

**North Melbourne Football Club Limited**  
ABN 21 006 468 962

Financial Report

Year Ended 31 October 2008



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**North Melbourne Football Club Limited**  
**ABN 21 006 468 962**  
**Directors' Report**

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company and its controlled entity in respect of the financial year ended 31 October 2008.

**Directors**

The following directors were in office during the period from 1 November 2007 to the date of this report, unless otherwise stated:

James Brayshaw	Appointed Director on 28 February 2007 Appointed Chairman on 6 December 2007 Co-host of The Footy Show – Channel 9 Football Commentator – Triple M
Mark Brayshaw	Appointed Director on 28 February 2007 Chief Executive Officer – Club Links Pty Ltd & PGA Links Management Pty Ltd
Stephen Head	Appointed Director on 28 February 2007 Managing Director – Links Living Ltd Director – Sandhurst Club Ltd Chairman – Sanctuary Lakes Ltd
Ron Joseph	Appointed Director on 28 February 2007 Former Chief Executive Officer – North Melbourne Football Club Ltd
Fulvio Inserra	Appointed Director on 28 February 2007 Director – The Mastermind Group
Carl Dilena	Appointed Director on 21 December 2007 Chairman – Audit and Risk Management Committee Partner KPMG
Will Houghton QC	Appointed Director on 21 December 2007 Queen's Counsel Member – Audit and Risk Management Committee Former AFL Tribunal Chief Counsel
Geoff Lewis	Appointed Director on 21 December 2007 CEO and Co-Founder ASG Group
Dennis Pagan	Appointed Director on 21 December 2007 Resigned as Director on 3 October 2008 Premiership Coach 1996, 1999
John Magowan	Appointed Director on 21 August 2000 Resigned as Chairman on 21 December 2007 Chairman – MM&E Capital
Andrew Carter	Appointed Director on 22 February 1995 Resigned as Director on 21 December 2007 Former Chairman – North Melbourne Football Club Ltd
Michael O'Brien	Appointed Director on 28 February 2007 Resigned as Director on 21 December 2007 Marketing Director – Cater Care Australia Pty Ltd

**Company Secretary**

Rob Ewart	Appointed as Secretary on 24 June 2005 Resigned 11 April 2008
Eugene Arocca	Appointed as Secretary on 11 April 2008

**North Melbourne Football Club Limited**  
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**Directors' Report (continued)**

**Directors' Meetings**

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

<b>Director</b>	<b>Number of meetings attended</b>	<b>Number of meetings eligible to attend</b>
James Brayshaw	11	11
Mark Brayshaw	6	11
Stephen Head	9	11
Ron Joseph	10	11
Fulvio Inserra	11	11
Carl Dilena	10	10
Will Houghton QC	9	10
Geoff Lewis	8	10
Dennis Pagan	7	9
John Magowan	1	1
Andrew Carter	1	1
Michael O'Brien	1	1

**Principal Activities**

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

There has been no significant change in those activities.

**Operating Results**

The operating result of the Company for the year ended 31 October 2008 was a profit of \$1,088,941 (2007: \$281,833).

The net profit of the Company was \$6,033,136 (2007: \$131,833) after non-operating items for the year ended 31 October 2008. The Club received grants in relation to the Arden Street redevelopment of \$5,150,000 (2007: \$Nil).

**Dividends**

No dividends were paid during the year (2007: \$0). No dividends were proposed or recommended as at 31 October 2008.

**Review of Operations**

The Club is pleased to report that in 2008 the North Melbourne Football Club has taken considerable steps toward securing its future and achieving success in Melbourne.

Foremost has been the outstanding financial result. This year's financial result is the biggest profit in the Club's history and will provide a strong base on which to continue to grow. Steady growth across sponsorship, corporate hospitality, events, merchandise, and commercial business contributed, however the increase in membership revenue was the key driver of increase in operating profit.

The Club has been given a resounding endorsement by its supporters, and achieved the greatest ever single-year increase in membership by a Victorian club. To have over 34,000 members is a remarkable effort and has contributed strongly to the Club's positive result for the financial year.

Another significant highlight of the year was that the Club was returned to members at the Extraordinary General Meeting held on October 29. The change in ownership structure will see members control the destiny of the North Melbourne Football Club for the first time in over 20 years.

**North Melbourne Football Club Limited**  
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**Directors' Report (continued)**

**Significant changes in the State of Affairs**

On 29 October the Company held an Extraordinary General Meeting to pass a resolution to change the ownership structure of the Company from a joint shareholder/membership ownership to a Company Limited by Members' Guarantee. The major change to the Financial Statements has been to re-classify Shareholder funds to Members Funds, as shown on page 8 in the Statement of Changes to Equity.

As a result of this resolution, sixteen patrons of the Club have been established. The accounting treatment relating to these patrons and their ongoing benefits is noted on page 23 at Note 19 (b).

As documented in last year's Financial Statements, during the 2008 financial year the Company rejected an offer to relocate to the Gold Coast for season 2010 and beyond. The Club has a three year Strategic Plan in place which focuses on a new Arden Street Redevelopment for Football and Administration staff and playing 11 home games in Melbourne, predominantly at Telstra Dome (soon to be renamed Etihad Stadium).

**Significant Events after Year-End**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 October 2008.

**Likely Developments and Future Results**

The Club will pursue the objectives set out in its 2009 to 2011 strategic plan and will continue to develop its playing group to achieve the main objective of winning a premiership.

