FINANCIAL REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

ACN 005 686 902

Contents

Directors' Report

To the Members of the Melbourne Football Club Limited ("the Club" or "MFC").

The Directors hereby present their report pursuant to the requirements of the Corporations Act 2001 on the state of affairs of the Club at 31 October 2019.

1. Principal Activities

The principal activities of the Club are to field teams bearing the Club's name within the Australian Football League and associated competitions, and to promote the game of Australian Rules Football.

2. Operating Results and Review of Operations

The statutory loss for the year is $1.975m. The operating loss for the year is $1.580m – a reconciliation between the two figures and a comparison with the previous year is provided below:

		2019	2018
		$	$
	Statutory Profit	**(1,975,304)**	**6,906,468**
Less	Gain on sale of Leighoak Club	-	(7,029,311)
Add	Asset write offs	90,913	401,897
	Investment in Training & Administration Facility Project	243,573	227,222
	Costs associated with sale of Leighoak Club	60,399	-
		(1,580,419)	**506,276**

2019 has been a challenging year for the Club. The performance of the men's team was well below expectations and was disappointing for our Board, players, coaches, staff, members and supporters.

Whilst there are reasons for the poor performance, including the fourth highest number of injury games in AFL history, there are no excuses for the extent of the decline and we are committed to ensuring the team improves during 2020. Following a comprehensive review, a number of changes have been made to help this to occur, including the appointment of the internationally experienced Darren Burgess to lead the Club's fitness and conditioning department, the appointment of Alan Richardson as Director of Coaching, as well as the acquisition of Ed Langdon and Adam Tomlinson and the exciting players added through the National Draft who will fill important on-field gaps identified by the Club's List Management team.

The on-field performance of our men's team had a significant influence on this year's financial result and was a major factor in a decline in operating revenue of $0.422m during the year to a total of $48.588m. Significant movements in the Club's revenue base for 2019 (as outlined in Note 3) were as follows:

- Membership and general fundraising revenue grew by $0.583m during 2019, driven in part by a new Club membership record of 52,516 members. This is the sixth straight season the Club has broken its membership record, and the first time the Club has passed 50,000 members in its history;

- Total gate receipts were stable year on year, but were impacted by significant underlying movements. 2019 was the first year of the Club's new tenancy agreement with the Melbourne Cricket Club, which resulted in additional gate receipts of $1.500m during the season. However, these increased returns were offset by lower takings associated with lower crowds, which reduced by 131,000 attendees (30%) from 2018, as a result of team performance and the non-hosting of ANZAC Eve and Queen's Birthday fixtures;

- Sponsorship and corporate hospitality revenue declined by $1.087m during the year. $0.540m generated in 2018 related to finals specific activities, the absence of which was a key driver of the reduced contribution;

- Merchandising revenue declined by $0.364m in 2019, reflecting decreased retail demand as a result of team performance.

The Club received distributions from the AFL of $16.324m in 2019, which were stable year on year. These distributions represent the AFL's contributions to the men's and women's player payments, as well as Competitive Balance distributions, which have remained unchanged since 2017.

The Club spent an additional $0.613m on its men's football department during 2019. There was an $0.837m increase in player costs, with $0.665m relating to injury game payments due to the Club's unprecedented injury list, with the balance as a result of increases in the Total Player Payments limit. The extent of the Club's injury list and resulting injury game payments was a material factor in the Club recording an operating loss in 2019. There was a small reduction of $0.224m in football program costs, due to the earlier finish to the season as a result of not making finals.

The Club's AFLW and VFLW program costs totalled $1.234m during the year, comprising program costs of $0.665m and player payments of $0.569m. This amount has been largely offset by revenues generated from the program of $1.093m, including sponsorship and membership support as well as AFL funding for player payments.

2019 saw Jaguar join the Club as Co-Principal partner. Jaguar is a strong brand well suited to the Club and we are excited that their partnership will continue in 2020. The Club would like to thank its other Co-Principal Partner, Zurich, as well as all other commercial partners, for their support.

In line with the Club's commitment to exit gaming, 2019 was the first year the Club operated without the Leighoak venue, which contributed a profit of $0.901m in 2018. The Club was prepared for the financial impact of this transition, through the new home game tenancy agreement with the MCC and with the underlying balance sheet strength created by the sale which generated cash proceeds of $10.650m. The Club however was unable to absorb all of: the impact of this first stage of the transition away from gaming; the poor performance of the men's team; and not hosting of Queen's Birthday and ANZAC Eve fixtures in the same financial period.

The Bentleigh Club continued to perform in line with expectations during the year. Gaming machines will be removed from the venue from the commencement of the new gaming machine entitlement period in August 2022.

As advised in 2018, one of the key strategic goals of the Club is to secure a new, long term Training & Administration Facility. The Club has reached its capacity at its AAMI Park and MCG bases, and is currently operating with inadequate facilities for its AFLW team. The Club invested $0.244m in the project during the year, which has been expensed in the Profit & Loss Statement in accordance with Australian Accounting Standards. This expenditure is not site specific, and has been critical to defining the Club's requirements for its new home base. The Victorian State Government has also contributed funding for a feasibility study on options within the Melbourne Sporting Precinct.

During the year the Club secured a further commitment for the upgrade of the Club's secondary facilities at Casey Fields. The Club will benefit from an $8m investment in the Casey Fields facilities, including the construction of standalone changerooms for our AFLW players, who play their home games at Casey Fields, as well as the development of an indoor training centre to service our VFL, VFLW and Melbourne Academy programs. The Club thanks the Victorian State Government, the City of Casey and the AFL for their continued support.

The Club had net assets of $11.134m at balance date. The Club's strong asset base is underwritten by its Bentleigh Club land holding, carried at the 2011 acquisition cost of $8.700m, and its financial investment portfolio of $7.580m. The financial investment portfolio has been funded from the Club's sale of its Leighoak gaming venue, which generated cash proceeds of $10.650m in 2018. Proceeds from the Leighoak sale have also been utilised to fund the 2019 operating cashflow deficit and to further repay the Club's debt, which was reduced by $0.629m during the year to $2.000m at year end. The Club will continue to prioritise the repayment of debt from its operating cashflow over the coming years, as it has done in prior years, with $6.200m of debt repaid since 2013.

The Club made the decision during 2019 to bring its Darwin home game back to the MCG for 2020 and beyond. In making this decision the Club has prioritised the preparation and performance of its football team, whilst also addressing feedback received from members that it is their preference to watch the team play at the MCG. The Club remains committed to the Alice Springs region, which is also designated as the Club's indigenous academy zone, and will play home games there for the next four seasons.

