



Financial Report

Essendon Football Club

2006





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CHAIRMAN'S REPORT

Ray Horsburgh

Dear Members, it is with pleasure I provide you with the Chairman's report for season 2006.

Before I report in more detail on the on-field and off-field events that have shaped 2006, I should firstly address the important changes that have been made at board level this season.

The board met in February this year to consider its role and how we could most effectively provide direction and support to management. As a board of governance, we felt it was timely to undertake such an exercise.

One of the key items on the agenda was that of succession planning. It is clear to all of us that a board must not remain static either in composition or in terms of defined roles within the board. Regardless of results on or off the field, it is incumbent upon us to continually look for ways to operate more effectively, and change is an important part of that process.

Neil McKissock took the selfless decision to lead the way in this respect and in September this year he stood down as Chairman. It was a decision taken in the name of succession planning and he should be applauded for having the courage to take such a decision. He put the club before himself.

The other major changes to the board occurred late in the season. David Evans was appointed to the board to fill the casual vacancy created by the resignation of Ben Dunn, who accepted a senior business position in Singapore. I would like to take this opportunity to thank Ben for his contribution and wish him well in his new role.

Members should be excited to have someone of the calibre of David Evans join the board. He has spent the past 17 years as a senior executive with Goldman Sachs JB Were, where he has developed extensive business networks. I welcome him to the board of the Essendon Football Club and

look forward to him making a valuable contribution.

The other change saw club CEO Peter Jackson appointed to the board in the role of managing director – a decision the board was able to make following members' acceptance of constitutional changes put forward at a Special General Meeting held in August.

So some change has taken place and I have no doubt it will benefit this club. Naturally it is the members that ultimately decide the composition of their board, and if change is to be effected in the short-term it is the members that will have to make that decision at the upcoming election.

FOOTBALL

On-field we did not produce the performances we had hoped for and indeed expected this season, but some changes have been implemented that we hope will see this club back where it belongs. These changes are outlined in more detail in the club's Yearbook and in the Managing Director & CEO's Report, but suffice to say there were some areas the club felt needed to be addressed.

Recruiting, player development – both on and off the field – and sports science were three key areas identified. The existing skill set in the football department has been re-aligned and along with some significant appointments, we are now comfortable we have the right resources in place to improve in these areas.

There were some positives to come out of last season. Firstly, we were very competitive for much of the season. We lost 11 games by less than four goals and drew a game against Carlton. Of those 11 games, we lost four by seven points or less. The final ladder position was probably not reflective of how competitive the team was.

The loss of our captain, Matthew Lloyd, for basically the entire season was

really disappointing, particularly after his eight-goal start to the season against Sydney. The whole club was thrilled to see the new captain make such a terrific start and we were equally disappointed to hear his season was over just a week later.

He has spent a lot of time getting his body in the right shape over the off-season and I am sure I speak on behalf of all members when I wish him luck for his return. I know how much this club means to him and how much it hurt him to see us finish where we did last year. He will leave no stone unturned to ensure things turn around.

Of course we are now heading into one of the most important drafts in the history of this club. We have six selections in the first 47 in a draft that has been widely acknowledged as one of the best in recent years.

Only time will tell if that assessment is right. Either way it is imperative we pinpoint the best available talent when we come to making our selections. I am sure our List Manager Adrian Dodoro and his team have been working diligently to make sure that is the case.

We have turned over some players on our list during the off-season. Clearly the most difficult decision was to trade Dean Solomon to Fremantle. It is never easy to part with someone who has been a Premiership player and an important part of the fabric of a club, but some difficult decisions had to be made at the end of last season. We wish him well at his new club.

Thank you also to Aaron Henneman, Joel Reynolds, Tristan Cartledge as well as rookies Ben Jolley, Tim O'Keefe and Matthew Firman who were de-listed at the end of last season. It is a difficult time for all involved and we wish them well in their future endeavours.

