FINANCIAL REPORT

Year Ended 31 October 2021

North Melbourne Football Club Limited
ABN 21 006 468 962

KANGAROOS

CONTENTS

Directors' Report	2
Auditor's Independence Declaration	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11
Directors' Declaration	26
Independent Audit Report	27

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 2021.

Directors

The following directors were in office during the period from 1 November 2020 to the date of this report, unless otherwise stated:

Ben Buckley	Appointed Director on 14 May 2013 Appointed Chairman on 19 October 2016 Managing Director – COSOL
Julie Laycock	Appointed Director on 27 September 2011 Head of Marketing – 7-Eleven Resigned as a Director on 10 February 2021
Brady Scanlon	Appointed Director on 17 July 2012 Executive Chairman of Scanlon Capital
Paul Dwyer	Appointed Director on 21 February 2018 Founder and Non-Executive Director and Deputy Chairman – PSC Insurance Group Chair of Finance & Audit Committee
Sonja Hood	Appointed Director on 23 December 2019 Chief Executive Officer – Community Hubs Australia
Glenn Archer	Appointed Director on 23 December 2019 Director – Kode Entertainment Group Resigned as a Director on 2 July 2021
Harry Unglik	Appointed Director on 6 November 2020 General Practitioner – Midtown Medical Clinic
Anthony Stevens	Appointed Director on 29 July 2021 President – North Melbourne Past Players and Officials' Association
Suzana Ristevski	Appointed Director on 29 July 2021 Chief Marketing Officer - National Australia Bank

Company Secretary

Chris Simmonds	Appointed as Secretary on 5 June 2012

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
Ben Buckley	11	11
Julie Laycock	2	3
Brady Scanlon	11	11
Paul Dwyer	9	11
Sonja Hood	11	11
Glenn Archer	6	7
Harry Unglik	11	11
Anthony Stevens	3	3
Suzana Ristevski	3	3

North Melbourne Football Club Limited
ABN 21 006 468 962

Directors' Report (continued)

Finance & Audit Committee – Paul Dwyer (Chairman), Brady Scanlon, Rodney Piltz, Glenn Borin

Integrity Committee – Will Houghton QC (Chairman), Harry Unglik, Andrew Harris, Rodney Piltz, Brady Rawlings

Principal Activities

North Melbourne Football Club Limited 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 (2022) are:

- To meet targets set that will allow the Company to continue to invest in the football department, in particular player payments, which will give us the best opportunity to achieve on-field success.
- To investigate innovative ways to grow football revenue above 2021 levels, in particular membership, whilst also increasing sponsorship, sales, events and fundraising revenue.
- To grow non-football revenue.
- To effectively manage all four teams, including VFL and VFLW.
- To continue to build strong markets of supporters by further developing relationships in Hobart and developing regions in Victoria.
- To build equity to sustain the club's operations with ongoing supporter and member driven campaigns involving member contributions, unique events and products.

The Company's long-term objectives are:

- To deliver sustained on-field success.

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

- To actively engage with members, supporters and communities.
- To explore strategies for new markets in Hobart and Wyndham whilst continuing to maintain its existing strong Melbourne based supporter areas.
- To develop a best practice football department.
- To ensure strong and effective financial management along with sound risk management and integrity practices.
- To ensure strong alignment with the AFL and other key stakeholders.
- To attract and retain a high performing workforce that is engaged and connected.

Operating Results

The statutory net profit of the Company for the year ended 31 October 2021 was $810,171 (2020: $213,682).

The underlying net operating profit of the Company was $1,023,167 (2020: $1,643,125) after non-recurring items for the year ended 31 October 2021.

	2021	2020
	$	$
Statutory net profit	**810,171**	**213,682**
Add:		
Amortisation of facilities	569,978	572,585
Restructure costs (1)	-	856,858
Less:		
Redevelopment funding from the Victorian Government (2)	(356,982)	-
Underlying Net operating profit	**1,023,167**	**1,643,125**

(1) In 2020 restructure costs related to redundancy and termination payments to employees as a result of the AFL announcing a significant decrease in the football department expenditure soft cap (from $9.7m to $6.2m). These restructure costs are not considered to be directly related to the ongoing football operations of the club and have been added back to provide a more consistent measure of the underlying performance of the football operations.

(2) Our agreement with the Victorian state Government requires that all grant funding received must be spent solely on capital works, comprising the redevelopment of the Club's Arden Street facility. Therefore, the grant revenue has been deemed non-operational.