**Directors' Interests and Benefits**

No Director has an interest in a contract or proposed contract with the Company, being an interest the nature of which has been declared by a Director in accordance with section 231(1) of the Corporations Act 2001.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial report, or the fixed salary of a full-time employee of the Company by reason of a contract made by the Company or a related corporation 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.

**Rounding of Amounts**

Amounts in the financial report and the Directors' Report are shown in whole dollar amounts.

**Proceedings on Behalf of the Company**

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

**Environmental regulation**

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

**Indemnification of Officers and Auditors**

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

The Company did however pay a premium totalling \$5,445 (2007 \$6,050) in respect of a contract insuring against a liability incurred as a director, secretary or officer to the extent permitted by the Corporations Act (2001).

**Auditor Independence**

The directors received the declaration on page 5 from the auditor of North Melbourne Football Club Limited.

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



James Brayshaw (Chairman)



Carl Dilena (Director)

Dated: 25 NOVEMBER 2008

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF NORTH MELBOURNE FOOTBALL CLUB LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of North Melbourne Football Club Limited for the year ended 31 October 2008, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b No contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON  
Chartered Accountants



B.L. Taylor  
Partner

Melbourne, 25<sup>th</sup> November 2008

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Income Statement**  
 For the year ended 31 October 2008

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from operating activities	3(a)	23,368,630	21,469,431	23,368,630	21,469,431
<i>Operating expenses</i>					
Administration expenses		2,745,070	2,095,754	2,745,070	2,095,754
Commercial business and fundraising		1,252,516	1,911,142	1,252,516	1,911,142
Events		398,766	332,515	398,766	332,515
Football operations		12,861,485	11,968,155	12,861,485	11,968,155
Membership		2,137,222	1,784,804	2,137,222	1,784,804
Merchandise		194,968	261,626	194,968	261,626
Sales and sponsorship		2,279,113	2,300,954	2,279,113	2,300,954
Finance costs		244,414	255,005	244,414	255,005
Share of profit of associates accounted for using the equity method		30,000	40,189	30,000	40,189
Other expenses		136,135	237,454	136,135	237,454
<b>Total expenses from operating activities</b>		<b>22,279,689</b>	<b>21,187,598</b>	<b>22,279,689</b>	<b>21,187,598</b>
<b>Profit from operating activities</b>		<b>1,088,941</b>	<b>281,833</b>	<b>1,088,941</b>	<b>281,833</b>
Revenue from non-operating activities	3(b)	5,150,000	-	5,150,000	-
<i>Non-operating expenses</i>					
Provision for loan		150,000	150,000	150,000	150,000
Arden street redevelopment expenses		55,805	-	55,805	-
<b>Total expenses from non-operating expenses</b>		<b>205,805</b>	<b>150,000</b>	<b>205,805</b>	<b>150,000</b>
<b>Profit/(loss) from non-operating activities</b>		<b>4,944,195</b>	<b>(150,000)</b>	<b>4,944,195</b>	<b>(150,000)</b>
<b>Profit before income tax</b>		<b>6,033,136</b>	<b>131,833</b>	<b>6,033,136</b>	<b>131,833</b>
Income tax expense	1(e)	-	-	-	-
<b>Net profit after tax</b>		<b>6,033,136</b>	<b>131,833</b>	<b>6,033,136</b>	<b>131,833</b>
<b>Attributable to:</b>					
Members of North Melbourne Football Club Ltd		<b>6,033,136</b>	<b>131,833</b>	<b>6,033,136</b>	<b>131,833</b>

The above Income Statement should be read in conjunction with the accompanying notes.



North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Balance Sheets**  
**As at 31 October 2008**

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	6	5,582,730	736,863	5,582,730	727,412
Trade and other receivables	7	302,689	976,101	302,689	985,552
Inventories	8	134,942	116,896	134,942	116,896
Other assets	9	723,967	902,541	723,967	902,541
<b>Total Current Assets</b>		<b>6,744,328</b>	<b>2,732,401</b>	<b>6,744,328</b>	<b>2,732,401</b>
<b>Non-Current Assets</b>					
Investments in associates	10	62,500	62,500	62,500	62,500
Property, plant and equipment	11	697,193	446,739	697,193	446,739
<b>Total Non-Current Assets</b>		<b>759,693</b>	<b>509,239</b>	<b>759,693</b>	<b>509,239</b>
<b>Total Assets</b>		<b>7,504,021</b>	<b>3,241,640</b>	<b>7,504,021</b>	<b>3,241,640</b>
<b>Current Liabilities</b>					
Trade and other payables	12	1,363,580	2,353,423	1,363,580	2,353,423
Interest bearing loans and borrowings	13	3,250,000	4,337,643	3,250,000	4,337,643
Employee benefits	14(a)	381,585	294,715	381,585	294,715
Other liabilities	15	227,127	187,509	227,127	187,509
<b>Total Current Liabilities</b>		<b>5,222,292</b>	<b>7,173,290</b>	<b>5,222,292</b>	<b>7,173,290</b>
<b>Non-Current Liabilities</b>					
Employee benefits	14(b)	52,251	22,008	52,251	22,008
Provisions	16	925,000	775,000	925,000	775,000
<b>Total Non-Current Liabilities</b>		<b>977,251</b>	<b>797,008</b>	<b>977,251</b>	<b>797,008</b>
<b>Total Liabilities</b>		<b>6,199,543</b>	<b>7,970,298</b>	<b>6,199,543</b>	<b>7,970,298</b>
<b>Surplus/(Deficiency) of Assets</b>		<b>1,304,478</b>	<b>(4,728,658)</b>	<b>1,304,478</b>	<b>(4,728,658)</b>
<b>Equity</b>					
Issued capital		-	3,629,350	-	3,629,350
Members funds		3,629,350	-	3,629,350	-
Accumulated losses	17	(2,324,872)	(8,358,008)	(2,324,872)	(8,358,008)
<b>Total Equity</b>		<b>1,304,478</b>	<b>(4,728,658)</b>	<b>1,304,478</b>	<b>(4,728,658)</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Statement of Changes in Equity**  
**For the year ended 31 October 2008**

