

North Melbourne Football Club Limited
ABN 21 006 468 962

Financial Report

Year Ended 31 October 2011



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

The Board of Directors of North Melbourne Football Club Limited has pleasure in submitting its report on the Company in respect of the financial year ended 31 October 2011.

Directors

The following directors were in office during the period from 1 November 2010 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 – ClubLINKS
Stephen Head	Appointed Director on 28 February 2007 Managing Director – Links Living Ltd Director – Sandhurst Club Ltd Chairman – Sanctuary Lakes Ltd Resigned as Director on 27 September 2011
Fulvio Inserra	Appointed Director on 28 February 2007 Director – The Mastermind Group Resigned as Director on 27 September 2011
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
Trevor O'Hoy	Appointed Director on 25 November 2008 Former CEO of Fosters Group Ltd
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven

Company Secretary

Eugene Arocca	Appointed as Secretary on 11 April 2008
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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:

Director	Number of meetings attended	Number of meetings eligible to attend
James Brayshaw	10	11
Mark Brayshaw	9	11
Stephen Head	5	10
Fulvio Inserra	10	10
Carl Dilena	9	11
Will Houghton QC	11	11
Geoff Lewis	10	11
Trevor O'Hoy	9	11
Julie Laycock	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.

Objectives and Strategies of the Company

The Company's short term objectives (2012) are to:

- Make significant inroads into the club's Debt by embarking on a 12 month supporter and member driven campaign involving member contributions, unique events and products, and a debt themed home game.
- To grow football revenue above 2011 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To increase average attendance at North Melbourne home games through better seating for members, more flexible membership packages and more incentives to attend.
- To continue to invest in our football department, in particular the area of sports science and physical preparation of our players, as well as commit to a redevelopment of the training surface at Aegis Park, Arden Street.
- To grow non-football revenue
- To establish a strong new market of supporters by playing two games in Hobart in 2012.
- To continue to explore the opportunity of future home games in regional Victoria.

The Company's long term objectives (2013 – 2015) are:

- To deliver our fifth premiership
- To sign 40,000 members
- To achieve financial independence
- To expand our supporter base
- To establish a strong community footprint

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

- To actively engage with members, supporters and communities
- To engage a direct membership related debt reduction strategy in 2012.
- Explore strategies for new markets in Hobart, Ballarat and Wyndham whilst continuing to maintain its existing strong Melbourne based supporter areas
- Develop best practice football department
- Ensure strong and effective financial management
- To ensure strong alignment with the AFL and other key stakeholders.
- Continued development and focus on our leading community brand, The Huddle.

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Directors' Report (continued)

Operating Results

The operating result of the Company for the year ended 31 October 2011 was a loss of (\$581,352) (2010: profit \$233,752).

The net loss of the Company was (\$1,110,807) (2010: profit \$771,518) after non-operating items for the year ended 31 October 2011.

Review of Operations

2011 was a challenging year in relation to the Club's off-field results with only moderate revenue growth and further investment in the football department.

Overall revenue for the Club grew beyond \$26m, an increase of \$460k on 2010. There was modest growth in nearly all revenue streams except for stadium bonus revenue which was reduced by \$500k. Key challenges for the Club's revenue still remain in growing membership and sponsorship.

Again in 2011, the Club has directed most of the increased revenue to football operations, with an additional \$1,042k being spent on player payments, staffing and operating costs. Overall the Club has increased its football expenditure from \$11.9m in 2007 to \$15.3m in 2011.

The Club's key challenges for 2012 and beyond remain managing cash flows, reducing debt levels, growing core football related revenue and ensuring the Club is not disadvantaged when player free agency is introduced in 2012. As such the club is committed to expanding revenue and launching a debt reduction program in 2012 to address these issues, as outlined in Note 2(e).

Significant changes in the State of Affairs

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

Significant Events after Year End

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 October 2011.

Dividends

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

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 in accordance with ASIC Class Order 98/100.

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 of Australia.