The Club was pleased to announce during 2019 that it had formed a partnership with Atyenhenge Atherre Aboriginal Corporation to re-grass Santa Teresa oval. The oval is a central connection point for the local communities, and the Club is proud of the role it is playing in creating the 'MCG of the Desert'.

Outstanding players in red and blue for 2019 were recognised at our Best and Fairest with Max Gawn and Clayton Oliver tying for the Keith 'Bluey' Truscott trophy, with co captain Jack Viney rounding out the top three. Max was rewarded for his strong year by being selected in the All Australian team for the third time.

A number of individual player milestones were reached during the year. Tom McDonald and Neville Jetta both played their 150th games, while Max Gawn and Jack Viney reached the 100 game milestone.

2019 as usual saw the departure of a number of players at the completion of the season. Jordan Lewis retired as a player following a stellar career that included 319 games, 55 of which were in the red and blue. We are delighted Jordan will remain at the Club in a coaching capacity in 2020. Jeff Garlett also departed the Club after five seasons and 78 games and 138 goals. A number of other players departed at the completion of the season – the Club wishes all of these players the best for the future and thanks them for their services.

The AFLW team missed the finals after finishing fourth in its conference. Karen Paxman and Lauren Pearce both capped off their fantastic years with selection in the All Australian squad, while Karen was also rewarded with the MFC Best & Fairest for her year. During the AFLW season former captain Daisy Pearce welcomed twins, Sylvie and Roy, and we look forward to Daisy returning to the AFLW team for the 2020 season.

The Club would like to thank the MCC for their ongoing support during 2019. The Club values its relationship with the MCC and is proud to be a sporting section of this great club.

2019 has been a challenging year for all involved with the Club. However it is through the greatest adversity that the biggest opportunity for learning and growth materialises. Over recent years the Club has built strong foundations and these foundations combined with our learnings from 2019 will serve us well as we aim to climb the ladder again. The Board is confident that the Club is well positioned, with the right people in the right roles, to deliver on this challenge. We would like to thank members for permitting us the privilege of serving as directors.

3. Events Subsequent to Balance Date

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected the results of operations or the Club's state of affairs for the year ended 31 October 2019.

4. Likely developments

The Directors will continue to progress the strategic objectives of the Club and in this context there are no undisclosed matters at the date of this report that are expected to materially impact the Club.

5. Environmental Regulation

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

6. Auditors Independence Declaration

The Directors have received the Independence Declaration from the auditor of the Club. The Independence Declaration is set out on page 13 and forms part of the Directors' Report for the year ended 31 October 2019.

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

- Other audit services - $17,000

7. Directors

Glen Bartlett

Glen joined the Board in 2013 and was appointed President of the Melbourne Football Club in 2013.

Glen is the Managing Director of Bartlett Workplace, a company specialising in Industrial Relations (IR) including: IR and Employment Legal services; IR and HR Advisory services, Workplace Investigations; and Workplace Management capability and Leadership development training. Bartlett Workplace has a national reach with offices in Melbourne and Perth.

Prior to setting up Bartlett Workplace, Glen practised law for 15 years with a leading national law firm including three years as Managing Partner based in Melbourne. Glen has held a number of board positions both within the Public and Private sectors, including: Sports/Entertainment; Sport/Events Infrastructure Management; Universities; and Not-for-Profit and Industry Associations.

Glen over the years has given his time and expertise to a wide range of community organisations, including Western Australian football, indigenous communities and various charities both in Victoria and Western Australia. Glen is a respected advocate for the sports industry, having held various roles over the years including: Honorary Legal Advisor on Rules for the WAFL, President of the WAFL Players Association, member of the Appeals Tribunal for the WAFL and WA players' representative on the national AFL Players Agents Association board (AFLPA) from 1998-2000.

Glen was a successful former Australian Rules footballer who played for the West Coast Eagles, and was part of their inaugural team, winning their Best Clubman Award in 1987. He was Captain of East Perth for four years before retiring after achieving life membership at the age of 26. Glen also represented Western Australia and was appointed Vice Captain against South Australia in 1990.
Glen retired to concentrate on his law studies, becoming a lawyer in 1996.

David Thurin

David joined the Board in 2008. He is Chairman of the Club's Investment Committee and a Member of the Club's Nomination & Remuneration Committee.

David is the Executive Chairman and owner of Tigcorp, a company that owns, develops and manages retirement communities, has land subdivision interests as well as an investment arm involved in listed and unlisted securities.

He is a director of Vicinity Centres which is an ASX 50 company and he is a director of the Baker Heart and Diabetes Institute. He is also a member of the Young Presidents' Gold Organisation, the Australian Institute of Company Directors and the Melbourne Cricket Club.

David was previously involved in retail property management and development and was the Joint Managing Director of the Gandel Group of Companies and Gandel Retail Management. He was also previously the Chairman of the International Diabetes Institute, a director of the Gandel Retail Property Trust, CFSGAN Retail Property Trust and the Novion Property Group.

David has a medical background, and was in private practice for over a decade, holding post-graduate qualifications in obstetrics and gynaecology as well as general practice. He also holds a Master's Degree in Management from Stanford University, California.

In the 2019 Queen's Birthday honours list, David was awarded a Member of the Order of Australia (AM) for his significant service to sporting organisations and to community health.

David is a Life Member of the MFC and a Foundation Hero Sapphire Blue Legend.

John Trotter

John joined the Board in 2011. He is Chair of the Audit, Risk and Integrity Committee, Chair of the Bentleigh Club Sub Committee and a Member of the Investment Sub Committee He has particular involvement at the Board level on the governance structures, risk management and finance operations of the club.

He is currently, Chairman and a non-executive director of the Entity Solutions Group of companies specialising in contingent workforce solutions in Australia, New Zealand and parts of Asia and an Advisory Board member of Ewert Leaf Architects and Landchecker a tech start-up.

John worked in the Accounting and Consultancy industries for over 37 years both in Australia and globally. He specialised in Corporate Governance, Risk Management and business growth.

He had a number of leadership roles with global firm Deloitte: Global Managing Partner - Risk Services, Asia Pacific Managing Partner Risk services and Managing Partner of Deloitte Victoria. In these roles he served global clients across Australia, Asia, Europe and the America's.

He is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. He also holds a Bachelor of Commerce from Melbourne University.

He has had significant involvement in Amateur football spanning over 40 years as a player, administrator and President. He also played a key role in bringing the "Peace Team" a combined team of Israeli's and Palestinians to the AFL International Cup.

Kate Roffey

Kate joined the Board in 2013. She is a Vice President of the Club and Chair of the Facilities working group.

She is currently the Director of Deals, Investment & Major Projects at Wyndham City and is also the Chair of the Victorian Regional Channels Authority and the Metro Trains Advisory Board, and Member of the Ministerial Better Planning and

Approvals Review Board and is a Member of the Ministerial Freight Advisory Committee and Ministerial Golf Taskforce.