Consolidated	Ordinary share capital	Member funds	(Accumulated losses)	TOTAL EQUITY
	\$		\$	\$
<b>Balance at 1 November 2006</b>	3,629,350	-	(8,489,841)	(4,860,491)
Profit/(Loss) for the period	-	-	131,833	131,833
<b>Balance at 31 October 2007</b>	<b>3,629,350</b>	<b>-</b>	<b>(8,358,008)</b>	<b>(4,728,658)</b>
<b>Balance at 1 November 2007</b>	<b>3,629,350</b>	<b>-</b>	<b>(8,358,008)</b>	<b>(4,728,658)</b>
Profit/(Loss) for the period	-	-	6,033,136	6,033,136
Cancellation of shares	(3,629,350)	3,629,350	-	-
<b>At 31 October 2008</b>	<b>-</b>	<b>3,629,350</b>	<b>(2,324,872)</b>	<b>1,304,478</b>

Parent	Ordinary share capital	Member funds	(Accumulated losses)	TOTAL EQUITY
	\$		\$	\$
<b>Balance at 1 November 2006</b>	3,629,350	-	(8,489,841)	(4,860,491)
Profit/(Loss) for the period	-	-	131,833	131,833
<b>Balance at 31 October 2007</b>	<b>3,629,350</b>	<b>-</b>	<b>(8,358,008)</b>	<b>(4,728,658)</b>
<b>Balance at 1 November 2007</b>	<b>3,629,350</b>	<b>-</b>	<b>(8,358,008)</b>	<b>(4,728,658)</b>
Profit/(Loss) for the period	-	-	6,033,136	6,033,136
Cancellation of shares	(3,629,350)	3,629,350	-	-
<b>At 31 October 2008</b>	<b>-</b>	<b>3,629,350</b>	<b>(2,324,872)</b>	<b>1,304,478</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Cash Flow Statement**  
**For the year ended 31 October 2008**

	Notes	CONSOLIDATED		PARENT	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		25,245,272	21,678,238	25,245,272	21,678,238
Payments to suppliers and employees		(24,368,897)	(20,894,851)	(24,368,897)	(20,065,010)
Receipt of government grants		5,500,000	-	5,500,000	-
Interest received		170,933	51,704	170,933	51,704
Interest and other finance costs paid		(274,414)	(93,660)	(274,414)	(93,660)
<b>Net operating cash flows</b>	18	<b>6,272,894</b>	<b>741,431</b>	<b>6,272,894</b>	<b>1,571,272</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(339,383)	(159,059)	(339,383)	(159,059)
<b>Net cash flows used in investing activities</b>		<b>(339,383)</b>	<b>(159,059)</b>	<b>(339,383)</b>	<b>(159,059)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		250,000	-	250,000	-
Repayment of borrowings		(1,257,077)	(216,984)	(1,257,077)	(216,984)
Net repayments from / (advances to) controlled entity		-	-	-	(827,561)
Net repayments from / (advances to) associated entity		-	-	-	-
<b>Net cash flows from financing</b>		<b>(1,007,077)</b>	<b>(216,984)</b>	<b>(1,007,077)</b>	<b>(1,044,545)</b>
<b>Net Increase / (Decrease) in Cash Held</b>		<b>4,926,434</b>	<b>365,388</b>	<b>4,926,434</b>	<b>367,668</b>
Cash and cash equivalents at the beginning of the financial year		656,296	290,908	656,296	279,178
<b>Cash and cash equivalents at the end of the financial year</b>	6	<b>5,582,730</b>	<b>656,296</b>	<b>5,582,730</b>	<b>646,846</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**North Melbourne Football Club Limited**  
**ABN 21 006 468 962**  
**Notes to the Financial Statements**  
**For the year ended 31 October 2008**

**NOTE 1 - CORPORATE INFORMATION**

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2008 was authorised for issue in accordance with a resolution of the directors on 25 November 2008.

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

This financial report includes the results of North Melbourne Football Club Limited and controlled entities.

**NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

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

**Standards applied for the first time**

*AASB 7 Financial Instruments: Disclosures*

North Melbourne Football Club Limited and controlled entities (the Group) have adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments for the first time in its 2008 consolidated financial statements. This standard has been applied retrospectively, i.e. with amendments to the presentation of items disclosed in the 2007 accounts.

The 2007 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended 31 October 2007 in presentation only. No changes have been made to the recognition or measurement criteria associated with of any amounts disclosed in the 2007 accounts.