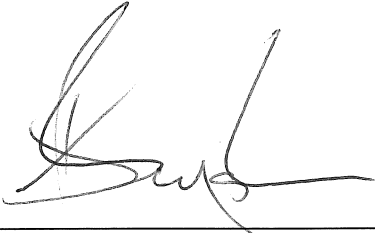
Indemnification of Officers and Auditors

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

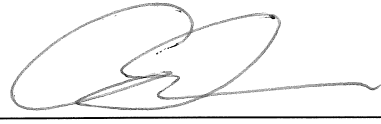
Auditor Independence

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

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



James Brayshaw (Chairman)



Carl Dilena (Director / Chairman – Audit Committee)

Dated: 22nd November 2011

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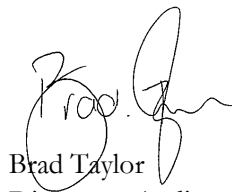
**Auditor's Independence Declaration
To the Directors of North Melbourne Football Club Limited**

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 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Director – Audit & Assurance Services

Melbourne, 22 November 2011

North Melbourne Football Club Limited
 ABN 21 006 468 962
Statement of Comprehensive Income
For the year ended 31 October 2011

	Notes	2011 \$	2010 \$
Revenue from operating activities	3(a)	26,017,066	25,557,307
<i><u>Operating expenses</u></i>			
Administration expenses		3,243,491	3,677,009
Commercial business and fundraising		1,668,407	1,176,256
Events		371,534	362,880
Football operations		15,280,850	14,238,816
Membership		2,452,310	2,245,570
Merchandise		854,398	781,552
Sales and sponsorship		2,236,296	2,296,501
Finance costs		311,387	242,738
Other expenses		179,745	302,233
Total expenses from operating activities		26,598,418	25,323,555
Profit / (loss) from operating activities		(581,352)	233,752
Revenue from non-operating activities	3(b)	-	1,034,389
<i><u>Non-operating expenses</u></i>			
Provision for loan		150,000	150,000
Amortisation on Arden Street redevelopment		379,455	346,623
Total expenses from non-operating activities		529,455	496,623
Profit / (loss) from non-operating activities		(529,455)	537,766
Profit / (loss) before income tax		(1,110,807)	771,518
Income tax expense	1(d)	-	-
Net profit / (loss) after tax		(1,110,807)	771,518
Other Comprehensive Income		-	-
Total Comprehensive Income		(1,110,807)	771,518
Attributable to:			
Members of North Melbourne Football Club Ltd		(1,110,807)	771,518

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

North Melbourne Football Club Limited
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Statement of Financial Position
As at 31 October 2011

	Notes	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	198,886	2,749
Trade and other receivables	7	196,061	258,294
Inventories	8	165,732	144,457
Other assets	9	564,421	159,072
Total Current Assets		1,125,100	564,572
Non-Current Assets			
Property, plant and equipment	10	15,471,873	15,693,493
Total Non-Current Assets		15,471,873	15,693,493
Total Assets		16,596,973	16,258,065
Current Liabilities			
Trade and other payables	11	2,752,599	2,032,669
Interest bearing loans and borrowings	12(a)	4,756,816	4,951,268
Employee benefits	13(a)	216,043	226,804
Provisions	15	1,375,000	-
Other liabilities	14	905,174	203,877
Total Current Liabilities		10,005,632	7,414,618
Non-Current Liabilities			
Interest bearing loans and borrowings	12(b)	31,749	-
Employee benefits	13(b)	111,699	59,747
Provisions	15	-	1,225,000
Total Non-Current Liabilities		143,448	1,284,747
Total Liabilities		10,149,080	8,699,365
Net Assets		6,447,893	7,558,700
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		2,859,285	3,970,092
Total Equity		6,447,893	7,558,700

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

North Melbourne Football Club Limited
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Statement of Changes in Equity
For the year ended 31 October 2011

