Judgments, Estimates and Assumptions

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

Long service leave provision

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

Estimation of useful lives of assets

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

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE	2008 \$	2007 \$
NOTE 3 - REVENUE		
(a) Revenue from Football related activities		
Gate Receipts	2,334,164	2,116,597
Distributions from the AFL	7,610,752	7,312,500
Merchandise	570,232	652,007
Membership and Annual Reserved Seating	4,023,791	4,020,514
Marketing/Corporate Sponsorship and General Fundraising	8,104,903	8,308,990
Other Revenue	666,490	658,462
Total revenue from Football related activities	23,310,332	23,069,070
(b) Revenue from other activities		
Marketing and Promotion Fee - Bentleigh Club	91,444	36,062
Social and Gaming revenue	3,224,260	2,946,261
Total revenue from other activities	3,315,704	2,982,323
(c) Revenue from AFL specified distributions		
AFL - Waverley Park Proceeds	250,000	250,000
Total revenue from AFL specified distributions	250,000	250,000
Total revenue	26,876,036	26,301,393
(d) Other Income		
Interest received from other corporations	28,931	31,174
NOTE 4 - EXPENSES		
Expenses		
<i>Finance Costs</i>		
- Interest paid to external entities	272,095	190,916
Total finance costs	272,095	190,916
<i>Depreciation and amortisation</i>		
Amortisation of leasehold improvements	466,250	92,449
Depreciation of plant and equipment	200,936	232,277
Total depreciation and amortisation expense	667,186	324,726
<i>Employee benefits expense</i>		
Salary, wages and termination expense	14,746,782	13,359,599
Superannuation expense	917,120	838,884
Total employee benefits expense	15,663,902	14,198,483
<i>Occupancy Expenses</i>		
Minimum Lease payments	1,095,059	1,059,831
<i>Other</i>		
Bad debts written off	10,272	-
Impairment of Leighoak Gaming Venue	542,173	-

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2008 \$	2007 \$
NOTE 5 - CASH AND CASH EQUIVALENTS			
Cash on hand and at bank		293,971	241,809
Bank overdraft		(21,249)	(9,434)
		272,722	232,375

Financing facilities

The Club has access to an overdraft limit of \$500,000. The overdraft facility has an interest rate of 9.95% per annum and charges interest on a monthly basis. At 31 October 2008, the Club can draw down a further \$478,751 on this facility.

Reconciliation of net loss to net cash flows from operating activities

Net Loss		(549,298)	(103,311)
Depreciation and amortisation		667,186	324,726
Impairment of Leighoak Gaming Venue		542,173	-
Bad Debts		10,272	-
Employee Entitlements		(34,613)	(168,428)
Write off of assets		222,324	-
Changes in assets and liabilities:			
(Increase)/decrease in trade and other debtors		10,672	(149,149)
(Increase)/decrease in prepayments and other assets		226,521	(210,480)
(Increase)/decrease in inventories		35,072	(949)
(Decrease)/increase in trade creditors and accruals		115,822	564,418
(Decrease)/increase in other liabilities		(143,667)	215,975
Cash flows from operating activities		1,102,464	472,802

NOTE 6 - TRADE AND OTHER RECEIVABLES**Current**

Trade debtors (i)	(a)	291,409	267,830
Other receivables		262,368	296,619
Less provision for impairment loss (ii)		-	-
		553,777	564,449

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

- (i) Trade debtors are non-interest bearing and have repayment terms of between 0 and 30 days.
- (ii) A provision for impairment is made when there is objective evidence that a trade debtor is impaired.
- (iii) Due to the short term nature of these receivables, their carrying value is assumed to materially approximate their fair value.
- (iv) The maximum exposure to credit risk is the fair value of receivables. Detail regarding interest rate exposure is disclosed in note 19.
- (v) Collateral is not held as security.