*AASB 7 Financial Instruments: Disclosures* is mandatory for reporting periods beginning on or after 1 January 2007. The new Standard replaces and amends disclosure requirements previously set out in AASB 132 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular:

The Group's financial statements now feature:

- a sensitivity analysis to explain the Group's market risk exposure in regards to its financial instruments and
- a maturity analysis that shows the remaining contractual maturities of financial liabilities as at the balance sheet date.

The first-time application of AASB 7 however has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

**(c) Critical accounting estimates and judgements**

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

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

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**(d) Basis of consolidation**

A controlled entity is any entity that the Company has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions between entities in the consolidated group are eliminated on consolidation.

All entities within the Group have consistent accounting policies and financial reporting periods.

In the Company's financial statements, investments in subsidiaries are carried at cost.

**(e) Income tax**

Income tax has not been provided for in the financial statements of the Company as it is a tax-exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act 1997. The Company's controlled entity, North Melbourne Kangaroos Ltd is also exempt from income tax.

**(f) Going concern**

The financial report has been prepared on the basis that the Company is a going concern. The Company currently has a net asset deficiency excluding cash set aside for the redevelopment of Arden Street. Despite this fact, the Company's directors consider the going concern assumption to be appropriate based on future operating performance and the Australian Football League's (AFL) commitment to continued support. This support is in the form of Annual Special Distribution fund payments and the guarantee provided by the AFL for borrowings.

**(g) Property, plant & equipment**

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

**Plant & equipment**

The carrying amount of plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

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

**Depreciation**

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

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Leasehold improvements	5 - 10%
Plant and equipment	5 – 33%

**North Melbourne Football Club Limited**

**ABN 21 006 468 962**

## **Notes to the Financial Statements (continued)**

**For the year ended 31 October 2008**

### **Impairment**

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

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

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

### **(h) Cash and cash equivalents**

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

Bank overdrafts are shown within the interest bearing liabilities section of the balance sheet.

### **(i) Financial instruments**

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

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

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

### **Recognition**

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

### **Loans and receivables**

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

Interest is recognised by applying the effective interest rate.

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

### **Investment in subsidiaries**

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements.

### **Financial liabilities**

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

**North Melbourne Football Club Limited**  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**(j) Employee benefits**

***Short-term benefits***

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

***Other long-term employee benefits***

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

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

***Superannuation***

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

**(k) Inventories**

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

**(l) Revenue**

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

- AFL-sourced income including distributions, prize money and gate receipts, is recognised on an accruals basis.
- Revenue from the sale of memberships, corporate hospitality and sponsorships, is recognised in the relevant football year.
- Revenue from the sale of goods is recognised upon delivery of goods to the customer.
- Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(m) Goods and services tax (GST)**

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

**(n) Trade and other receivables**

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

**(o) Trade and other payables**

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

**North Melbourne Football Club Limited**  
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**For the year ended 31 October 2008**

**(p) Income received in advance**

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

**(q) Comparative figures**

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

**(r) Government grants**

Government Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

**(s) Redevelopment of Arden Street**

The Company has agreements with the Commonwealth of Australia, State Government of Victoria, City of Melbourne, and other bodies in relation to funding for the redevelopment of Arden Street and the construction of the community Learning and Life Centre. This funding is expected to total approximately \$12.5 million of which just over \$5 million was received during the current financial year. The remainder of the funding is expected over the next two financial years.

The Company has been advised that these payments are conditional. As funds received for the project are under the Company's control, and were fully committed by year end, they have been treated as revenue. Costs associated with the redevelopment such as feasibility studies, planning permits and project management have been capitalised as Redevelopment Costs.

**(t) Annual special distribution**

The AFL committed to supporting the Company with an Annual Special Distribution payment of \$1.4 million (2007: \$1.4 million) in the year ended 31 October 2008.

**(u) Provisions**

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

**(v) Interest bearing liabilities and borrowings**

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

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

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

**Borrowing costs**

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

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

**(w) Impairment of assets**

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

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



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**(x) Investments in associates**

Investments in associated companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

**(y) Leases**

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

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

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

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

**(z) New accounting standards and AASB interpretations**

Certain new accounting standards and AASB interpretations have been published that are not mandatory for 31 October 2008 reporting periods but contain an option for early adoption.

The group has reviewed each of these new standards and interpretations and is satisfied that they have no impact on the reported financial position and performance of the Company for the year ended 31 October 2008 and therefore there has been no early adoption of these standards.

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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 3 – REVENUE</b>				
<b>(a) Revenue from operating activities:</b>				
AFL – Distributions	6,610,752	6,268,256	6,610,752	6,268,256
AFL – Prize Money	65,000	350,000	65,000	350,000
AFL – Waverley Park Proceeds	250,000	250,000	250,000	250,000
AFL – Annual Special Distribution	1,400,000	1,400,000	1,400,000	1,400,000
AFL – Other Revenue	200,000	200,000	200,000	200,000
Commercial Business and Fundraising	2,390,975	2,593,368	2,390,975	2,593,368
Events	447,105	469,589	447,105	469,589
Gate Receipts	1,762,874	2,006,321	1,762,874	2,006,321
Membership	4,683,486	3,185,770	4,683,486	3,185,770
Merchandise	404,938	237,303	404,938	237,303
Sales and Sponsorship	4,801,195	4,302,721	4,801,195	4,302,721
Other	352,305	206,103	352,305	206,103
	<b>23,368,630</b>	<b>21,469,431</b>	<b>23,368,630</b>	<b>21,469,431</b>
<b>(b) Revenue from non-operating activities:</b>				
Arden Street redevelopment funding	5,150,000	-	5,150,000	-
Refer Note 1(s) for further information				
<b>NOTE 4 – EXPENSES AND LOSSES/(GAINS)</b>				
Profit / (Loss) from continuing operations is arrived at after charging the following expenses:				
a) Charge to Doubtful Debts expense	-	3,300	-	3,300
b) <u>Depreciation of non-current assets</u>				
- Plant & Equipment	54,875	113,154	54,875	113,154
<u>Amortisation of non-current assets</u>				
- Amortisation of Leasehold Improvements	34,054	25,969	34,054	25,969
<b>Total depreciation &amp; amortisation expense</b>	<b>88,929</b>	<b>139,123</b>	<b>88,929</b>	<b>139,123</b>