I would like to take this opportunity to thank coach Kevin Sheedy, his coaching

team and the players for their efforts in 2006 and wish them well for the year ahead. Everyone associated with the club is aware that things need to improve and I know they will work exceptionally hard during the off-season to ensure they are better prepared than ever before.

OFF-FIELD

Off-field we have produced a record profit but more importantly built on the foundations that will ensure the long-term future of this football club. A result such as this on the back of finishing second last on the ladder is a credit to the Managing Director & CEO Peter Jackson, his management team and staff.

Strategically the club had worked hard over the past five years to prepare for and insulate ourselves against the inevitable downturn in on-field performance. This profit result of \$1,659,349 is a reflection of astute planning and management.

The club will continue to develop its non-football related activities to underpin its strong financial position. These revenue streams will become increasingly important to the long-term wellbeing of the club as the growth of traditional revenue streams struggles to keep pace with the costs of running an AFL club.

Members can be assured the club is in a very sound financial position. The club has net assets of \$15,143,124 and cash balances at year end totalling \$6,357,795.

APPRECIATION

I must thank all the business partners that have provided this club with such great support in 2006. I trust your partnership with the Essendon Football Club has delivered you significant benefits as well.

I would like to particularly thank our major partner Hutchison 3G for their support and I look forward to that partnership being further strengthened in 2007. Thank you to our other business



partners Puma, Channel 7, NAB, Coca Cola, Abey, Foster's Australia, Musashi, Yakult, Toyota, 1300 New Home, Tyrrell's Wines, JAL and AGL.

The coterie groups at Essendon Football Club provide us great support. The Diamond Dons, under new leader Stephen Day, have had an outstanding year. Thanks to our other match day coteries the Essendonians and president Mark Casey, along with the Coleman Club and all its members.

Our non-match day coteries add so much to this club and what it stands for and I sincerely thank everyone involved. The Dick Reynolds Club has again done a superb job: thank you to them and chairman Bruce Heymanson. Thanks to Essendon Women's Network and chairperson Linda Dessau, the Lawdons and chairman Tony Howard and the Hutchison Club for their important contributions to the club.

Thanks to Managing Director & CEO Peter Jackson for his commitment and vision. He has a burning desire for this club to be the best and he has done a fantastic job over the past decade. Thank you also to his management team and the staff that work so hard to make this club what it is today.

Thank you to the members of the board for their support and their contribution to Essendon Football Club. They give up their time and get involved because they want this club to be the best.

Can I finish by thanking all the Essendon members that provide such outstanding support to this football club. Your contribution is never underestimated, and despite the disappointing season last year you stuck with us and gave the players great support.

It is important that we continue to grow our membership base and I urge members to support our 'Fightback' membership program for 2007. It would be a fantastic result if this club could reach 40,000 members.

Football is very much a cyclical business nowadays, thanks to the draft and the salary cap, and to maintain a position in the top half of the ladder is difficult. We have done so better than most but the last two seasons have seen us take our turn at the wrong end of the table.

However now is the time to begin the Fightback. We have plenty of exciting young talent that I, like you, will take great pleasure in watching develop. We are not simply about being competitive, we are about winning Premierships and we have done that better than any other club in the land. That will be the focus of our football department – to develop Essendon's next Premiership side.

It will not be easy and there will be some bumps along the road but all of us – from the board through to the staff, players and members – must embrace the challenge and enjoy the fight. It will make the ultimate victory even sweeter when the Premiership Cup again returns to Windy Hill.

See you in 2007.

Ray Horsburgh
Chairman



MANAGING DIRECTOR & CEO'S REPORT

Peter Jackson

The year 2006 has been a mixed one for the club. Clearly the on-field results have been disappointing, with just three wins and a draw leaving us in 15th place on the ladder. On the other hand, the financial results have been excellent, with the club reporting a profit of \$1.66 million for the year.