(b) Aging Analysis

At 31 October, the aging analysis of trade receivables is as follows:

0 - 1 month		172,516	246,320
1 - 2 months PDNI*		34,930	13,213
2 - 3 months PDNI		51,077	8,297
> 3 months PDNI		32,886	-
< 1 month CI**		-	-
> 1 month CI		-	-
		291,409	267,830

* Past Due Not Impaired (PDNI)

** Considered impaired (CI)

There are no debtors considered impaired at 31 October 2008.

NOTE 7 - INVENTORIES

Merchandise		48,081	104,463
Food and beverage		49,308	27,998
		97,389	132,461

(a) Inventory expense

Inventories recognised as an expense for the year ended 31 October 2008 totaled \$756,526 (2007: \$675,586) for the Club. This expense has been included in the cost of sales line item in the Income Statement.

NOTE 8 - PREPAYMENTS

Prepayments		112,472	313,793
		112,472	313,793

NOTE 9 - OTHER FINANCIAL ASSETS

Short term deposit	(i)	-	25,200
		-	25,200

(i) Short term deposits had an average maturity of 12 months and a fixed interest rate of 6.8% at 31 October 2007.

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2008 \$	2007 \$
NOTE 10 - PLANT AND EQUIPMENT			
Furniture & Fittings			
<i>Cost</i>			
Opening Balance		665,668	625,663
Additions		19,241	40,005
Transfers		(28,588)	-
Impairment	(i)	(347,948)	-
Closing Balance		308,373	665,668
<i>Accumulated Depreciation</i>			
Opening Balance		581,547	517,598
Transfers		(3,949)	-
Impairment	(i)	(340,387)	-
Depreciation for the Year		33,601	63,949
Closing Balance		270,812	581,547
<i>Net Book Value</i>		37,561	84,121
Plant & Equipment			
<i>Cost</i>			
Opening Balance		1,724,939	1,249,803
Additions		211,714	475,136
Write-offs		(222,324)	-
Impairment	(i)	(184,348)	-
Transfers		9,785	-
Disposals		(253,724)	-
Closing Balance		1,286,042	1,724,939
<i>Accumulated Depreciation</i>			
Opening Balance		966,284	802,325
Depreciation for the Year		163,382	163,959
Transfers		(142)	-
Impairment	(i)	(128,728)	-
Disposals		(252,192)	-
Closing Balance		748,604	966,284
<i>Net Book Value</i>		537,438	758,655
Leasehold Improvements			
<i>Cost</i>			
Opening Balance		1,173,936	526,207
Additions		98,786	647,729
Impairment	(i)	(1,071,675)	-
Transfers		18,803	-
Closing Balance		219,850	1,173,936
<i>Accumulated Depreciation</i>			
Opening Balance		316,064	223,615
Transfers		4,091	-
Impairment	(i)	(592,682)	-
Depreciation for the Year		466,250	92,449
Closing Balance		193,723	316,064
<i>Net Book Value</i>		26,127	857,872
Motor Vehicles			
<i>Cost</i>			
Opening Balance		21,848	21,848
Additions		27,376	-
Disposals		(21,848)	-
Closing Balance		27,376	21,848
<i>Accumulated Depreciation</i>			
Opening Balance		12,016	7,647
Depreciation for the Year		3,953	4,369
Disposals		(13,109)	-
Closing Balance		2,860	12,016
<i>Net Book Value</i>		24,516	9,832
Total Property, Plant & Equipment		625,642	1,710,480

(i) Impairment of Property Plant & Equipment

Within the Leighoak gaming cash generating unit, recoverable amounts were estimated for certain items of property, plant and equipment. The recoverable amount estimation was based on a value in use calculation and was determined at the cash-generating unit level.

As a result, an impairment loss of \$ 542,173 in total was recognised to reduce the carrying amount of property, plant and equipment to its recoverable amount. This has been recognised in the income statement line item 'Social Club and Gaming Expenses'. A Board assessment of fair value was determined, based on management's cashflow forecasts, using a multiple of earnings.