Review of Operations

2021 was another challenging year for the club, as it was for many people. We went into the year recognising that there would be a degree of uncertainty in relation to whether crowds may be able to attend, where games may be played and if events could be held.

The AFLW season was able to be completed without interruption, albeit with reduced crowd capacities and a floating fixture. Our women's team finished in sixth place on the ladder with a 6-3 record but bowed out in the first week of the finals. Jas Garner had another great season, winning her second consecutive best and fairest. Along with Emma Kearney (selected for the fifth consecutive year), Jas was also named in the AFLW All Australian team.

The men's team, under new coach David Noble, showed some very promising signs in the second half of the season. A stirring win against West Coast in Perth in round 17 was a highlight. It was a year of development following 13 list changes from season 2020. Tom Powell, Will Philips, Charlie Lazzaro, Eddie Ford and Phoenix Spicer all came in and played senior football.

Jy Simpkin, Ben Cunnington, Aaron Hall, and Jack Ziebell, in a new role in defence, had excellent seasons. Ben McKay, Luke Davies-Uniacke and Tarryn Thomas established themselves as genuine AFL players. Jy Simpkin took out his first Syd Barker Medal.

From a financial perspective, the club has navigated through 2021 and finished the year in reasonable shape. This was in no small part through the loyalty from our members, sponsors and supporters. Similar to 2020, gate receipts, corporate hospitality and events were again negatively impacted by COVID-19 restrictions. The AFL mandated a large decrease in the football department expenditure soft cap, which has seen a big reduction to our cost base from pre-COVID levels.

2021 was the 10th successive profit with the club now recording profits in 14 of the last 15 years. This has enabled the club to finally eliminate historical debt. This amazing achievement could not have happened without the dedication and generosity of so many people. In particular, the club set up a debt reduction contribution back in 2012 that many members have supported over the years. The club is truly grateful for everyone who has played a role in getting us to this position.

Looking towards 2022, the club will have the first selection in the men's National Draft for the first time ever. This will add to an already impressive group of young players emerging and developing together. Our women's team has high expectations for the 2022 season. Construction work on the stage 2 redevelopment of the club's administration and training facility will commence early in the new year. The State Government announced $7m of funding towards the project last November and we thank them sincerely for the support. The final Arden Structure Plan was released in August and the club is excited about what opportunities this holds to further entrench us at our home in North Melbourne.

The club wishes to acknowledge some long-term staff members who departed the club in 2021. Jona Segal spent the best part of two decades with the club, Neil Connell over 15 years and Heath O'Loughlin 13 years. All have made enormous contributions to the club. Robbie Tarrant was drafted in 2008 and spent 13 years at the club, playing 174 games and winning a Syd Barker Medal.

Finally, an enormous thank you to our 46,357 members who joined in 2021. We are also appreciative of the ongoing support from our coterie members, player sponsors and all partners, especially Mazda and Spirit of Tasmania.

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 2021.

Dividends

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

Rounding of Amounts

The North Melbourne Football Club Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in the financial report have been rounded to the nearest dollar.

Likely developments

Information on likely developments in the Company's operations and the expected results have not been included in this report because there are no known future developments that will have a material impact on future operations.

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.

Ben Buckley (Chairman)	Paul Dwyer (Director / Chairman – Finance & Audit Committee)

Dated: 17 November 2021

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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 2021, 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

T S Jackman
Partner – Audit & Assurance

Melbourne, 17 November 2021

North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 October 2021

	Notes	2021	2020
		$	$
Revenue	3	**39,268,201**	**32,255,315**
Expenses			
Administration expenses		6,152,055	4,582,992
Commercial business, events and fundraising		1,650,909	1,017,896
Depreciation	4	299,470	339,883
Football operations		23,647,156	21,290,193
Membership		2,038,237	1,924,718
Merchandise		497,799	475,523
Sales and sponsorship		3,304,008	1,691,066
Finance costs		102,225	120,387
Amortisation on Arden Street facility	4	569,978	572,585
Other expenses		196,193	26,390
Total expenses		**38,458,030**	**32,041,633**
Net profit for the period		**810,171**	**213,682**
Other comprehensive income		-	-
Total comprehensive income		**810,171**	**213,682**
Attributable to:			
Members of North Melbourne Football Club Limited		**810,171**	**213,682**

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Financial Position
As at 31 October 2021