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**For the year ended 31 October 2008**

CONSOLIDATED		PARENT	
2008	2007	2008	2007
\$	\$	\$	\$

**NOTE 5 – AUDITORS’ REMUNERATION**

Amounts received or due and receivable by Auditors for:

- auditing the accounts	36,000	22,000	36,000	22,000
- other services – 2008 player payments audit	9,000	8,000	9,000	8,000
	<b>45,000</b>	<b>30,000</b>	<b>45,000</b>	<b>30,000</b>

The auditors, Grant Thornton, received no other benefits

**NOTE 6 – CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	348,461	736,863	348,461	727,412
Cash at bank held for Arden Street redevelopment	5,234,269	-	5,234,269	-
<b>Total cash and cash equivalents</b>	<b>5,582,730</b>	<b>736,863</b>	<b>5,582,730</b>	<b>727,412</b>

The effective interest rate on bank deposits was 7% (2007: 1%). These deposits have no maturity date

Reconciliation of cash:

Cash and cash equivalents	5,582,730	736,863	5,582,730	727,413
Bank overdrafts	-	(80,566)	-	(80,566)
	<b>5,582,730</b>	<b>656,297</b>	<b>5,582,730</b>	<b>646,847</b>

**NOTE 7 – TRADE AND OTHER RECEIVABLES**

**Current**

Trade receivables	284,509	707,895	284,509	707,895
Allowance for doubtful debts	-	(3,300)	-	(3,300)
	284,509	704,595	284,509	704,595
Other debtors	18,180	224,049	18,180	25,760
Amounts receivables from:				
- Controlled entity	-	-	-	207,740
- Associated entity	-	47,457	-	47,457
<b>Total trade and other receivables</b>	<b>302,689</b>	<b>976,101</b>	<b>302,689</b>	<b>985,552</b>

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

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

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

North Melbourne Football Club Limited  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)**

As at 31 October 2008, trade receivables with a carrying amount of \$115,571 (2007: \$211,993) for the Company and \$0 (2007: \$0) for North Melbourne Kangaroos Limited (the subsidiary) were past due but not doubtful. These trade receivables are not considered doubtful as they comprise customers with good debt history and are therefore considered recoverable.

The ageing of the trade receivables is:

	Consolidated				Parent			
	2008 Gross	2008 Allow- ance	2007 Gross	2007 Allow- ance	2008 Gross	2008 Allow- ance	2007 Gross	2007 Allow- ance
	\$	\$	\$	\$	\$	\$	\$	\$
Not past due	168,938	-	495,902	-	168,938	-	495,902	-
Past due 0-30 days	43,121	-	191,242	-	43,121	-	191,242	-
Past due 31-60 days	42,550	-	-	-	42,550	-	-	-
Past due 60 days	29,900	-	20,751	(3,300)	29,900	-	20,751	(3,300)
<b>Total</b>	<b>284,509</b>	<b>-</b>	<b>707,895</b>	<b>(3,300)</b>	<b>284,509</b>	<b>-</b>	<b>707,895</b>	<b>(3,300)</b>

In addition, some of the unimpaired trade receivables are past due as at the reporting date. These relate to customers who have a good credit history with North Melbourne Football Club Limited.

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not more than 3 months	85,671	191,242	85,671	191,242
More than 3 months but not more than 6 months	29,900	17,451	29,900	17,451
More than 6 months but not more than 1 year	-	-	-	-
<b>Total</b>	<b>115,571</b>	<b>211,993</b>	<b>115,571</b>	<b>211,993</b>

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Opening balance	3,300	-	3,300	-
Additional provisions	-	3,300	-	3,300
Amounts used	(3,300)	-	(3,300)	-
<b>Total</b>	<b>-</b>	<b>3,300</b>	<b>-</b>	<b>3,300</b>

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**For the year ended 31 October 2008**

**NOTE 8 – INVENTORIES**

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Roo Shop merchandise – at lower of cost and realisable value	<b>134,942</b>	<b>116,896</b>	<b>134,942</b>	<b>116,896</b>

**NOTE 9 – OTHER ASSETS**

Prepayments	481,043	740,292	481,043	740,292
Unexpired contra	182,924	162,249	182,924	162,249
Accrued income	60,000	-	60,000	-
<b>Total other assets</b>	<b>723,967</b>	<b>902,541</b>	<b>723,967</b>	<b>902,541</b>

**NOTE 10 – INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD**

Unlisted investments – at cost				
- units in unlisted unit trust	<b>62,500</b>	<b>62,500</b>	<b>62,500</b>	<b>62,500</b>