	Ordinary share capital	Member funds	Accumulated profits/(losses)	TOTAL EQUITY
	\$	\$	\$	\$
Balance at 1 November 2009	-	3,588,608	3,198,574	6,787,182
Total Comprehensive Income for the period	-	-	771,518	771,518
Balance at 31 October 2010	-	3,588,608	3,970,092	7,558,700
Balance at 1 November 2010	-	3,588,608	3,970,092	7,558,700
Total Comprehensive Income for the period	-	-	(1,110,807)	(1,110,807)
At 31 October 2011	-	3,588,608	2,859,285	6,447,893

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

North Melbourne Football Club Limited
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Statement of Cash Flows
 For the year ended 31 October 2011

	Notes	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		27,012,973	26,412,208
Payments to suppliers and employees		(26,084,915)	(28,341,761)
Receipt of government grants		150,000	2,730,583
Interest received		655	9,212
Interest and other finance costs paid		(381,914)	(242,738)
Net operating cash flows	16	696,799	567,504
Cash flows from investing activities			
Purchase of property, plant and equipment		(337,959)	(4,348,412)
Net cash flows used in investing activities		(337,959)	(4,348,412)
Cash flows from financing activities			
Proceeds from borrowings		38,565	1,500,000
Net cash flows from financing		38,565	1,500,000
Net increase / (decrease) in cash and cash equivalents held		397,405	(2,280,908)
Cash and cash equivalents at the beginning of the financial year		(198,519)	2,082,389
Cash and cash equivalents at the end of the financial year	6	198,886	(198,519)

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

North Melbourne Football Club Limited
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Notes to the Financial Statements
For the year ended 31 October 2011

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2011 was authorised for issue in accordance with a resolution of the directors on 17 November 2011.

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

NOTE 2 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(b) Adoption of new and revised accounting standards

The Company has adopted all of the new, revised and amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

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

(c) Critical accounting estimates and judgements

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

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

(d) Income tax

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

(e) Going concern

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

The Company has a net current liability position of \$8,880,532 (2010: \$6,850,046). The Company's ability to continue as a going concern and meet its debts as and when they fall due is dependent on the Company:

- a. Generating sufficient revenue from operating activities to enable the Company to generate a profit and positive cash flows from its 2012 operating budget.
- b. Receiving continued financial support from the AFL including Annual Special Distribution payments, the continued guarantee of the Company's borrowing facilities totalling \$5m and the availability of credit.

As part of this commitment, the AFL has agreed to provide certain financial assistance to the Company including funding assistance in 2012 of \$3.0 million from the new Future Fund and advancing monthly distributions to assist the Company with its cash flow issues.

- c. Having success with other strategic initiatives under consideration, in particular the launch of the Company's debt reduction campaign involving four different debt reduction platforms of:
 - 1) Membership Contribution
 - 2) Premiership Pledges through a unique offering for 5,000 members.
 - 3) Themed debt reduction game v Fremantle in Round 22, 2012
 - 4) One fundraising event in 2012

Other key growth opportunities include the commercial net return from two home games being played in Hobart and significant AFL funding to support the growth of business operations.

In the Directors' opinion, there are reasonable grounds to believe that such funding will continue to be available. However, if these efforts are unsuccessful, the Company may be unable to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(f) Property, plant & equipment

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

Plant & equipment

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	2.5%
Plant and equipment	5 – 33%

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Notes to the Financial Statements (continued)

For the year ended 31 October 2011

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.

(g) Cash and cash equivalents

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

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

(h) Financial instruments

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

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

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

Recognition

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

Loans and receivables

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

Interest is recognised by applying the effective interest rate.

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

Financial liabilities

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

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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

(i) Employee benefits

Short-term benefits

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

Other long-term employee benefits

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

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

Superannuation

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

(j) 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.

(k) 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.

(l) Goods and services tax (GST)

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

(m) Trade and other receivables

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

(n) 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.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

(o) 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.

(p) Comparative figures

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

(q) 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.

(r) Redevelopment of Arden Street

The construction of the Arden Street Administration and Training building along with the community Learning and Life Centre was completed 30 November 2009. Funding for the project was received from the Commonwealth of Australia, State Government of Victoria, City of Melbourne, AFL and Fencing Victoria.