	Notes	2021	2020
		$	$
Current Assets			
Cash and cash equivalents	6	5,801,367	139,885
Trade and other receivables	7	62,633	262,616
Inventories	8	27,213	249,480
Other assets	9	664,816	1,025,293
Total Current Assets		**6,556,029**	**1,677,274**
Non-Current Assets			
Property, plant and equipment	10(a)	17,824,433	18,237,719
Right-of-use assets	10(b)	1,552,869	1,581,007
Total Non-Current Assets		**19,377,302**	**19,818,726**
Total Assets		**25,933,331**	**21,496,000**
Current Liabilities			
Trade and other payables	11	3,030,333	3,093,831
Lease liabilities	13	113,411	102,066
Employee benefits	14(a)	861,841	823,341
Contract liabilities	15	7,773,299	3,739,547
Total Current Liabilities		**11,778,884**	**7,758,785**
Non-Current Liabilities			
Interest bearing loans and borrowings	12	-	400,000
Lease liabilities	13	1,504,550	1,510,187
Employee benefits	14(b)	52,478	39,780
Total Non-Current Liabilities		**1,557,028**	**1,949,967**
Total Liabilities		**13,335,912**	**9,708,752**
Net Assets		**12,597,419**	**11,787,248**
Equity			
Members funds		3,588,608	3,588,608
Accumulated profits		9,008,811	8,198,640
Total Equity		**12,597,419**	**11,787,248**

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

North Melbourne Football Club Limited
ABN 21 006 468 962

Statement of Changes in Equity
For the year ended 31 October 2021

	Member funds	Accumulated profits	Total Equity
	$	$	$
Balance at 1 November 2019	**3,588,608**	**7,984,958**	**11,573,566**
Total Comprehensive Income for the period	-	213,682	213,682
Balance at 31 October 2020	**3,588,608**	**8,198,640**	**11,787,248**
Balance at 1 November 2020	**3,588,608**	**8,198,640**	**11,787,248**
Total Comprehensive Income for the period	-	810,171	810,171
Balance at 31 October 2021	**3,588,608**	**9,008,811**	**12,597,419**

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

Statement of Cash Flows
For the year ended 31 October 2021

	Notes	2021	2020
		$	$
Cash flows from operating activities			
Receipts from club operations		43,763,735	32,013,209
Payments to suppliers and employees		(37,007,829)	(30,977,424)
Interest received		198	349
Interest and other finance costs paid		(102,225)	(120,387)
Net operating cash flows	16	**6,653,879**	**915,747**
Cash flows from investing activities			
Purchase of property, plant and equipment	10(a)	(488,375)	(489,706)
Net cash flows used in investing activities		**(488,375)**	**(489,706)**
Cash flows from financing activities			
Repayment of lease liabilities		(104,022)	(83,055)
Proceeds from borrowings		-	2,100,000
Repayment of borrowings		(400,000)	(2,350,000)
Net cash flows used in financing		**(504,022)**	**(333,055)**
Net increase/(decrease) in cash and cash equivalents held		**5,661,482**	**92,986**
Cash and cash equivalents at the beginning of the financial year		139,885	46,899
Cash and cash equivalents at the end of the financial year	6	**5,801,367**	**139,885**

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

Notes to the Financial Statements
For the year ended 31 October 2021

NOTE 1 - CORPORATE INFORMATION

The financial report of North Melbourne Football Club Limited (the Company) for the year ended 31 October 2021 was authorised for issue in accordance with a resolution of the directors on 17 November 2021.

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 Members 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.

The financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Company.

(b) Adoption of new and revised accounting standards

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

The following Accounting Standards and Interpretations are most relevant to the Company:

Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)

During the current reporting period the International Financial Reporting Interpretations Committee (IFRIC) identified that varying approaches to customisation and configuration costs for cloud computing arrangements were utilised by companies. These policies varied from expensing all costs in full to capitalisation of all costs in full.

IAS 38 requires that management capitalise those elements of expenditure that meet the definition of an "Intangible Asset" as defined by AASB 138 Intangible Assets and recognise any additional amounts as an expense as the entity benefits from the expenditure – either by applying AASB 138 or applying another accounting standard.

The impact of this decision has not had a material impact on the Company's financial statements in the current reporting period.

(c) Accounting standards not yet effective

The adoption of all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and not yet effective for the current reporting period, are not expected to have a significant impact on the financial performance or position of the Company.

(d) 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.

(e) Income tax

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

(f) Going concern

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

(g) Investments in associates

Associates are those entities over which the Company is able to exert significant influence but which are not subsidiaries.