Interests are held in the following associated entities:

Name	Principal Activity	Country of Incorporation	Ownership Interest*	
			2008	2007
Kanga Travel Pty Ltd (a)	Trustee for Kanga Travel Unit Trust	Australia	50%	50%
Kanga Travel Unit Trust (b)	Travel Agent	Australia	50%	50%

\* Percentage of voting power is in proportion to ownership

(a) Kanga Travel Pty Ltd does not trade and acts only as trustee for Kanga Travel Unit Trust

(b) Kanga Travel Unit Trust's principal activities are the operation of a travel agency

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT**

Plant & Equipment – at Cost	607,692	947,654	607,692	877,159
Less: Accumulated Depreciation	(284,075)	(666,100)	(284,075)	(595,605)
	<b>323,617</b>	<b>281,554</b>	<b>323,617</b>	<b>281,554</b>
Leasehold Improvements – at cost	213,241	151,555	213,241	151,555
Less: Accumulated Amortisation	(129,356)	(95,302)	(129,356)	(95,302)
	<b>83,885</b>	<b>56,253</b>	<b>83,885</b>	<b>56,253</b>
Arden Street Redevelopment Costs	289,691	108,932	289,691	108,932
<b>Total property, plant and equipment</b>	<b>697,193</b>	<b>446,739</b>	<b>697,193</b>	<b>446,739</b>

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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Reconciliations</b>				
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
<i>Plant &amp; Equipment</i>				
Carrying amount at beginning	281,554	348,757	281,554	348,757
Additions	96,938	45,951	96,938	45,951
Net amount of revaluation increments less decrements	-	-	-	-
Depreciation expense	(54,875)	(113,154)	(54,875)	(113,154)
	<b>323,617</b>	<b>281,554</b>	<b>323,617</b>	<b>281,554</b>
<i>Leasehold Improvements</i>				
Carrying amount at beginning	56,253	78,046	56,253	78,046
Additions	61,686	4,176	61,686	4,176
Net amount of revaluation increments less decrements	-	-	-	-
Amortisation expense	(34,054)	(25,969)	(34,054)	(25,969)
	<b>83,885</b>	<b>56,253</b>	<b>83,885</b>	<b>56,253</b>
<i>Arden Street Redevelopment Costs</i>				
Carrying amount at beginning	108,932	-	108,932	-
Additions	180,759	108,932	180,759	108,932
Net amount of revaluation increments less decrements	-	-	-	-
Amortisation expense	-	-	-	-
	<b>289,691</b>	<b>108,932</b>	<b>289,691</b>	<b>108,932</b>
<i>Total Assets &amp; Leasehold Improvements</i>				
Carrying amount at beginning	446,739	426,803	446,739	426,803
Additions	339,383	159,059	339,383	159,059
Net amount of revaluation increments less decrements	-	-	-	-
Depreciation & Amortisation expense	(88,929)	(139,123)	(88,929)	(139,123)
	<b>697,193</b>	<b>446,739</b>	<b>697,193</b>	<b>446,739</b>

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**Notes to the Financial Statements (continued)**  
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	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 12 – TRADE AND OTHER PAYABLES</b>				
Trade creditors	340,048	942,162	340,048	942,162
Accruals	970,884	1,284,523	970,884	1,284,523
GST payable	52,648	126,738	52,648	126,738
<b>Total trade and other payables</b>	<b>1,363,580</b>	<b>2,353,423</b>	<b>1,363,580</b>	<b>2,353,423</b>

**NOTE 13 – INTEREST BEARING LIABILITIES**

**Current**

Bank overdraft	-	80,566	-	80,566
Commercial bill – secured – Refer note 13(a)	3,250,000	4,250,000	3,250,000	4,250,000
Hire purchase liability	-	7,077	-	7,077
	<b>3,250,000</b>	<b>4,337,643</b>	<b>3,250,000</b>	<b>4,337,643</b>

(a) The bank facilities are secured by a registered mortgage debenture over all assets and uncalled capital of the parent entity, its controlled entity, North Melbourne Kangaroos Ltd, and a related party, North Melbourne Football Club Social Club Ltd, a specific fixed mortgage debenture charge from North Melbourne Football Club Ltd and North Melbourne Kangaroos Ltd, and a limited guarantee from the Australian Football League.

**NOTE 14 – EMPLOYEE BENEFITS**

**(a) Current**

Provision for annual leave	315,349	210,030	315,349	210,030
Provision for long service leave	66,236	84,685	66,236	84,685
	<b>381,585</b>	<b>294,715</b>	<b>381,585</b>	<b>294,715</b>

**(b) Non-Current**

Provision for long service leave	52,251	22,008	52,251	22,008
<b>Total employee benefits</b>	<b>433,836</b>	<b>316,723</b>	<b>433,836</b>	<b>316,723</b>

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	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NOTE 15 – OTHER LIABILITIES</b>				
<b>Current</b>				
Unearned revenue	227,127	187,509	227,127	284,413

**NOTE 16 – PROVISIONS**

Provision for guarantee of North Melbourne Football Club Social Club Ltd loan with Melbourne Stadiums Ltd	925,000	775,000	925,000	775,000
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**NOTE 17 – RECONCILIATION OF ACCUMULATED LOSSES**