Kate is the former CEO of the Committee for Melbourne, former CEO of VicSport and the Senior Manager responsible for the Melbourne Park Tennis Centre redevelopment and Government Relations at Tennis Australia.

Kate holds qualifications in Sports Science, Sport Administration, and Psychology, and is a Graduate Member of the Australian Institute of Company Directors.

Kate has a strong background in professional sport and has had the opportunity to spend time with some of the world's leading sports teams, including the New York Yankees, Manchester United FC, Dallas Cowboys and Miami Dolphins, reviewing world's best sporting practice.

Steve Morris

Steve joined the Board in 2014 and is a member of the Nominations and Remuneration Committee and is the Board's representative trustee of the Red and Blue Foundation.

He is currently Executive Director, Corporate Advisory with Lucerne Investment Partners and is the founder of Peloton Shareholder Services, offering shareholder management and capital raising solutions to a range of ASX listed companies. He is Chairman of ASX listed Purifloh Ltd.

Steve's previous experience is predominantly in stockbroking and financial markets including as Head of Private Clients Australia for Patersons Securities, one of Australia's largest retail stockbroking firms and as Managing Director of Intersuisse Ltd. He has held senior executive positions within the Little Group and was a Non-Executive Director of De Grey Mining until July 2019.

He holds a Diploma in Financial Markets, is a Master Stockbroker and Responsible Executive of the ASX.

Steve is co-founder of Club Lunch – an active supporter group that is part of the Melbourne Business Community and raises funds that are put into the Football Department. He has also been a player sponsor and is a Foundation Hero

Mohan Jesudason

Mohan joined the Board in 2015, is Vice President of Melbourne Football Club and Chair of the Remuneration and Nominations Committee

He is currently Chief Executive Officer and Managing Director of Freestyle Technology Ltd, . Freestyle operates in Australia, Korea, Japan, China and Taiwan. Mohan is also an Advisory Board Member of Enterprise Victoria, a fund raising and business networking organisation associated with the Liberal Party of Australia. He is a past director of Racing Victoria Ltd, Telecom Mobile Ltd, Hutchison 3 in Australia and the Prince of Wales Trust in New Zealand.

Prior to Freestyle, Mohan was Managing Director of Tabcorp Gaming and Group Marketing for 10 years. Before this, he held leadership roles with Telecom New Zealand and National Mutual Life Association of Australasia in Australia and New Zealand.

Mohan holds a Bachelor of Economics from Monash University, a Graduate Diploma in Accounting and a Diploma from the Insurance Institute of Australia.

Mohan is a Foundation Hero.

Born in Sri Lanka, Mohan immigrated to Australia in 1972 where he completed his High School and University education.

David Robb

David joined the Board in 2015 and is a member of the Audit, Risk and Integrity Committee and the Investment Committee.

He is currently Chair of the Faculty of Engineering and Mathematical Sciences at the University of Western Australia and is a Director of the WA Cricket Foundation. He was until recently a Director of Navitas Limited, a leading global education provider and for almost ten years until September 2016 was the Managing Director and CEO of Iluka Resources Limited, an ASX100 company.

Previous roles include being an Executive Director of Wesfarmers Limited, Managing Director of Wesfarmers Energy, Director of the Centre for Independent Studies, Chairman of Consolidated Rutile Limited, Deputy Chair of Methodist Ladies College, Perth, President of the Institute of Management WA and senior positions in the downstream oil industry in Australia, the UK, the USA and Asia

David holds a Bachelor of Science degree, a Graduate Diploma in Personnel Administration, has completed the Harvard University Business School Advanced Management Program and is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors.

David was born in Melbourne and is a life-long supporter of Melbourne. He was part of the cheer squad in the 'duffle coat and desert boot' VFL era. He is a Foundation Hero and a member of the Demon Army.

In his university days, he played amateur football in Victoria and Western Australia, with a successful period as President of the University Football Club in Western Australia.

Jane Martino

Jane joined the Board in 2015. She is a well-known Australian entrepreneur, business leader and social change advocate, with over 20 years' experience in business operations and digital. She is currently Special Advisor to Radek Sali's family office, Light Warrior.

Jane has built various dynamic organisations to successful exit, managing rapid growth and expanding operations in the media, PR, social impact and tech sectors and is currently consulting and advising in early stage tech and venture for a variety of businesses and family offices.

Jane's previous experience includes founding and exiting Undertow Media (now Bastion Effect following its sale to the Bastion Group in 2009), and Shout for Good which was acquired by ANZ Bank in 2015. She is an investor and advisor to Tribe and brandcrush and is also co-founder of not-for-profit Smiling Mind, centred on delivering free online Mindfulness Meditation programs to young people.

Jane is a Foundation Hero.

Jane balances her weekends between AFL matches and her three son's local football club (East Malvern Knights) where she frequently performs the role of runner or umpire.

8. Chief Executive Officer and Company Secretary

Gary Pert

Gary Pert joined the Melbourne Football Club in October 2018 as Chief Executive Officer.

Prior to joining the Dees, Gary was CEO of the Collingwood Football Club. Under Gary's 10 year leadership, Collingwood became one of the powerhouse clubs of Australian sport, experiencing substantial commercial growth. The club featured in seven AFL Finals Series, reaching a Grand Final in 2011 and winning the Premiership in 2010.

His professional background includes a 12 year career with Austereo Radio Group, which culminated in four years as General Manager of Fox FM / Triple M and five years as the Austereo National Sales Director. He was also Managing Director of Channel Nine, Melbourne.

Gary had a distinguished 14-year AFL career between 1982 and 1995, during which he played 233 games.

Following his playing days, Gary served on the Collingwood FC Board for two years, prior to becoming the CEO, and was a long term board member of the Pacific Star Radio Network, overseeing the operation of SEN Radio.

Gary is a graduate of the Australian Institute of Company Directors and has a vast experience in media and sports administration.

David Chippindall David Chippindall was appointed Company Secretary in October 2018. David has been Chief Financial Officer of the Club since 2014, having joined the Club in 2010. David is an executive member of the Club's Audit, Risk & Integrity Committee, Bentleigh Club sub committee, Investment Committee and Facility Working Group. Prior to his appointment in a full time capacity at the Club David worked in a part time Opposition Analyst role within the Football Department.

David is a graduate of the Australian Institute of Company Directors and a member of the Institute of Chartered Accountants, and was previously employed by Ernst & Young.