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2008 \$	2007 \$
NOTE 11 - TRADE AND OTHER PAYABLES			
Current			
Trade creditors (i)	(a)	687,701	1,192,102
Other creditors and accruals (i)		894,741	274,518
		<u>1,582,442</u>	<u>1,466,620</u>

(a) Terms and Conditions

- (i) All payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
(iii) Information regarding interest rate and liquidity risk exposure is set out in note 19.

NOTE 12 - INTEREST BEARING LOANS AND LIABILITIES**Current**

Commercial Bill Facility #1 - secured	(i)	-	250,000
Commercial Bill Facility #2 - secured	(ii)	2,045,000	2,500,000
		<u>2,045,000</u>	<u>2,750,000</u>

- (i) This Commercial Bill Facility was repaid on 10th April 2008.
(ii) This Commercial Bill Facility enables the Club to renegotiate the funds drawn upon on a monthly basis up to a limit of \$4.5m. This loan is secured by a guarantee provided by the Australian Football League.
(iii) The carrying amount of the Club's borrowings approximate their fair value.

Capital Management

When managing capital, management's objective is to ensure the Club continues as a going concern. The capital structure of the Club consists of debt, which includes interest-bearing loans as disclosed in Note 12, cash and cash equivalents and equity. Management monitor capital through its commercial bill and overdraft facilities with Westpac. The Club meets with Westpac Banking Group Ltd and the AFL each month to discuss future cash flows and the need for additional draw downs or repayment of their existing commercial bills. During 2008, management reduced their commercial bill facilities by \$705,000. The commercial bill facility with Westpac is guaranteed by the AFL until 31 October 2009 and rolled over each month. The Club is not subject to any externally imposed capital requirements. The Club is prohibited by its Constitution from making distributions to the members.

NOTE 13 - PROVISIONS

	Annual Leave \$	Long service leave \$	Total \$
At 31 October 2008	<u>175,608</u>	<u>48,778</u>	<u>224,386</u>
Current	175,608	28,169	203,777
Non-Current	-	20,609	20,609
	<u>175,608</u>	<u>48,778</u>	<u>224,386</u>
At 31 October 2007			
Current	174,136	56,882	231,018
Non-Current	-	27,981	27,981
	<u>174,136</u>	<u>84,863</u>	<u>258,999</u>

NOTES TO AND FORMING PART OF THE ACCOUNTS

	NOTE	2008 \$	2007 \$
NOTE 14 - ACCUMULATED LOSSES			
Accumulated Losses at the Beginning of the Financial Year		(3,248,288)	(3,144,977)
Net Loss		(549,298)	(103,311)
Accumulated Losses at the End of the Financial Year		<u>(3,797,586)</u>	<u>(3,248,288)</u>

NOTE 15 - COMMITMENTS FOR EXPENDITURE**Operating leases**

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

- Not later than 1 year		977,589	936,572
- Later than 1 year but not later than 5 years		3,170,521	1,971,894
- Later than 5 years		1,055,217	-
		<u>5,203,327</u>	<u>2,908,466</u>

The Club has entered into commercial leases on its office premises at the Melbourne Cricket Club, the Leighoak Club and certain fixed assets. These leases have a terms of between 3 year and 7 years. There are no restrictions placed upon the lessee by entering into these leases. The option to extend the lease on the Leighoak Club until 2015 was exercised during the current reporting period.

Player and Coaching Staff Commitments

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

- Not later than 1 year		7,093,700	6,998,900
- Later than 1 year but not later than 2 years		4,003,000	3,262,000
- Later than 2 years but not later than 5 years		766,720	1,305,000
		<u>11,863,420</u>	<u>11,565,900</u>

NOTE 16 - REMUNERATION OF AUDITORS

Remuneration for audit of the financial reports of: Melbourne Football Club Limited		<u>42,000</u>	<u>38,750</u>
		<u>42,000</u>	<u>38,750</u>
Remuneration for other services	(a)	<u>9,000</u>	<u>12,500</u>
		9,000	12,500

(a) Includes assurance related services.