Accumulated losses at beginning of the year	(8,358,008)	(8,489,841)	(8,358,008)	(8,489,841)
Net profit for the year after tax	6,033,136	131,833	6,033,136	131,833
<b>Accumulated losses at end of the year</b>	<b>(2,324,872)</b>	<b>(8,358,008)</b>	<b>(2,324,872)</b>	<b>(8,358,008)</b>

**NOTE 18 – RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS**

	2008	2007	2008	2007
	\$	\$	\$	\$
Net profit	6,033,137	131,833	6,033,137	131,833
Depreciation and amortisation	88,929	139,123	88,929	139,123
Bad debts written off	-	50,800	-	50,800
Provision for guarantee of NMFCSC Ltd loan	150,000	150,000	150,000	150,000
(Increase) / decrease in receivables	835,661	(375,652)	835,661	(189,231)
(Increase) / decrease in other assets	16,325	16,999	16,325	(397,269)
(Increase) / decrease in inventories	(18,046)	260,479	(18,046)	260,479
Increase / (decrease) in payables	(989,843)	472,058	(989,843)	1,205,718
Increase / (decrease) in employee benefits	117,113	48,200	117,113	316,723
Increase / (decrease) in other liabilities	39,618	(152,409)	39,618	(96,904)
<b>Net operating cashflow</b>	<b>6,272,894</b>	<b>741,431</b>	<b>6,272,894</b>	<b>1,571,272</b>



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**NOTE 19 – CONTINGENT LIABILITIES**

**(a) Related party guarantees provided by the parent entity**

A related party of the economic entity, the North Melbourne Football Club Social Club Limited (NMFCSCL) has received loan funds from a third party of \$1,500,000 as part of an agreement to operate gaming machines at Telstra Dome. The loan is to be repaid by NMFCSCL out of future profits. If the loan has not been repaid by NMFCSCL within ten years, the economic entity has guaranteed to repay the balance outstanding. At the balance sheet date the amount of the loan outstanding was \$1,500,000 (2007: \$1,500,000). As a conservative measure the directors have adopted a policy of providing for this payment to become due and payable and in the current year have brought to account a further provision of \$150,000 (2007: \$150,000). This policy will be reviewed on an annual basis. The amount of the contingent liability not brought to account at balance sheet date is \$575,000 (2007: \$725,000).

**(b) Shareholder and patron benefits**

As a result of an EGM on October 29 2008, sixteen Club patrons were recognised, with lifetime benefits attached to this status.

The patrons recognised are Bob Ansett, Andrew Carter, Rayden Crawley, Mark Dawson, Peter De Rauch, Kerry Good, Stephen Head, Alan Johnson, Peter Johnstone, John Magowan, Albert Mantello, Greg Miller, Ken Montgomery, Denis Morgan, Robert Smith and Francis Trainor.

The board selected these patrons based on long service to the Club, acquiring significant shares at a time the Club required significant financial support, or being a significant financial contributor over a long period of time.

A patron of the Club receives a number of benefits with the significant benefits including two Reserved Seats for each Melbourne based home game, two tickets to three Chairman's Club functions, the ability to buy two Grand Final tickets at cost, and honorary Club membership. These benefits replace any previous benefits they may have received as a life member or any other such membership category.

In addition to the above, all previous shareholders are entitled to one free membership in 2009 as recognition for their shares. This is a one-off benefit which will be recorded as revenue (Membership) and an expense (Shareholder expense) in 2009, and likewise it is deemed no provision is appropriate in 2008.

On the basis of materiality, the Club has not recorded these benefits in the current financial year, the cost of these benefits will be recognised as an expense in the year incurred. If such a provision were recognised, the Company estimates that provision as at 31 October 2008 as \$66,195.

**NOTE 20 - COMMITMENTS**

**Operating Lease Commitments**

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

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not later than one year	297,368	280,580	297,368	280,580
Later than one year and not later than five years	567,364	260,000	567,364	260,000
Later than five years	-	-	-	-
	<b>864,732</b>	<b>540,580</b>	<b>864,732</b>	<b>540,580</b>

The property lease relates to leasing of office space at Telstra Dome and is a non-cancellable lease with a five year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI per annum. An option exists to renew the lease at the end of the five year term for an additional five years. The lease allows for subletting of all lease areas.

**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**NOTE 20 – COMMITMENTS (Cont.)**

**Remuneration Commitments**

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

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

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
	\$	\$	\$	\$
Not later than one year	6,643,100	6,852,540	6,643,100	6,852,540
Later than one year and not later than five years	4,100,000	2,745,000	4,100,000	2,745,000
Later than five years	-	-	-	-
	<b>10,743,100</b>	<b>9,597,540</b>	<b>10,743,100</b>	<b>9,597,540</b>

**NOTE 21 – SEGMENT REPORTING**

The Company operates in the sporting industry in Australia and its predominant activity is to support the team that participates in the Australian Football League competition(s).

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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**NOTE 22 – RELATED PARTY DISCLOSURES**

The consolidated financial statements include the financial statements of North Melbourne Football Club Ltd and the subsidiaries listed in the following table:

Name	Country of Incorporation	% Equity Interest		Investment (\$)	
		2008	2007	2008	2007
North Melbourne Kangaroos Ltd	Australia	-	-	-	-

\* North Melbourne Kangaroos Limited has no share capital and is limited by guarantee. However, the entity is effectively controlled by the North Melbourne Football Club Limited. North Melbourne Kangaroos Ltd will be wound up in the 2009 financial year.