Investments in associates are accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Company's share in the associate is not recognised separately and is included in the amount recognised as investment. The carrying amount of the investment in associates are increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Company. Unrealised gains and losses on transactions between the Company and its associates are eliminated to the extent of the Company's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(h) 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 profit or loss 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	3 - 7%
Plant and equipment	5 - 33%
Right-of-use assets	3 – 20%

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.

(i) 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.

(j) 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.

(k) 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 profit or loss as they are made.

(l) 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 weighted average cost per unit.

(m) Revenue

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to members and customers. For each contract with a member/ customer, the Company: identifies the contract with a member/customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the member/customer of the goods or services promised.

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, future funding, prize money and gate receipts is recognised on an accruals basis in line with the relevant performance obligations.
- Membership revenue is recognised on a monthly basis throughout the duration of the relevant football year in line with the memberships purchased.
- Revenue from the sale of corporate hospitality and sponsorships is recognised in the relevant football year. Match day revenue is recognised at the conclusion of each AFL home game.
- Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, generally 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.
- Grant funds received by the Company that have sufficiently specific and enforceable performance obligations, in accordance with AASB 15, are recognised as a contract liability on receipt and are recognised as revenue, over time, as the Company satisfies its performance obligations.
- Grant funds received by the Company that do not have sufficiently specific and enforceable performance obligations are recognised as income on receipt of the funds in accordance with AASB 1058.
- Donations, fundraising, wills and bequest income is recognised when the Company gains control of the funds and when the funds provided do not give rise to an obligation

(n) 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.

(o) Trade and other receivables

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that

North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2021

credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of

anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. Movements in the loss allowance are recognised in profit or loss.

(p) 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.

(q) 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.

(r) Comparative figures

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

(s) 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.

(t) 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.

(u) Contract assets and liabilities

Differences between the value of receipts from customers and the revenue recognised from contracts with customers are recognised as contract assets/liabilities at the end of each reporting period.

(v) Leases

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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

	2021	2020
	$	$
NOTE 3 – REVENUE		
AFL – Distributions	10,446,432	9,207,459
AFL – Future Funding	4,089,104	3,066,829
AFL – Signage	922,185	485,000
AFL – AFLW Funding	883,030	711,606
Commercial Business, Events and Fundraising	2,269,609	1,097,938
Gate Receipts	1,411,947	160,000
Membership	5,488,318	5,829,169
Merchandise	456,014	498,070
Sales and Sponsorship	10,802,529	7,554,494
Redevelopment government funding	356,982	-
JobKeeper government funding	1,038,350	2,810,100
Other	1,103,701	834,650
	39,268,201	**32,255,315**

	2021	2020
	$	$
NOTE 4 – EXPENSES AND LOSSES/(GAINS)		
Profit from continuing operations is arrived at after charging the following expenses:		
a) *Depreciation of non-current assets*		
- Plant & Equipment	218,783	260,669
- Right-of-use assets	80,687	79,214
	299,470	339,883
Amortisation of non-current assets		
- Amortisation of Leasehold Improvements	569,978	572,585
Total depreciation & amortisation expense	**869,448**	**912,468**

NOTE 5 – AUDITOR'S REMUNERATION

	2021	2020
Amounts received or due and receivable by Auditors for:		
- auditing the accounts	42,500	41,000
- other services – total player payments audit	11,500	11,500
	54,000	**52,500**

The auditors, Grant Thornton, received no other benefits.

NOTE 6 – CASH AND CASH EQUIVALENTS

	2021	2020
Cash at bank and on hand	1,908,349	139,885
Cash held for the facility redevelopment	3,893,018	-
Total cash and cash equivalents	**5,801,367**	**139,885**

The effective interest rate on bank deposits was 0.00% (2020: 0.01%). These deposits have no maturity date.

NOTE 7 – TRADE AND OTHER RECEIVABLES

	2021	2020
Current		
Trade receivables	26,139	158,240
Allowance for expected credit losses	-	-
	26,139	158,240
GST receivable	31,655	95,784
Other debtors	4,839	8,592
Total trade and other receivables	**62,633**	**262,616**

NOTE 7 – TRADE AND OTHER RECEIVABLES (CONT.)

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 staff on a weekly basis to assess past due to determine recoverability.