9. Directors' Meetings

The number of Directors' meetings held and the number of meetings attended by each Director are:

	Number held*	**Number attended**
Director		
Glen Bartlett	7	7
John Trotter	7	7
David Thurin	7	7
Kate Roffey	7	7
Steven Morris	7	7
Mohan Jesudason	7	7
David Robb	7	5
Jane Martino	7	6
Geoff Freeman	3	1

*Reflects the number of meetings held during the time the Director held office during the year.

10. Indemnification and Insurance of Officers

Insurance and indemnity arrangements concerning Directors of the Club have continued in the current year. Under the agreement the Directors of the Club are indemnified against any claim to a maximum of $10 million which may arise as a result of work performed in their capacity as a Director.

The Club has an Audit, Risk & Integrity Committee which met on four occasions during the year. John Trotter (Chairman), David Robb and Jane Martino were the Board representatives on this Committee during the year.

During the financial year, no Director of the Club has received or become entitled to receive a benefit (other than a benefit disclosed in the accounts) by reason of a contract made by the Club with the Director or with a firm of which they are a member, or with a company in which the director has a substantial financial interest.

To the extent permitted by law, Melbourne Football Club Limited has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed in accordance with a resolution of Directors at Melbourne this 2nd day of December 2019.

Glen Bartlett

John Trotter

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

As lead auditor for the audit of the financial report of Melbourne Football Club Limited for the financial year ended 31 October 2019, I declare 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.

This declaration is in respect of Melbourne Football Club Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
2 December 2019

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Consolidated Statement of Comprehensive Income

		Consolidated	
For the year ended 31 October 2019	**Note**	**2019 $**	**2018 $**
Revenue	3	48,588,415	49,010,456*
Other income	3	198,364	54,569
Gain on sale of Leighoak Club		-	7,029,311
Social club and gaming expenses		(3,005,543)	(2,746,564)*
Men's Football costs		(26,419,557)	(25,806,867)
Women's Football costs		(1,234,838)	(1,042,352)
Cost of sales		(985,935)	(1,026,673)
Administration costs		(5,621,764)	(5,517,631)
Corporate, membership and fundraising expenses		(9,877,439)	(9,985,972)
Finance costs	4	(133,042)	(136,952)
Marketing & communications expenses		(2,289,480)	(2,357,955)
Amortisation		(130,400)	(130,400)
Depreciation		(669,200)	(708,319)
Facilities project expenses		(243,573)	(227,222)
Fixed Asset write off expense		(90,913)	(401,897)
Leighoak Post-Sale Expenses		(60,399)	-
Net profit/(loss) for the period		**(1,975,304)**	**6,005,532**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**(1,975,304)**	**6,005,532**
Discontinued Operations			
Profit for the year from Discontinued Operations	16	-	900,936
Total Profit for the period			
Net profit for the period attributable to members	15	(1,975,304)	6,906,468
Total comprehensive income for the period attributable to members of Melbourne Football Club Limited		**(1,975,304)**	**6,906,468**

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

*Note: The revenues & expenditure for Leighoak Gaming Club in 2018 has been excluded and disclosed separately as a net result in Discontinued Operations.

Consolidated Statement of Financial Position

		Consolidated	
As at 31 October 2019	**Note**	**2019 $**	**2018 $**
CURRENT ASSETS			
Cash and cash equivalents	5	225,508	10,429,677
Trade and other receivables	6	652,347	311,311
Inventories	7	248,474	171,255
Other assets	8	567,582	345,822
Financial Investments		1,000,000	-
TOTAL CURRENT ASSETS		**2,693,911**	**11,258,065**
NON CURRENT ASSETS			
Property, plant and equipment	9	11,465,249	11,599,759
Intangible assets	10	364,208	494,608
Investment accounted for using the equity method	11	137,978	155,376
Financial Investments		6,580,230	-
TOTAL NON-CURRENT ASSETS		**18,547,665**	**12,249,743**
TOTAL ASSETS		**21,241,576**	**23,507,808**
CURRENT LIABILITIES			
Trade and other payables	12	4,306,073	3,828,080
Interest bearing liabilities	13	–	328,800
Finance lease liabilities		152,620	188,314
Provisions	14	800,955	976,534
Income received in advance		2,296,943	2,488,932
Bank overdraft	5	322,944	-
TOTAL CURRENT LIABILITIES		**7,879,535**	**7,810,660**
NON CURRENT LIABILITIES			
Trade and other payables	12	-	-
Finance lease liabilities		94,626	176,992
Interest bearing liabilities	13	2,000,000	2,300,000
Provisions	14	133,555	110,992
TOTAL NON CURRENT LIABILITIES		**2,228,181**	**2,587,984**
TOTAL LIABILITIES		**10,107,716**	**10,398,644**
NET ASSETS		**11,133,860**	**13,109,164**
MEMBERS' FUNDS			
Retained earnings	15	11,133,860	13,109,164
TOTAL MEMBERS' FUNDS		**11,133,860**	**13,109,164**

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

Consolidated Statement of Cash Flows

		Consolidated	
For the year ended 31 October 2019	**Note**	**2019 $**	**2018 $**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		48,057,001	55,216,465
Interest received		198,365	54,569
Payments to suppliers and employees		(49,763,297)	(53,470,031)
Interest and other costs of finance paid		(133,042)	(158,597)
NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		**(1,640,973)**	**1,642,406**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of discontinued operations		-	10,650,000
Payments for property, plant and equipment		(652,110)	(1,134,137)
Payments for Financial Investments		(7,580,230)	-
Contribution to Equity Accounted Investment	11	(25,000)	(70,000)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**(8,257,340)**	**9,445,863**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of Bank Overdraft facility		322,944	-
Repayment of borrowings		(628,800)	(1,500,000)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**(305,856)**	**(1,500,000)**
Net increase/(decrease) in cash held		(10,204,169)	9,588,269
Cash at the beginning of the year		10,429,677	841,408
CASH AT THE END OF THE FINANCIAL YEAR	5	**225,508**	**10,429,677**

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

Statement of Changes in Equity

	Consolidated	
For the year ended 31 October 2019	**Retained earnings**	**Total Equity**
	$	**$**
BALANCE AS AT 1 NOVEMBER 2017	**6,202,696**	**6,202,696**
Net profit for the year	6,005,532	6,005,532
Net profit for the year from discontinued operations	900,936	900,936
Other comprehensive income	-	-
Total comprehensive income for the period	**6,906,468**	**6,906,468**
BALANCE AS AT 31 OCTOBER 2018	**13,109,164**	**13,109,164**
BALANCE AS AT 1 NOVEMBER 2018	**13,109,164**	**13,109,164**
Net profit for the year	(1,975,304)	(1,975,304)
Other comprehensive income	-	-
Total comprehensive income for the period	**(1,975,304)**	**(1,975,304)**
BALANCE AS AT 31 OCTOBER 2019	**11,133,860**	**11,133,860**

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

Notes to the Financial Statements

Year ended 31 October 2019

1. Club Information

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

The registered office and principle place of business of the Club is located at:

Melbourne Cricket Ground, Great Southern Stand
Brunton Avenue
East Melbourne VIC 3002

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

The financial report of the Club for the year ended 31 October 2019 was authorised for issue in accordance with a resolution of the Directors on 2 December 2019.