**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

	CONSOLIDATED		PARENT	
	2008	2007	2008	2007
Transactions with related parties:				
	\$	\$	\$	\$
Provision for guaranteed loan	150,000	150,000	150,000	150,000
Travel purchases from Kanga Travel Unit Trust	196,765	116,828	196,765	116,828

**NOTE 23 – KEY MANAGEMENT PERSONNEL**

**(a) Remuneration of Key Management Personnel**

*(i) Remuneration Policy*

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

*(ii) Remuneration Paid to Key Management Personnel*

	2008	2007	2008	2007
	\$	\$	\$	\$
Short term employee benefits	954,741	678,189	954,741	678,189
Post employment benefits	69,123	48,072	69,123	48,072
	<b>1,023,864</b>	<b>726,261</b>	<b>1,023,864</b>	<b>726,261</b>

**(b) Other Key Management Personnel Disclosures**

A number of KMP's of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

North Melbourne Football Club Limited  
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**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**NOTE 23 – KEY MANAGEMENT PERSONNEL (Cont.)**

During the year a number of directors of the Company purchased Club membership packages, merchandise, finals tickets, attended Club functions, made donations and contributed towards fundraising activities. The terms and conditions of the transactions with the directors and their director related entities were on terms no more favourable than other supporters and sponsors. Amounts unpaid at the balance sheet date are included in receivables. No interest is payable on amounts outstanding at the balance sheet date.

KMP/Director	Service	Transaction value for the year		Balance outstanding at year end	
		2008	2007	2008	2007
James Brayshaw	Advertising	37,020	-	-	-
Geoff Lewis	Sponsorship	250,000	-	-	-

**NOTE 24 – ECONOMIC DEPENDENCY**

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

**NOTE 25 – COMPANY DETAILS**

North Melbourne Football Club Ltd is incorporated in Australia.

The registered office and principal place of business of the Company is:

North Melbourne Football Club Ltd  
 Fogarty Street  
 North Melbourne VIC 3051

**NOTE 26 – FINANCIAL INSTRUMENT RISK MANAGEMENT**

The Group's financial instruments consist mainly of cash, deposits with banks and commercial bills. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period, the Group's policy that no trading in financial instruments or derivatives shall be undertaken. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Interest rate risk**

The Group is exposed to interest rate risk as funds are borrowed at floating interest rates. During 2007 and 2008, the Group's borrowings at variable rate were all denominated in Australian dollars.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2% (200 basis points) and -2% (200 basis points) (2007: +/-2%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

	2008 (\$)		2007 (\$)	
	+ 2% (200 basis points)	- 2% (200 basis points)	+ 2% (200 basis points)	- 2% (200 basis points)
<b>Cash and cash equivalents</b>				
Net result	61,280	(61,280)	6,610	(6,610)
Equity	61,280	(61,280)	6,610	(6,610)
<b>Interest bearing loans and borrowings</b>				
Net result	(75,000)	75,000	(87,000)	87,000
Equity	(75,000)	75,000	(87,000)	87,000

North Melbourne Football Club Limited  
 ABN 21 006 468 962  
**Notes to the Financial Statements (continued)**  
**For the year ended 31 October 2008**

**NOTE 26 – FINANCIAL INSTRUMENT RISK MANAGEMENT (Cont.)**

**(b) Liquidity risk**

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the balance sheet date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

As at 31 October 2008, the Group's liabilities have contractual maturities which are summarised below:

	Current			Non-Current	
	Interest Rate %	Not later than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
		(\$)	(\$)	(\$)	(\$)
Commercial bill no.1	6.68%				3,801,600
Commercial bill no.2	6.68%		251,399		
Trade payables	0%	340,048			
<b>Total</b>		<b>340,048</b>	<b>251,399</b>	<b>-</b>	<b>3,801,600</b>

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

**(c) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Company.

The Board receives monthly reports summarising the turnover, trade receivables balance and ageing profile.

The Group's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date.

**(d) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## Directors' Declaration

The directors of North Melbourne Football Club Limited declare that:

- (1) In the opinion of the directors:
  - (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's financial position as at 31 October 2008 and of its 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 Company will be able to pay its debts as and when they become due and payable.

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



James Brayshaw (Chairman)



Carl Dilena (Director)

Dated: 25 NOVEMBER 2008



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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF NORTH MELBOURNE FOOTBALL CLUB LIMITED  
ABN 21 006 468 962**

We have audited the accompanying financial report of North Melbourne Football Club Limited (the Company), which comprises the balance sheet as at 31 October 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on page 28 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

**Directors' responsibility for the financial report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit



engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free of material misstatement.

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

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

### **Electronic presentation of audited financial report**

This auditor's report relates to the financial report of North Melbourne Football Club Limited for the year ended 31 October 2008 included on North Melbourne Football Club Limited's web site. The company's directors are responsible for the integrity of the North Melbourne Football Club Limited's web site. We have not been engaged to report on the integrity of the North Melbourne Football Club Limited's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### **Independence**

In conducting our audit, we complied with the independence requirements of the Corporations Act 2001.





## **Auditor's opinion**

In our opinion:

- a the financial report of North Melbourne Football Club Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the company'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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## **Inherent uncertainty regarding continuation as a going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 2(f), there is significant uncertainty whether North Melbourne Football Club Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

GRANT THORNTON  
Chartered Accountants

B.L. Taylor  
Partner

Melbourne, 25<sup>th</sup> November 2008