It is particularly encouraging to record the highest profit in the club's history when the on-field performance has been so poor. The 2006 results represent the culmination of a number of years planning to insulate the club's financial position from any prolonged downturn in the team's performance.

Cyclical on-field performance is unfortunately a fact. The AFL's on-field equalisation policies of the draft and salary cap necessarily means all clubs must take their turn at the bottom of the ladder, to enable them to rebuild their player lists. It is noteworthy that when Essendon was at the top of the ladder in 1999-2001, the clubs that participated in this years finals, with the exception of Sydney, all finished well down the ladder at some point in those years.

To emphasise the point, only two clubs managed to finish above 6th every year from 1999-2004, those being Essendon and Brisbane Lions. Both clubs now face rebuilding phases. We had hoped, of course, that our turn at the bottom would not eventuate. But it has, and in this regard it is pleasing to see the financial and business planning has borne excellent results.

We reported a profit in 2005 of \$806,372, which in itself was encouraging. However, that profit was generated from the very good returns achieved from investments and the related businesses of Essendon Football Club. The results from our football operations were poor.

As a result, I highlighted in my report last year that we made changes to senior

marketing management in 2005 to provide us with greater focus and resources to achieve our business aims and objectives. Whereas the returns from our investments and related businesses in 2006 were much the same as in 2005, we achieved significantly improved profit results from football operations, which is very pleasing. We have seen significant turnaround in performance in sponsorship and hospitality, and our overall match-day returns.

Further, despite our lowly position on the ladder, our merchandising results improved dramatically as a result of our focused marketing to our supporters.

The club also generated very strong trading cash in 2006. I mentioned in my report last year that depreciation and amortisation charges against profit were almost \$650,000. In 2006, these increased to \$708,400. This has generated trading cash of \$2,367,749, and our year end cash balance was \$6,357,795.

This highlights the financial strength of the club. The high depreciation and amortisation charges will continue to keep reported profits relatively low, but our trading cash for the next few years will remain strong.

It is somewhat disappointing that there were further delays in the construction of the Windy Hill Fitness Centre gymnasium. I am pleased, however, to report that we did obtain a permit during 2006 to construct the gym. We are now at the stage of detailed working drawings and builder tenders and construction will take place during 2007, thus underwriting the future of that business.

We have also invested \$380,000 in the Windy Hill Venue during the year, and will fulfil the master plan for that business in 2007 with further investments of about \$440,000. That business has performed very strongly in 2006, through a contribution of very good management from Alan Burton and his team, and a

commitment to the master plan by Essendon Football Club.

We also received advice during 2006 that the AFL and State Government would provide grants totalling \$600,000, to match our own contribution of \$600,000, to convert the largely redundant Cookson Stand into a multi-purpose community centre. It is hoped that expenditure will happen during 2007.

Accordingly, total capital expenditure on these major projects and other ongoing business capital will be in excess of \$5 million in 2007. We will have a truly marvellous community asset by the time these projects are complete. This expenditure also means our depreciation charges will increase in 2007 to about \$900,000 and then \$1.2 million by 2008. Again, whereas these charges will serve to keep reported profit relatively low, the club should look forward to strong trading cash in the immediate years ahead.

As a club, we must now face the fact that on the field we are in a rebuilding phase. Our expectations for both 2005 and 2006 were greater than the results achieved. Even allowing for a rebuilding phase, the results were disappointing. It is imperative from any view that we recognise where we are in football terms as a club now.

The reality is that in each year since we won the Grand Final in 2000 we have finished in a lower position on the ladder than the previous season. In this regard, 2006 is the low point of a trend that has been apparent since 2002. Our winning ratio in the home and away season in the five seasons 2002-2006 is about 45% - which places us 12th in the competition for that period. That is the reality of our performance, and one we must address.

To this end, we commissioned a study in February this year called Football 2010, designed to identify the medium-to-longer term needs of our football department. We

did this because of my belief that our football department has largely evolved over the last five years or so, on the back of success, and ongoing expectation of more success. In many organisations, not just football clubs, periods of success and ongoing expectations, often lead to decision-making processes that are not as disciplined as at other times in a cycle. This runs the risk of us not being as demanding or innovative as we should be as a leading club in the competition.