2. Summary of significant accounting policies

(a) Basis of Preparation of Accounts

This financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis.

Both the functional and presentation currency of the Club is Australian dollars ($). All amounts are rounded to the nearest dollar.

The financial report has been prepared on a going concern basis. The Directors have assessed the financial performance and financial position of the Club at 31 October 2019, together with the Club's ongoing operating activities and anticipated future cashflows from operations, AFL distributions and financing arrangements. Whilst the Club is in a current net asset deficient position of $2,888,681 (excluding income received in advance) at the reporting date, we note the Club has undrawn borrowing facilities of $2m, and if required, access to cash from the investment portfolio to meet its current obligations as they fall due.

The Club reported a Statutory Loss for the year of $1,975,304. Contained within this amount is fixed asset write offs of $90,913, expenditure on the new facilities project of $243,573 and Leighoak Disposal Costs incurred in FY19 of $60,399. When these amounts are excluded, the club recorded an operating loss from core activities of $1,580,419.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board.

The Club is a not-for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statements for the Club are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs).

(c) Basis of Consolidation

At 31 October 2019, the Melbourne Football Club ('MFC') financial statements are prepared on a consolidated basis. The consolidated financial statements comprise the financial statements of the Club and its wholly owned and controlled entity, Casey FC Limited, as at 31 October 2019. Control is achieved when the Club is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Club controls an investee if, and only if, the Club has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Club has less than a majority of the voting or similar rights of an investee, the Club considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Club's voting rights and potential voting rights

MFC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Club obtains control over the subsidiary and ceases when the Club loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Club gains control until the date the Club ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Club loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, noncontrolling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

(d) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Club acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Club's operating or accounting policies and other pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(e) Revenue Recognition

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

Revenues are detailed in Note 3 and comprise revenue earned from AFL dividends and distributions, membership, reserved seating, sponsorships, fundraising, gate receipts, corporate hospitality and gaming activities. Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST). Sponsorships involving contra arrangements are recognised as revenue equivalent to the fair value of the services provided by the sponsor. Interest income is recognised as it accrues using the effective interest method. Gaming revenue is recognised net of gaming wins and losses. Fundraising and membership income is accounted for on the basis of the period to which it relates. Income received in the year ended 31 October 2019, but relating to future accounting periods is carried on the Statement of Financial Position and will be recognised in the period in which it relates.

(f) Property, Plant and Equipment

Cost

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. All acquisitions of property, plant and equipment and leasehold improvements are recorded at cost.

Depreciation and Amortisation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets, from the time the asset is held ready for use, as follows:

Furniture and fittings	10% - 33%
Computer hardware	25% - 33%
Computer software	33% - 40%
Plant and equipment	7.5% - 15%
Motor vehicles	12.5%
Gaming Machines	12.5% - 33%
Purchased memorabilia	20%
Land	Not depreciated

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

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

Items of purchased memorabilia are recorded at cost on acquisition.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end date and adjusted if appropriate on a prospective basis.

(g) Inventories

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

(h) Intangibles

Intangible assets acquired separately are measured on initial recognition at cost being the cash price equivalent.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment loss.

The useful lives of intangible assets are assessed to be finite and amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gaming Entitlements are amortised over the life of the entitlement being 10 years.

(i) 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 property, plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use in the instance indicators of impairment are present, an assessment of the current value of the assets was made on the basis of an earnings multiple.

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

For property, plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income.

(j) Income tax

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

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

(k) Provisions and employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled plus related on-costs

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

(ii) Long service leave

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

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

Expected future payments are discounted using market yields at 31 October 2019 on High Quality Corporate Bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(l) Goods and Services Tax

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(m) Comparative Figures

Where necessary comparative figures have been adjusted to conform with changes in presentation in the current year.

(n) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(o) Trade and other receivables

Trade receivables, which generally have 0 - 30 day terms, are recognised and carried at original invoice amount less any allowance for impairment and/or credit notes issued. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is made when there is objective evidence the

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

Club will not be able to collect the debts. The amount of the impairment loss is the receivable carrying amount compared to the value of estimated future cash flows. Bad debts are written off when identified. Non-current receivables are carried at the net present value of future cash flows they represent.

(p) Financial Asset Investments

Non-derivative financial instruments held by Melbourne Football Club comprise investments in equity and debt securities. A financial instrument is recognised if the Club becomes a party to the contractual provisions of the instrument. Financial Assets are derecognised if the Club's contractual rights to the cash flows from the financial assets expire or if the Club 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 (ie. The date that the Club commits itself to purchase or sell the asset).

Financial instruments held to collect that mature greater than 12 months after balance date are classified as non-current assets and are stated at amortised cost, with amortised capital expense from the investment recognised in the statement of comprehensive income. Financial Instruments held to collect that mature within 12 months of balance date are classified as current assets stated at amortised cost.

The financial investment assets are initially recognised at the cost price based on the quoted market price of the Financial Instrument at the date the club commits to purchase of the instrument, and are subsequently held at amortised cost.

(q) Trade and other payables

Trade and other payables are carried at cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Club prior to the end of the financial year that are unpaid and arise when the Club becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

(r) Interest-bearing loans and borrowings

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

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

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

Borrowing costs are expensed in the period they are incurred.

(s) Income received in advance

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

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

(t) Interest in a joint venture

The Club has an interest in a joint venture, which is a jointly controlled entity, whereby the ventures have a contractual arrangement that established joint control over the economic activities of the entity. The Club recognise its interest in the joint venture using the equity method.

Under the equity method, the investment in the jointly controlled entity is carried on the statement of financial position at cost plus post acquisition changes in the Club's share of net assets of the jointly controlled entity.

Unrealised gains and losses resulting from transactions between the Club and the jointly controlled entity are eliminated to the extent of the interest in the associate.

The Club's share of the profit or loss of the jointly controlled entity is recorded in the income statement.

After application of the equity method, the Club determines whether it is necessary to recognise an additional impairment loss on its investment in its joint venture. The Club determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired.

(u) Members' liability on winding up

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

(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.

(w) The Club as a lessee

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(x) Significant accounting judgments, estimates and assumptions

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

Long service leave provision

As discussed in Note 2(k), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. The related carrying amounts are disclosed in Note 14.