As at 31 October 2021, trade receivables with a carrying amount of $8,250 (2020: $143,000) 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:

	2021 Gross $	2021 Allowance $	2020 Gross $	2020 Allowance $
Not past due	17,889	-	15,240	-
Past due 0-30 days	-	-	143,000	-
Past due 31-60 days	-	-	-	-
Past due 60 days	8,250	-	-	-
Total	**26,139**	**-**	**158,240**	**-**

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

	2021 $	2020 $
Not more than 3 months	-	143,000
More than 3 months but not more than 6 months	8,250	-
More than 6 months but not more than 1 year	-	-
Total	**8,250**	**143,000**

NOTE 8 – INVENTORIES	2021 $	2020 $
Roo Shop merchandise – at lower of cost and net realisable value	27,213	249,480

NOTE 9 – OTHER ASSETS

Prepayments	95,859	105,478
Unexpired contra	9,777	22,560
Accrued income	3,600	433,953
Arden Street Facility Capital Fund – Refer to Note 9(a)	555,580	463,302
Total other assets	**664,816**	**1,025,293**

(a) As part of the licence fee with City of Melbourne for the North Melbourne Recreation Reserve, the Company must contribute a proportion to a joint Capital Fund established and maintained by the landlord to provide for maintenance of the structure of the facility or for the carrying out of capital repairs and replacement of items of a capital nature. The other joint tenants, Fencing Victoria and City of Melbourne also contribute to the Capital Fund.

NOTE 10 – NON-CURRENT ASSETS

10(a) – Property, Plant and Equipment

Plant & Equipment – at cost	2,492,201	2,949,118
Less: Accumulated Depreciation	(1,887,016)	(2,143,643)
	605,185	**805,475**
Leasehold Buildings – at cost	22,257,100	21,900,118
Less: Accumulated Amortisation	(5,037,852)	(4,467,874)
	17,219,248	**17,432,244**
Total property, plant and equipment	**17,824,433**	**18,237,719**

	2021	2020
	$	$

Reconciliations

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

	2021 $	2020 $
Plant & Equipment		
Carrying amount at beginning	805,475	819,902
Additions	131,393	246,242
Write-offs	(112,900)	-
Depreciation expense	(218,783)	(260,669)
	605,185	**805,475**
Leasehold Buildings		
Carrying amount at beginning	17,432,244	17,761,375
Additions	356,982	243,454
Write-offs	-	-
Amortisation expense	(569,978)	(572,585)
	17,219,248	**17,432,244**
Total Assets & Leasehold Buildings		
Carrying amount at beginning	18,237,719	18,581,277
Additions	488,375	489,696
Write-offs	(112,900)	-
Depreciation & amortisation expense	(788,761)	(833,254)
	17,824,433	**18,237,719**

NOTE 10(b) – Right-of-use assets

	2021 $	2020 $
Right-of-use asset – at cost	1,727,550	1,675,001
Less: Accumulated Depreciation	(174,681)	(93,994)
	1,552,869	**1,581,007**

Reconciliation of the carrying amounts of Right-of-use assets at the beginning and end of the current financial year.

	2021 $	2020 $
Leasehold Land		
Carrying amount at beginning	1,440,555	1,480,944
Additions	-	-
Re-measurement of leasehold land	52,549	-
Depreciation expense	(41,876)	(40,389)
	1,451,228	**1,440,555**

North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2021

	2021 $	2020 $
IT Infrastructure		
Carrying amount at beginning	140,452	179,277
Additions	-	-
Depreciation expense	(38,811)	(38,825)
	101,641	140,452
Total Right-of-use assets		
Carrying amount at beginning	1,581,007	1,660,221
Additions	52,549	-
Depreciation expense	(80,687)	(79,214)
	1,552,869	**1,581,007**

NOTE 11 – TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade creditors	283,849	1,303,319
Accruals	2,746,484	1,790,512
Total trade and other payables	**3,030,333**	**3,093,831**

NOTE 12 – INTEREST BEARING LIABILITIES

	2021 $	2020 $
Commercial bill – secured	-	400,000
	-	**400,000**

The bank facilities are secured by a registered mortgage debenture over all assets of North Melbourne Football Club Limited, a specific fixed mortgage debenture charge from North Melbourne Football Club Limited, and a limited guarantee from the Australian Football League. The undrawn financial facilities at balance date were $3 million. The current facility is in place until 31/12/2022.