(s) Annual special distribution

The AFL committed to supporting the Company with an Annual Special Distribution payment of \$1.4 million (2010: \$1.4 million) in the year ended 31 October 2011.

(t) 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.

(u) Interest bearing liabilities and borrowings

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

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

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

Borrowing costs

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

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

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Notes to the Financial Statements (continued)
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(v) Leases

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

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

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

Operating lease payments are recognised as an expense in the 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.

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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

	2011	2010
	\$	\$
NOTE 3 – REVENUE		
(a) Revenue from operating activities:		
AFL – Distributions	7,382,004	7,129,500
AFL – Prize Money	-	40,000
AFL – Annual Special Distribution	1,400,000	1,400,000
AFL – Stadium Bonus Money	200,000	700,000
AFL – Other Revenue	550,000	570,000
Commercial Business and Fundraising	2,901,232	2,442,680
Events	107,299	173,990
Gate Receipts	1,163,672	1,230,405
Membership	4,582,200	4,406,018
Merchandise	1,036,064	946,518
Sales and Sponsorship	5,881,743	5,729,938
Other	812,852	788,258
	26,017,066	25,557,307

(b) Revenue from non-operating activities:

Arden Street redevelopment funding	-	1,034,389
Refer Note 1(r) for further information		

NOTE 4 – EXPENSES AND LOSSES/(GAINS)

Profit / (Loss) from continuing operations is arrived at after charging the following expenses:

a) Charge / (write-back) to Doubtful Debts expense	(37,500)	50,000
b) <i>Depreciation of non-current assets</i>		
- Plant & Equipment	162,689	151,614
<i>Amortisation of non-current assets</i>		
- Amortisation of Leasehold Improvements	379,455	346,623
Total depreciation & amortisation expense	542,144	498,237

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2011

	2011	2010
	\$	\$

NOTE 5 – AUDITORS’ REMUNERATION

Amounts received or due and receivable by Auditors for:

- auditing the accounts	39,000	37,800
- other services – total player payments audit	10,000	9,450
	49,000	47,250

The auditors, Grant Thornton, received no other benefits

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	198,886	2,749
Total cash and cash equivalents	198,886	2,749

The effective interest rate on bank deposits was 0.01% (2010: 0.01%). These deposits have no maturity date.

Reconciliation of cash:

Cash and cash equivalents	198,886	2,749
Bank overdrafts	-	(201,268)
	198,886	(198,519)

NOTE 7 – TRADE AND OTHER RECEIVABLES

Current

Trade receivables	209,557	288,665
Allowance for doubtful debts	(41,250)	(50,000)
	168,307	238,665
Membership receivable	16,774	11,957
Other debtors	10,980	7,672
Total trade and other receivables	196,061	258,294

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

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

- an individual account by account assessment based on past credit history;
- any prior knowledge of debtor insolvency or other credit risk; and
- working with sales 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 2011

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

As at 31 October 2011, trade receivables with a carrying amount of \$89,431 (2010: \$31,861) for the Company were past due but not doubtful. These trade receivables are not considered doubtful as they comprise customers with good debt history and are therefore considered recoverable.

The ageing of the trade receivables is:

	2011 Gross	2011 Allow- ance	2010 Gross	2010 Allow- ance
	\$	\$	\$	\$
Not past due	78,876	-	206,804	-
Past due 0-30 days	73,816	-	16,135	-
Past due 31-60 days	10,115	-	63,756	(50,000)
Past due 60 days	46,750	(41,250)	1,970	-
Total	209,557	(41,250)	288,665	(50,000)

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

	2011	2010
	\$	\$
Not more than 3 months	89,431	29,891
More than 3 months but not more than 6 months	-	270
More than 6 months but not more than 1 year	-	1,700
Total	89,431	31,861

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

	2011	2010
	\$	\$
Opening balance	(50,000)	-
Additional provisions	(41,250)	(50,000)
Amounts used	50,000	-
Total	(41,250)	(50,000)

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

NOTE 8 – INVENTORIES

	2011	2010
	\$	\$
Roo Shop merchandise – at lower of cost and realisable value	165,732	144,457