Estimation of useful lives of assets

The estimation of the useful lives of assets including gaming machines has been based on historical experience and manufacturers warranties. In addition, the condition of the assets is assessed at least

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

2. Summary of significant accounting policies (continued)

once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. The related carrying amounts are disclosed in Note 9.

Land fair value measurement at recognition
On acquisition, land was measured at its fair value. The valuation of this land was based on an independent valuation. The valuation was determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, comparative sales evidence, land use, locality and residential zoning. The related carrying amount is disclosed in Note 9 and no impairment has been identified in the financial year.

(y) Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

New and amended standards and interpretations

In the current financial year, the Club has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 November 2018. The adoption of these new and revised Standards and Interpretation has resulted in no change to the Club's accounting policies.

AASB 9 Financial Instruments
The Club has adopted AASB 9 from 1 November 2018. The adoption of AASB 9 did not have a significant impact on the Club's current accounting policy previously applied.

AASB 15 Revenue from Contracts with Customers
AASB 15 Revenue from Contracts with Customers, which modifies the determination of when to recognise revenue and how much revenue to recognise, becomes applicable for the period between and or after 1 January 2019. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Club has not adopted this standard early, and the Club's initial assessments of the impact of adoption is that it is not expected to materially impact the financial statements.

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

(z) Comparative figures

Where necessary, comparative figures have been adjusted to confirm with changes in the presentation in the current period.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	Consolidated 2019 $	Consolidated 2018 $
3. Revenue from Continuing Operations		
Revenue from Football-Related Activities		
Gate Receipts	6,226,486	6,180,742
Distributions from the AFL	16,323,571	16,336,739
Merchandise	717,215	1,081,232
Membership, Annual Reserved Seating and General Fundraising	9,591,733	9,009,525
Sponsorship & Corporate Hospitality	10,200,661	11,287,779
Other Revenue	988,684	922,363
Total revenue from Football-Related Activities	**44,048,350**	**44,818,380**
Revenue from other activities		
Social and Gaming Revenue **(a)**	4,540,065	4,192,076
Total Revenue from Other Activities	**4,540,065**	**4,192,076**
Total Revenue	**48,588,415**	**49,010,456**
Other Income		
Interest	198,364	54,569
Total Other Income	**198,364**	**54,569**

(a) The 2018 Social and Gaming Revenue excludes revenue generated from the Leighoak Club.

	Consolidated 2019 $	Consolidated 2018 $
4. Expenses		
Finance Costs		
- Interest paid to external entities from continuing operations	133,042	136,952
- Interest paid to external entities from discontinued operations	-	20,143
Total finance costs	**133,042**	**157,095**
Employee benefits expense		
Salary, wages and termination expense	29,390,081	28,693,305
Superannuation expense	2,070,098	1,957,607
Total employee benefits expense	**31,460,179**	**30,650,912**
Occupancy Expenses		
Minimum lease payments	1,043,737	1,704,923

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	1,043,737	**1,704,923**
Other		
Bad debts	1,445	-
Doubtful debts recognised/(recovered)	-	-

5. Cash and Cash Equivalents

Cash at bank and in hand	225,508	10,429,677
	225,508	**10,429,677**

Reconciliation to statement of cash flows
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand as at 31 October 2019, as well as Overdraft facilities currently drawn down:

Cash at bank and in hand	225,508	10,429,677
Bank overdraft	(322,944)	-
	(97,436)	**10,429,677**

Financing facilities

At 31 October 2019, the Club had a $400,000 (FY18: $400,000) overdraft facility with Westpac. At 31 October 2019 the overdraft facility was drawn down to the balance of $322,944 (FY18: undrawn). The overdraft facility will incur an interest rate of 7.69% per annum, with interest charged monthly.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	Consolidated	
	2019 **$**	**2018** **$**
6. Trade and Other Receivables		
Current		
Trade receivables	625,021	283,171
Less provision for Doubtful Debts (a)	(1,155)	(2,600)
Other receivables	28,481	30,740
	652,347	**311,311**
(a) Movements in the provision for impairment loss were as follows:		
Opening balance	2,600	3,321
Charge for the year	-	-
Previously recognised doubtful debts written off	(1,445)	(721)
Amounts recovered	-	-
Closing balance	**1,155**	**2,600**
7. Inventories		
Merchandise	137,466	93,258
Food and beverage	111,008	77,997
	248,474	**171,255**

(a) Cost of Sales

Cost of Sales for the year ended 31 October 2019 totalled $985,935 (FY18: $1,026,673) for the Club.

Inventory assets (amongst other assets) have been pledged as security for commercial bill and overdraft liabilities as disclosed in Note 5 and 13.

8. Other Assets

	2019 $	2018 $
Prepayments	562,655	318,475
Other	4,927	27,347
	567,582	**345,822**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	Consolidated	
	2019 **$**	**2018** **$**
9. Property, Plant and Equipment		
Furniture and fittings		
Cost		
Opening balance	377,886	587,980
Additions	51,745	67,254
Disposals / Retirements	-	(277,348)
Closing balance	**429,631**	**377,886**
Accumulated depreciation		
Opening balance	248,296	407,020
Depreciation for the year	16,420	71,852
Disposals / Retirements	-	(230,576)
Closing balance	**264,716**	**248,296**
Net book value	**164,915**	**129,590**
Plant and equipment		
Cost		
Opening balance	2,325,984	3,369,104
Additions	336,963	258,176
Disposals / Retirements	(289,732)	(1,301,296)
Closing balance	**2,373,215**	**2,325,984**
Accumulated depreciation		
Opening balance	1,870,695	2,779,330
Depreciation for the year	191,267	277,648
Disposals / Retirements	(202,072)	(1,186,283)
Closing balance	**1,859,890**	**1,870,695**
Net book value	**513,325**	**455,289**
Leasehold improvements		
Cost		
Opening balance	2,098,533	4,619,516
Additions	27,893	486,258
Disposals / Retirements	-	(3,007,241)
Closing balance	**2,126,426**	**2,098,533**
Accumulated depreciation		
Opening balance	596,048	1,569,229
Depreciation for the year	243,344	743,632
Disposals / Retirements	(1,418)	(1,716,813)
Closing balance	**837,974**	**596,048**
Net book value	**1,288,452**	**1,502,485**
Motor vehicles		
Cost		
Opening balance	7,273	7,273
Disposals / Retirements	-	-
Closing balance	**7,273**	**7,273**
Accumulated depreciation		
Opening balance	7,271	7,271
Depreciation for the year	-	-
Disposals / Retirements		
Closing balance	**7,271**	**7,271**
Net book value	**2**	**2**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