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 17 - REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are determined to be the Board of Directors, Chief Executive Officer, Chief Financial Officer, General Manager Recruiting, General Manager Football, Business Developments Manager, General Manager Marketing and Communications, Commercial Director and the Senior Coach.

	2008	2007
	\$	\$
Short-term employee benefits	1,343,084	1,747,000
Other employee benefits	16,335	18,150
Post-employment and superannuation benefits	81,264	157,230
Termination benefits	341,423	-
	1,782,106	1,922,380

Other employee benefits includes Directors' and Officers liability insurance taken out by the Club on behalf of the Board of Directors. This is the only financial benefit provided to the Board of Directors.

NOTE 18 - RELATED PARTIES

Directors and director-related entities

The names of the persons who were Directors of the Club for all or part of the financial year are listed below.

Paul Gardner (resigned 12 June 2008)	Anthony Starkins (resigned 12 June 2008)
Beverley O'Connor (resigned 12 June 2008)	Sue Natrass (resigned 12 June 2008)
Stephen Bickford (resigned 12 June 2008)	Charles Sitch (resigned 12 June 2008)
Peter Dohrmann (resigned 17 March 2008)	John Phillips (resigned 12 June 2008)
Michael Coglin (resigned 12 June 2008)	

Current Board members

Jim Stynes (appointed 12 June 2008)	Andrew Leoncelli
Guy Jalland (appointed 12 June 2008)	Russel Howcroft (appointed 12 June 2008)
Don McLardy (appointed 12 June 2008)	Peter Spargo (appointed 17 March 2008)
Stuart Grimshaw (appointed 12 June 2008)	Peter Szental (appointed 12 June 2008)
Karen Hayes	David Thurin (appointed 12 June 2008)

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

	2008	2007
	\$	\$
Amounts provided to the Club:		
Paul Gardner – (Grey Global) - Corporate Packages	27,706	30,225
Stephen Bickford – (Leasing Consultants) - Corporate Packages	13,825	1,330
Peter Dohrmann – Corporate Packages	-	770
Michael Coglin – (Healthscope) – Corporate Packages	4,240	3,941
John Phillips – (Oakton, Acumen Alliance) Corporate Packages	21,029	8,809
Anthony Starkins – (First Samuel Limited) – Corporate Packages	10,200	365
Karen Hayes - (UXC) - Corporate Packages and Debt Demolition Fundraising	15,170	8,832
Charles Sitch - (McKinsey & Co) - Corporate Packages	16,870	5,740
Sue Natrass - Corporate Packages	365	997
Andrew Leoncelli - Corporate Packages	2,540	-
Jim Stynes (Reach Foundation) - Corporate Packages and Debt Demolition Fundraising	8,838	-
Guy Jalland - Corporate Packages and Debt Demolition Donation	56,890	-
Don McLardy (McLardy McShane & Associates Pty Ltd) - Debt Demolition Fundraising	54,801	-
Stuart Grimshaw - Corporate Packages and Debt Demolition Fundraising	11,000	-
Russel Howcroft (George Patterson Y & R) - Corporate Packages and Debt Demolition Fundraising	6,000	-
Peter Spargo (Spargo Group) - Corporate Packages and Debt Demolition Fundraising	47,270	-
Peter Szental (Szencorp Group) - Debt Demolition Fundraising	122,521	-
David Thurin (Tigcorp) - Corporate Packages	3,271	-
The following balances owing from related parties were unpaid at 31 October 2008:		
- Karen Hayes	2,200	-
- Peter Szental	10,330	-
- Don McLardy	8,098	-

All of the balances above have been paid subsequent to balance date on normal terms.

NOTES TO AND FORMING PART OF THE ACCOUNTS**NOTE 19 – FINANCIAL INSTRUMENTS**

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

The Club's principal financial instruments comprise cash and short term deposits, receivables, payables, bank loans and overdrafts.