I am very pleased with the outcome of the Football 2010 study, which was conducted under the auspices of Chief Operating Officer Travis Auld and the then General Manager – Football Operations Dominic Cato. The study identified areas where we need to invest additional resources, including sports science, player development and recruiting. It also identified those areas in need of improvement. These additional resources have been employed.

A new organisational structure has also been created to ensure focus on the key objectives of the department. The new structure also allows the club to invest in the future through innovation and the development of our people on and off the field.

As a result, Travis Auld has been appointed to the role of Chief Operating Officer to oversee the football department and work with Kevin Sheedy to provide the management and communication processes in the department.

The football department has fully supported the findings of this study. The department goes into the 2007 pre-season with an air of renewed enthusiasm and determination to succeed. It is essential the club improve its on-field performance in 2007, and we aim to participate in the finals.

Another key off-field development this season has been with regards to our website and the decision taken by the club

to again opt out of the AFL Telstra network. The club was compelled to fully explore its options to become involved in the network. The financial penalty for not doing so is a reduction in the AFL additional dividend of \$500,000 pa for five years, plus savings of our annual costs to operate and develop the website. So the overall penalty is in excess of \$3 million over the five-year period from 2007-11.

However the agreement that the club would be required to sign with the AFL to enter the network would put us in direct breach with our agreement with Hutchison 3G as major sponsor of the club, given Telstra and Hutchison are direct competitors. Hutchison are contracted as major sponsor for the 2007 season, with an option to extend for the 2008 season.

The club will honour this agreement with Hutchison and take no action that might jeopardise that agreement. Accordingly, we will not be involved in the AFL/Telstra Network at least as long as Hutchison are the club's major sponsor.

We will continue to develop our own commercial opportunities through our independent website in line with the AFL Commission's stated policy five years ago. We are very pleased with the results achieved over the last five years in communicating with and marketing to our supporters through our website and look forward to ongoing growth over the next few years.

I am also pleased to report the club made significant progress during the year in the implementation of its community programs. We have significantly increased our emphasis on our community programs over the last two years. I am very strongly of the view that the club exists because of the support of the community, and that all who work and play at the club earn their livelihood from that support.

We in the AFL, and at Essendon, hold positions of privilege and influence, and as such, are role models in the community. It is incumbent on all of us, and the Essendon Football Club as an organisation, to return that community support by using our positions as role models and influence to help strengthen communities.

We aim to do this in a number of ways. Firstly, we have 10 affiliated sporting clubs. That makes us, we believe, the second largest sporting club in Victoria to only the MCC. We provided grants to those clubs in 2006 of \$246,036 up from \$143,105 in 2005. These funds help our affiliated clubs strengthen the local Essendon community.

Secondly, we ran the On the Ball program in conjunction with the Bill Hutchison Foundation. About 1,000 young people from Bendigo and Melbourne's north-west suburbs were put through the program with a further 1,000 adults – parents, teachers, coaches and sporting club administrators. The program aims to use sport as the hook to address the significant adolescent health issues of depression, obesity and substance abuse.

Thirdly, we entered into a partnership with Problem Gamblers to promote responsible gaming in the community. This partnership recognises gambling as a legitimate leisure time activity but aims to help people recognise the signs and seek help when it goes beyond this. This partnership has made excellent progress in year one and we look forward to delivering significant results in the long term. As a part of this partnership, we have committed to achieve best practice with responsible gaming at our own venue and independent evaluations suggest we are achieving this objective.

There are other important community programs and partnerships that have been developed over the past year. Our



partnership with the Cancer Council Victoria created much publicity and raised money for an important charity.