Purchased Memorabilia		
Cost		
Opening balance	113,090	113,090
Additions	-	-
Disposals / Retirements	-	-
Closing balance	**113,090**	**113,090**
Accumulated Depreciation		
Opening Balance	113,090	113,090
Depreciation for the year		
Disposals/Retirements	-	-
Closing Balance	**113,090**	**113,090**
Net Book Value	**-**	**-**
Gaming Machines		
Cost		
Opening balance	1,773,182	3,402,086
Additions	196,440	475,500
Disposals / Retirements	-	(2,104,404)
Closing balance	**1,969,622**	**1,773,182**
Accumulated depreciation		
Opening balance	960,789	1,654,039
Depreciation for the year	218,169	372,746
Disposals / Retirements	(7,891)	(1,065,996)
Closing balance	**1,171,067**	**960,789**
Net book value	**798,555**	**812,393**
Land		
Cost		
Opening balance	8,700,000	8,700,000
Closing balance	**8,700,000**	**8,700,000**
Net book value	**8,700,000**	**8,700,000**
Capital Works in Progress		
Cost		
Opening Balance	-	228,127
Additions	4,569	-
Transfers	(4,569)	(228,127)
Closing Balance	**-**	**-**
Net book value	**-**	**-**
Total property, plant and equipment		
Opening balance	15,395,948	21,027,176
Additions	617,610	1,287,188
Disposals / Retirements	(289,732)	(6,690,289)
Transfer of WIP	(4,569)	(228,127)
Closing balance	**15,719,257**	**15,395,948**
Accumulated depreciation		
Opening balance	3,796,189	6,529,979
Depreciation for the year	669,200	1,465,878
Disposals / Retirements	(211,381)	(4,199,668)
Closing balance	**4,254,008**	**3,796,189**
Net book value	**11,465,249**	**11,599,759**

All plant and equipment assets (amongst other assets) have been pledged as security for commercial bill and overdraft liabilities as disclosed in Note 5 and 13.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	Consolidated	
	2019	**2018**
	$	**$**
10. Intangible Assets		
Year ended 31 October		
Opening balance net of accumulated amortisation and impairment	494,608	1,582,074
Amortisation – Bentleigh Club	(130,400)	(130,400)
Amortisation – Leighoak Club	-	(149,759)
Gaming Machine Entitlements sold (net book value)	-	(807,307)
Closing balance net of accumulated amortisation and impairment	**364,208**	**494,608**
Year ended 31 October		
Cost (gross carrying amount)	1,303,998	1,303,998
Accumulated amortisation and impairment	(939,790)	(809,390)
Net carrying amount	**364,208**	**494,608**

Bentleigh Club

The Club acquired the Bentleigh Club's gaming machine entitlements though its merger with the Bentleigh Club on 5 October 2011. The Bentleigh Club acquired 88 gaming machine entitlements (GME) from the State Government during the year ended 31 October 2010.

The useful life of the intangible asset is in line with the expiry of the gaming entitlements in August 2022. This asset is being amortised on a straight-line basis over the 10 years.

During the 2018 Financial Year, the Club was invited to extend its gaming machine entitlements for the Bentleigh Club for a further 10 years. The Club made the decision not to extend its entitlements and as a result, gaming operations will conclude at the Bentleigh Club in August 2022.

11. Investment accounted for using the equity method

On 17 November 2010, a Shareholder Agreement was executed with the tenants of AAMI Park which gave the Club ownership of 33% of the T Class Shares in Melbourne Sports Operations Pty Ltd ("MSO") The execution of this agreement was for the purpose of the tenants at AAMI Park to share in the investment and costs associated with shared facilities.

	2019	2018
Share of the joint venture's statement of financial position:		
Opening investment in joint venture	406,243	336,243
Cash (distribution received)/ injection	25,000	70,000
Investment in joint venture	**431,243**	**406,243**
Retained earnings	(250,867)	(204,849)
Share of the joint venture's profit or (loss):		
Loss	(42,398)	(46,018)
Carrying value of investment in jointly controlled entity	**137,978**	**155,376**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

		Consolidated	
		2019	**2018**
		$	**$**
12. Trade and Other Payables			
Current			
Trade creditors	(a)	3,394,623	2,320,317
State gaming tax payable		5,701	22,797
Other creditors and accruals		959,911	1,477,094
GST Payable (Net)		(54,162)	7,872
		4,306,073	**3,828,080**

(a) Terms and Conditions
(i) All payables are non-interest bearing.
(ii) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

13. Interest Bearing Loans and Liabilities

		2019	2018
Current			
Commercial bill facility – Gaming	(i)	-	328,800
Commercial bill facility – Operating	(ii)	-	-
		-	**328,800**
Non-Current			
Commercial bill facility – Operating	(ii)	2,000,000	2,300,000
		2,000,000	**2,300,000**
Total Interest Bearing Loans and Liabilities		**2,000,000**	**2,628,800**

The Club has one facility with Westpac as at 31 October 2019.

(i) Operating Facility

The facility provides the Club to draw funds up to a limit of $4.500m (comprising $0.400m overdraft and a $4.100m commercial bill facility). The commercial bill facility was drawn to $2.0m (FY18: $2.3m) as at 31 October 2019, inclusive of an overdraft balance drawn down of $0.323m (see note 5 Cash & Cash Equivalents for further details). This facility can be used as either an overdraft facility or a commercial bill facility.

The facility has an expiry date of 31 December 2021, after having renewed the facility agreement with Westpac Banking Corporation on 26 August 2019. For the purposes of accounting treatment in the current year, the full amount of the facility is recorded as a non-current liability as at 31 October 2019. No mandatory repayments were scheduled for 2019, however repayments totalling $0.300m were made for the year.

The facility is supported by a $3.500m guarantee provided by the Australian Football League. The facility is also secured by fixed and floating charges over existing and future assets of the Club.

(ii) Gaming Facility

Melbourne Football Club paid down the remainder of the Gaming Debt Facility (totalling $0.329m) in the 2019 Financial Year, and no longer hold a gaming debt facility as at 31 October 2019.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

13. Interest Bearing Loans and Liabilities (Continued)

(iii) The carrying amount of the Club's borrowings approximates their fair value.
Capital Management
When managing capital, management's objective is to ensure the Club continues as a going concern, and has available funds to execute the Club's operational and strategic activities. The capital structure of the Club during the year consisted of debt, which included the interest bearing loans as disclosed above, cash and cash equivalents and holdings in Financial Instrument Investments.

The Club is not subject to any externally imposed capital requirements. The Club is prohibited by its Constitution from making distributions to members.