The Club manages its exposure to key financial risks through the monthly Finance, Risk and Audit Committee meetings as well as monthly meetings with the Chief Financial Officer of the AFL and Westpac. The objective of both these meetings are to support the delivery of the Club's financial targets whilst protecting future financial security.

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

Risk exposures and responses**(a) Interest rate risk**

The Club has interest rate risk exposures from the holding of financial assets and liabilities and these are summarised in the table below.

At balance date the Club had the following mix of financial assets and liabilities exposed to variable interest rate risk.

This exposure is limited as the majority of bank debt is subject to fixed interest rates.

	2008 \$	2007 \$
Financial Assets		
Cash and cash equivalents	293,971	241,809
	<u>293,971</u>	<u>241,809</u>
Financial Liabilities		
Bank Overdraft	21,249	9,434
Commercial bills (floating interest rate)	2,045,000	2,750,000
	<u>2,066,249</u>	<u>2,759,434</u>
Net exposure	<u>(1,772,278)</u>	<u>(2,517,625)</u>

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date.

At 31 October 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

Sensitivity Analysis	Profit		Equity	
	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)	Higher/(Lower)
	2008 \$	2007 \$	2008 \$	2007 \$
+1.5% (150 basis points)	(26,584)	(37,764)	(26,584)	(37,764)
-1.5% (150 basis points)	26,584	37,764	26,584	37,764

A 150 basis point increase or decrease is used and represents management's assessment of a reasonably possible change in interest rates.

(b) Credit risk

Credit risk is the risk of financial loss to the Club if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Club's trade and other receivables.

The Club trades only with recognised, creditworthy third parties, negating the requirement to request collateral. It is the Club's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. There are no significant concentrations of credit risk within the Club.

In addition, receivable balances are monitored on an ongoing basis with the result that the Club's exposure to bad debts is not significant.

The credit risk on financial assets of The Club is the carrying amount, net of any provisions for doubtful debts and has been addressed in each applicable note.

(c) Liquidity risk

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

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

The following table below reflects all undiscounted cash flows for contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities.

	< 6 months \$	> 6 months \$
2008		
Payables	1,582,442	-
Interest Bearing liabilities	2,045,000	-
	<u>3,627,442</u>	<u>-</u>
2007		
Payables	1,466,620	-
Interest Bearing liabilities	2,750,000	-
	<u>4,216,620</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 20 - SEGMENT REPORTING

The consolidated entity operates within one primary business and geographic segment being the conduct of sporting and social activities associated with Australian Rules Football in Australia.

NOTE 21 - ECONOMIC DEPENDENCY

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

NOTE 22 - EVENTS AFTER THE BALANCE SHEET DATE

In November we reached a confidential agreement for Nathan Carroll to leave the Club, and the cost of settling Nathan's contract has been incorporated into the 2008 Total Player Payment ("TPP") result. We wish Nathan well for the future.

NOTE 23 - CHANGE TO PRIOR YEAR ACCOUNTING

Change in recording a player payment expense in the previous financial year

At 31 October 2007 the Club deferred the recognition of a \$200,000 player payment which was unpaid at 31 October 2007. The Club's current management believes that this treatment was not in accordance with Australian Accounting Standard *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, as a present obligation for this payment existed at 31 October 2007. This adjustment was identified by the Club's auditors and resulted in a qualification in the prior year's audit opinion.

In accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, the restatement of the 2007 financial statements affected on a line by line basis, as described above has had the resulting impact as follows:

- 2007 Football department costs increased by \$200,000;
- 2007 Profit after tax reduced by \$200,000;
- 2007 Trade and other payables increased by \$200,000;
- 2007 Net asset deficiency increased by \$200,000; and
- 2007 Accumulated losses increased by \$200,000.

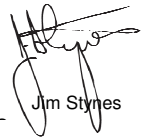
DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the Melbourne Football Club and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Club's and consolidated entity's financial position as at 31 October 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Club will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Jim Stynes



Peter

Melbourne, 16 December 2008