As members would be aware, we were fined by the AFL when the players wore yellow armbands in a public show of support for teammate Adam Ramanaukas. We were disappointed with the AFL's decision to initially prevent, and then penalise the club over, the players wanting to support Adam Ramanaukas.

This club is determined to go on promoting awareness for what is a very important cause. We are equally determined to continue to support Adam in a stage of his life where he needs support. In keeping with this we approached the AFL to request we be allowed to retain Adam on our playing list as a mature age rookie – a request to which the AFL agreed.

The Dreamtime at the G game has now established itself as an important part of the AFL calendar and you should be proud to think it was your club that took the lead in developing this game and the important agenda it serves to highlight.

Essendon also played Richmond in a NAB Regional Challenge game at Mildura earlier this year. It was an Essendon Football Club initiative and one developed following a tragic road accident in the area

which took the lives of six young people.

We could never hope to understand the grief being felt by the families of victims but we felt it important that we did what we could to let them know the level of support they had from the general community. It helped with the healing process in some small way and that was important.

There is much more that has been done in the community and most of it has been highlighted in our community magazine, Your Team, Our Community, which forms a 16-page section in the club's Yearbook.

I have a number of people and organisations I need to thank. Firstly I would like to thank Neil McKissock who has been Chairman of this club for much of the past three years, before standing down from the role in September. He, and the remainder of the board, has been very supportive of me and of the club's senior management.

Neil has always put the club first and I think his selfless decision to stand down from the role of Chairman in the name of succession planning and the implementation of change at board level was indicative of his respect for this club. I would like to congratulate Ray Horsburgh on his appointment as Chairman and know he will do an excellent job for this football club.

Essendon has some wonderful business partners and I would like to thank them all, particularly our major partner Hutchison 3G. This is a relationship that will enter its seventh year in 2007 and it has been an important relationship for both parties. We look forward to providing them with some excellent results in 2007.

Thank you to our other business partners Puma, Channel 7, NAB, Coca Cola, Abey, Foster's Australia, Musashi, Yakult, Toyota, 1300 New Home, Tyrrell's Wines, JAL and AGL.

The coterie groups at Essendon Football Club continue to provide us with outstanding support. The Diamond Dons, under new leader Stephen Day, have enjoyed a resurgence in numbers, which is very pleasing. Thanks to our other match day coterie the Essendonians and president Mark Casey, along with the Coleman Club and its members.

Our non-match day coterie remain the envy of the competition. The Dick Reynolds Club has again done an outstanding job: thank you to them and particularly chairman Bruce Heymanson, whose tireless work ensures this group is such a success. Thanks to Essendon Women's Network and chairperson Linda Dessau, the Lawdons and chairman Tony Howard and the Hutchison Club for their important contributions to the club.

Thanks to the management team and the staff that work so hard to make Essendon such a successful club. They are a very dedicated team and I know they will continue to focus their energies on making this club even stronger in the years ahead.

I look forward to season 2007. I know the staff and players at this football club will embrace the challenge that is before us and I am sure our fans will do the same.

Peter Jackson

Managing Director & CEO



FINANCE DIRECTOR'S REPORT

Tim Jonas

On behalf of the Board I am pleased to present the Financial Report of the club for the year ended 31 October 2006.

TRADING RESULTS

Referring to the financial report, members will note that the club has reported a profit of \$1,659,349 for the year ended 31 October 2006, more than double the 2005 profit of \$806,372. This increase in profit is particularly pleasing in a year when the club did not enjoy on-field success.

The improved profit resulted from a net increase in profit contribution from marketing activities of approximately \$900,000, along with a strong performance from our investment and non-football business activities, which contributed to profit of approximately \$1,900,000. This amount represents our net revenue streams from the Windy Hill venue, the Melton Country Club, the Windy Hill Fitness Centre, and earnings from investments. Again for 2006, this result illustrates the success and importance of the club's strategic decision to develop non-football revenue streams to insulate our finances from on-field performance.