	2021 $	2020 $
Facilities available at year end	3,000,000	3,000,000
Amounts drawn at year end	-	(400,000)
Available undrawn facilities at year end	3,000,000	2,600,000

	2021	2020
	$	$
NOTE 13 – LEASE LIABILITIES		
Lease liability - current	113,411	102,066
Lease liability – non-current	1,504,550	1,510,187
	1,617,961	1,612,253
Leasehold Land		
Balance at the beginning of the year	1,483,554	1,480,944
Re-measurement of lease liability	52,549	-
Payments	(71,228)	(52,496)
Interest	57,163	55,106
	1,522,038	1,483,554
IT infrastructure		
Balance at the beginning of the year	128,699	159,268
Payments	(40,663)	(40,642)
Interest	7,887	10,073
	95,923	128,699
	1,617,961	1,612,253

	2021	2020
	$	$
NOTE 14 – EMPLOYEE BENEFITS		
(a) Current		
Provision for annual leave	553,184	440,733
Provision for long service leave	308,657	382,608
	861,841	**823,341**
(b) Non-Current		
Provision for long service leave	52,478	39,780
Total employee benefits	**914,319**	**863,121**

	2021	2020
	$	$
NOTE 15 – CONTRACT LIABILITIES		
Current		
Sponsorship	1,586,663	1,623,834
Facility redevelopment	3,893,018	-
Membership	2,218,638	2,026,274
Other	74,980	89,439
Total contract liabilities	**7,773,299**	**3,739,547**

Contract liabilities include:

- Memberships received in advance of the 2022 AFL season

- Sponsorship instalments received in advance of the 2022 AFL season

- Facility redevelopment grant received from the Victorian Government. Refer to Note 6 for the cash on hand relating to the facility redevelopment grant.

NOTE 16 – RECONCILIATION OF NET PROFIT TO NET CASH FLOWS FROM OPERATIONS

	2021	2020
	$	$
Net profit	810,171	213,682
Adjustments for:		
Non-cash items		
Depreciation and amortisation	869,448	912,468
Finance costs on Lease Liabilities	57,163	55,106
Impairment and write-off of non-current assets	112,900	-
Changes in assets and liabilities		
(Increase) / decrease in receivables	199,983	(59,905)
(Increase) / decrease in other assets	360,495	(235,386)
(Increase) / decrease in inventories	222,267	22,905
Increase / (decrease) in payables	(63,498)	(145,229)
Increase / (decrease) in employee benefits	51,198	13,827
Increase / (decrease) in other liabilities	4,033,752	138,279
Net operating cashflow	**6,653,879**	**915,747**

NOTE 17 - COMMITMENTS

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:

	2021	2020
	$	$
Not later than one year	10,175,694	9,312,781
Later than one year and not later than five years	11,603,000	6,075,000
Later than five years	-	-
	21,778,694	**15,387,781**

NOTE 18 – RELATED PARTY TRANSACTIONS

The Company's related parties include its associates and key management. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(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

	2021	2020
	$	$
Short term employee benefits	1,143,043	794,254
Post-employment benefits	46,370	38,572
	1,189,413	**832,826**

(b) Transactions with associates

During the period there were no material transactions with associates of the Company.

North Melbourne Football Club Limited
ABN 21 006 468 962
Notes to the Financial Statements (continued)
For the year ended 31 October 2021

NOTE 19 – 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 20 – 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.

The Company is dependent upon the continued financial support from the AFL which includes annual funding payments, the continued guarantee of the Company's borrowing facilities totalling $3m (nil drawn down) and the availability of credit.

NOTE 21 – COMPANY DETAILS

North Melbourne Football Club Limited is incorporated in Australia.

The registered office and principal place of business of the Company is:
North Melbourne Football Club Limited
204-206 Arden Street
North Melbourne VIC 3051

NOTE 22 – 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 2021 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards Reduced Disclosure Regime (including the Australian Accounting Interpretations) 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.

Ben Buckley (Chairman)

Paul Dwyer (Director / Chairman – Audit Committee)

Dated: 17 November 2021

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Independent Auditor's Report

To the Members of North Melbourne Football Club Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of North Melbourne Football Club Limited (the Company), which comprises the statement of financial position as at 31 October 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Company is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Company's financial position as at 31 October 2021 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*.

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 Company in accordance with 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 (including Independence Standards)* (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 comprises the information included in the Company's annual report for the year ended 31 October 2021 but does not include the financial report and our auditor's report thereon.

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.

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*. The Directors' responsibility also includes 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

T S Jackman
Partner – Audit & Assurance

Melbourne, 17 November 2021

KANGAROOS

FINANCIAL REPORT

Year Ended 31 October 2021