NOTE 9 – OTHER ASSETS

Prepayments	251,740	49,491
Unexpired contra	208,195	104,581
Accrued income	104,486	5,000
Total other assets	564,421	159,072

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Plant & Equipment – at Cost	1,342,868	1,132,124
Less: Accumulated Depreciation	(347,516)	(202,677)
	995,352	929,447
Leasehold Buildings – at cost	15,202,647	15,110,669
Less: Accumulated Amortisation	(726,126)	(346,623)
	14,476,521	14,764,046
Total property, plant and equipment	15,471,873	15,693,493

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2011

2011 2010
 \$ \$

Reconciliations

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

Plant & Equipment

Carrying amount at beginning	929,447	308,831
Additions	239,959	837,972
Write-offs	(11,365)	(65,742)
Depreciation expense	(162,689)	(151,614)
	995,352	929,447

Leasehold Improvements

Carrying amount at beginning	14,764,046	11,600,229
Additions	98,000	3,510,440
Write-offs	(6,070)	-
Amortisation expense	(379,455)	(346,623)
	14,476,521	14,764,046

Total Assets & Leasehold Improvements

Carrying amount at beginning	15,693,493	11,909,060
Additions	337,959	4,348,412
Write-offs	(17,435)	(65,742)
Depreciation & Amortisation expense	(542,144)	(498,237)
	15,471,873	15,693,493

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2011

	2011	2010
	\$	\$
NOTE 11 – TRADE AND OTHER PAYABLES		
Trade creditors	1,810,230	1,171,962
Accruals	871,855	773,955
GST payable	70,514	86,752
Total trade and other payables	2,752,599	2,032,669

NOTE 12 – INTEREST BEARING LIABILITIES

(a) Current

Bank overdraft	-	201,268
Commercial bill – secured – Refer note 12(a)	4,750,000	4,750,000
Hire purchase	6,816	-
	4,756,816	4,951,268

(b) Non-Current

Hire purchase	31,749	-
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(a) The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club 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 a limited guarantee from the Australian Football League.

(b) The current borrowing is part of a rolling facility not expected to require immediate repayment. The undrawn financial facilities at balance date were \$0.25m.

NOTE 13 – EMPLOYEE BENEFITS

(a) Current

Provision for annual leave	216,043	208,415
Provision for long service leave	-	18,389
	216,043	226,804

(b) Non-Current

Provision for long service leave	111,699	59,747
Total employee benefits	327,742	286,551

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2011

	2011	2010
	\$	\$

NOTE 14 – OTHER LIABILITIES

Current

Unearned revenue	905,174	203,877
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NOTE 15 – PROVISIONS

(a) Current

Provision for guarantee of North Melbourne Football Club Social Club Ltd loan with Melbourne Stadiums Ltd	1,375,000	-
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(b) Non-Current

Provision for guarantee of North Melbourne Football Club Social Club Ltd loan with Melbourne Stadiums Ltd	-	1,225,000
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(c) Movements in provisions

Carrying amount at beginning	1,225,000	1,075,000
Additional provisions	150,000	150,000
Carrying amount at end	1,375,000	1,225,000

NOTE 16 – RECONCILIATION OF NET PROFIT / (LOSS) TO NET CASH FLOWS FROM OPERATIONS

	2011	2010
	\$	\$
Net profit / (loss)	(1,110,807)	771,518

Adjustments for:

Depreciation and amortisation	542,144	498,237
Impairment and write-off of non-current assets	17,435	65,742

Changes in assets and liabilities

Provision for guarantee of NMFCSC Ltd loan	150,000	150,000
(Increase) / decrease in receivables	62,233	967,607
(Increase) / decrease in other assets	(405,349)	573,000
(Increase) / decrease in inventories	(21,275)	6,093
Increase / (decrease) in payables	719,930	(1,859,968)
Increase / (decrease) in employee benefits	41,191	36,504
Increase / (decrease) in other liabilities	701,297	(641,229)
Net operating cashflow	696,799	567,504

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

NOTE 17 – CONTINGENT LIABILITIES

(a) Related party guarantees provided by the parent entity

A related party of the Company, the North Melbourne Football Club Social Club Limited (NMFCS) received loan funds from a third party of \$1,500,000 in 2002 as part of an agreement to operate gaming machines at Etihad Stadium. The loan is to be repaid by NMFCS out of future profits and is due for repayment in August 2012. If the loan has not been repaid by NMFCS, 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 (2010: \$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 (2010: \$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 \$125,000 (2010: \$275,000).