14. Provisions

	Annual Leave $	Long Service Leave $	Jackpot (Gaming Clubs) $	Total $
Current	385,949	409,810	5,196	800,955
Non-current	-	133,555	-	133,555
At 31 October 2019	**385,949**	**543,365**	**5,196**	**934,510**
Current	498,475	449,478	28,581	976,534
Non-current	-	110,992	-	110,992
At 31 October 2018	**498,475**	**560,470**	**28,581**	**1,087,526**

15. Retained Earnings

	Consolidated 2019 $	Consolidated 2018 $
Retained earnings at beginning of financial year	13,109,164	6,202,696
Net profit	(1,975,304)	6,906,468
Retained earnings at end of financial year	**11,133,860**	**13,109,164**

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

16. Discontinued Operations

On 4 April 2018, the Club announced its decision to sell the Leighoak Club gaming venue as part of the Club's exit from the poker machine industry. Settlement of the transaction occurred on 31 July 2018, with all assets of the business transferring to Moonee Valley Racing Club on that date. The results of the Leighoak Club for the year are presented below:

	2018 $
Profit for the period from Discontinued Operation	900,936
Gain on disposal of the discontinued operation	7,029,311
Net Profit for the period from a discontinued operation	**7,930,247**

The net cash flows generated/(incurred) by the Leighoak Club disposal group are as follows:

Operating Cash Flows	1,564,170
Investing Cash Flows	(611,148)
Net cash outflow	**953,022**

17. Commitments

Commitments contracted at the reporting date but not recognised as liabilities are as follows:

	Consolidated 2019 $	2018 $
- Not later than 1 year	457,185	665,803
- Later than 1 year but not later than 2 years	-	457,185
- Later than 2 years but not later than 5 years	-	-
	457,185	**1,122,988**

The Club has entered into operating leases on certain commercial properties ranging from 5 to 10 years. The Club has the option, under some of its leases, to lease the assets for additional terms of five and six years. The only operating lease obligation of the Club is its lease with Melbourne and Olympic Parks Trust for the facility at AAMI Park.

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

Player and Coaches payments are substantially underwritten by the AFL the AFL in the form of distributions received each year, in accordance with the Collective Bargaining Agreement between the AFL and the AFL Players Association.

	2019 $	2018 $
- Not later than 1 year	15,687,026	15,286,578
- Later than 1 year but not later than 2 years	11,125,000	10,045,395
- Later than 2 years but not later than 5 years	8,140,000	4,576,634
	34,952,026	**29,908,607**

Bank Guarantees

Bank guarantees made by Westpac on behalf of the Club total $897,000 (2018: $897,000).

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

	Consolidated 2019 $	Consolidated 2018 $
18. Remuneration of Auditors		
Remuneration of Ernst & Young for audit of the financial reports of the Melbourne Football Club Limited:		
Remuneration for financial statement audit services	67,430	63,430
Remuneration for other audit services	17,000	32,000

19. Remuneration of Key Management Personnel

Key management personnel are determined to be the Board of Directors, Chief Executive Officer, Chief Commercial Officer, Chief Financial Officer & Head of Major Projects, General Manager Football & Casey Operations, General Manager Marketing, Communications & Digital, General Manager People, Performance & Culture and the Senior Coach.

Under the Club's constitution, remuneration for Directors of the Club is not permitted and there has been no remuneration paid to Directors in the financial year.

Compensation for key management personnel

	2019 $	2018 $
Salaries	3,013,150	3,218,428
Total compensation	**3,013,150**	**3,218,428**

20. Related Parties

Directors and director-related entities
The names of the persons who were Directors of the Club for all or part of the financial year are listed below.

Glen Bartlett
David Thurin
John Trotter
Geoffrey Freeman (resigned from the board May 2019)
Kate Roffey
Mohan Jesudason
Jane Martino
David Robb
Steve Morris

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

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

20. Related Parties (Continued)	**Consolidated**	
	2019	**2018**
	$	**$**
Amounts provided to the Club:		
Glen Bartlett - Corporate Packages	3,548	13,805
David Thurin - Corporate Packages	1,930	4,176
John Trotter - Corporate Packages	3,579	8,891
Geoffrey Freeman - Corporate Packages	-	4,007
Kate Roffey - Corporate Packages	-	-
Mohan Jesudason - Corporate Packages	-	-
Jane Martino - Corporate Packages	1,691	1,918
David Robb - Corporate Packages	5,950	1,120
Steve Morris - Corporate Packages	880	5,128

21. Financial Instruments

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

The Club's principal financial instruments comprise cash and cash equivalents, receivables, payables, interest bearing liabilities, financial instrument investments and overdrafts.

Fair values
The fair values of the Club's financial instruments are materially consistent with the carrying amounts recognised in the financial statements.

Risk exposures and responses

(a) Interest rate risk
The Club's exposure to market interest rates relates predominately to the Club's holding of cash and cash equivalents, the Club's debt facility obligations, and financial instrument investments held.

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

The Club manages its exposure to key financial risks through monthly financial reporting. The objective of this reporting is to support the delivery of the Club's financial targets whilst protecting future financial security.

(b) Foreign currency risk

The Club has no exposure to foreign currency risk.

Notes to the Consolidated Financial Statements (continued)

Year ended 31 October 2019

(c) Liquidity risk

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

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

(d) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Club is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, and other financial instruments held.

The Club's approach to credit risks with regards to trade receivables is based on established protocols in place for review of receivable ageing. Assessment is not performed using the expected credit loss model as it is not considered material to the financial statements, and collectability is not considered high risk.

Credit Risk in regard to Financial Instruments held are managed by the Club's Investments Sub-Committee. Investment decisions (including changes in investment composition) is reviewed and approved by the Investment Sub-Committee, and subsequently the Board, before investments are made. The Club invests only on quoted debt securities with very low credit risk. These factors are taken into consideration by management in mitigating risk of financial loss through a counterparty's potential failure to make payments.

22. Economic Dependency

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

The Club is dependent upon the continued financial support from the AFL which includes annual funding payments, and the continued guarantee of the Club's borrowing facilities totalling $3.5m (currently drawn down to $2.0m).

23. Events after the Balance Sheet Date

There has been no other matter or circumstance that has arisen since the end of the financial year that has significantly affected the results of operations or the Club's state of affairs for the year ended 31 October 2019.

Directors' Declaration

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

In the opinion of the Directors:

(a) the consolidated financial statements and notes of the Melbourne Football Club Limited are in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the Club's financial position as at 31 October 2019 and of its performance for the year ended on that date; and

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

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

On behalf of the Board

Glen Bartlett

John Trotter

Melbourne
2 December 2019

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

Opinion

We have audited the financial report of Melbourne Football Club Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 October 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 October 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst + Young

Ernst & Young

Alison Parker

Alison Parker
Partner
Melbourne
2 December 2019

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