(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.

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 2011 as \$38,845.

North Melbourne Football Club Limited
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Notes to the Financial Statements (continued)
For the year ended 31 October 2011

NOTE 18 - COMMITMENTS

Operating Lease Commitments

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

	2011	2010
	\$	\$
Not later than one year	280,449	296,105
Later than one year and not later than five years	166,506	277,605
Later than five years	-	-
	446,955	573,710

All terms regarding the new Arden Street Redevelopment lease arrangements are still being negotiated with City of Melbourne council and as at the date of this report were unknown. Until a lease is confirmed, no rental payments will be required.

Hire Purchase Commitments

The Company has a hire purchase commitment for an item of property, plant and equipment with a current carrying value of \$34,052. This contract will expire within 5 years.

	2011	2010
	\$	\$
Not later than one year	10,058	-
Later than one year and not later than five years	36,880	-
Total minimum lease payments	46,938	-
Less amounts representing finance charges	(8,373)	-
Present value of minimum lease payments	38,565	-

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:

	2011	2010
	\$	\$
Not later than one year	7,636,210	7,255,600
Later than one year and not later than five years	5,551,200	4,926,500
Later than five years	-	-
	13,187,410	12,182,100

North Melbourne Football Club Limited
 ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2011

NOTE 19 – RELATED PARTY DISCLOSURES

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

Transactions with related parties:	2011	2010
	\$	\$
Provision for guaranteed loan – Refer note 15 and 17(a)	150,000	150,000

NOTE 20 – 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

	2011	2010
	\$	\$
Short term employee benefits	817,982	1,002,506
Post employment benefits	67,754	79,045
	885,736	1,081,551

NOTE 21 – EVENTS AFTER THE BALANCE SHEET DATE

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

NOTE 22 – 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 23 – 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
 204-206 Arden Street
 North Melbourne VIC 3051

North Melbourne Football Club Limited

ABN 21 006 468 962

Notes to the Financial Statements (continued)

For the year ended 31 October 2011

NOTE 24 – FINANCIAL INSTRUMENT RISK MANAGEMENT

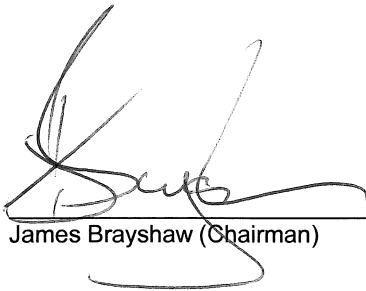
The Company's financial instruments consist mainly of cash, deposits with banks and commercial bills. The Company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period, the Company's policy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

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 2011 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 / Chairman – Audit Committee)

Dated: 22nd November 2011

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report To the Members of North Melbourne Football Club Limited

We have audited the accompanying financial report of North Melbourne Football Club Limited (the "Company"), which comprises the statement of financial position as at 31 October 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the company.

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 - Reduced Disclosure Requirements 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 are 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.

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 which require us to 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit

procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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.

Independence

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

Auditor's opinion

In our opinion:

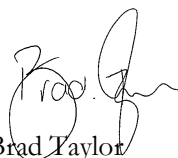
- a the financial report of North Melbourne Football Club Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Company's financial position as at 31 October 2011 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2(e) in the financial report which indicates that the company has a net current liability position of \$8,880,532 as at 31 October 2011. This condition, along with other matters set forth in Note 2(e), indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Brad Taylor
Director – Audit & Assurance Services

Melbourne, 22 November 2011