FINANCIAL POSITION

Our cash and net asset position remains strong. Cash balances at year end were \$4,936,298 and investments at market value

\$1,421,497, a total of almost \$6,400,000.

The club generated trading cash of \$2,367,749 for the year from its operations after adding back non-cash depreciation and amortisation charges. This cash was used to fund working capital and also contributed towards the ongoing program of capital expenditure at the club, which totalled \$686,446 for the year. The main items of capital expenditure were on the refurbishment of the Windy Hill venue and various property, plant and equipment purchases.

At year-end, the club had total assets of \$18,031,547 and net assets of \$15,143,124. This includes further valuation increases of our freehold land of \$160,000.

LOOKING AHEAD

We are budgeting for a profit result in 2007 in line with 2006 and we look forward to improved on-field performance which will assist in achieving this result.

The big financial step in 2007 will be budgeted capital expenditure in excess of \$5,000,000, of which the major item is the delayed major upgrade to the Windy Hill Fitness Centre. However, even after these outlays, we expect to finish the year with cash balances of over \$2,500,000.

TIM JONAS

Finance Director



DIRECTORS' REPORT

Your directors submit their report on the company for the financial year ended 31 October 2006.

1. DIRECTORS

The names of the directors in office at any time during or since the end of the year are:

B. Dunn (resigned 27/10/06)	P. Jackson (appointed 21/9/06)
K. Egan	T. Jonas
A. Epis	B. Knight
D. Evans (appointed 27/10/06)	P. Leggett
R. Horsburgh	N. McKissock
D. Jackson	B. Teal

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. PRINCIPAL ACTIVITY

The principal activity of the company during the course of the financial year was to conduct the Essendon Football Club and manage its affairs and to promote the Australian game of football, and there was no significant change in the nature of that activity during the financial year.

3. OPERATING RESULT

For the year ended 31 October 2006 the company had an overall profit of \$1,659,349 (2005: \$806,372).

4. REVIEW OF OPERATIONS

A detailed review of various aspects of operations is contained elsewhere in this Financial Report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

6. ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian Equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards.

7. MATTERS SUBSEQUENT TO YEAR END

No matters or circumstances have arisen between the end of the financial year and the date of this report which have, or may significantly affect the operations of the company or the state of affairs of the company in subsequent financial years.

8. LIKELY DEVELOPMENTS

Future developments in operations have been referred to in the Chairman's and Managing Director & CEO's Reports.

9. DIRECTORS AND AUDITORS INDEMNIFICATION

The company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as a director or officer, including costs and expenses in successfully defending legal proceedings; or
 - paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director or officer for the costs or expenses to defend legal proceedings with the exception of the following matter.
- During the financial year the company paid a premium to insure each of the company's directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company.

10. DIRECTORS' BENEFITS

Other than as outlined in the notes to and forming part of the financial statements, no non executive director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. The executive director's remuneration benefits are incorporated within key management personnel compensation in the notes to the financial report.

11. MEETINGS OF DIRECTORS

The number of director's meetings (including meetings of committees of directors) and number of meetings attended by each of the directors during the financial year are:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
B. Dunn	16	16	2	2
K. Egan	16	16	-	-
A. Epis	16	14	-	-
D. Evans	-	-	-	-
R. Horsburgh	16	15	3	3
D. Jackson	16	15	-	-
P. Jackson	1	1	-	-
T. Jonas	16	16	3	3
B. Knight	16	14	3	3
P. Leggett	16	15	3	2
N. McKissock	16	15	-	-
B. Teal	16	14	-	-

12. INFORMATION ON CURRENT DIRECTORS

R. Horsburgh	Board 2003-06	Chairman Board of Directors Member Audit Committee
K. Egan	Life Member Senior Player 1963-69 Board 1996-06	Chairman of Selectors
A. Epis	Life Member Senior Player 1958-68 Board 1998-06	
D. Evans	Board 2006	
D. Jackson	Board 2005-06	Deputy Chairman
P. Jackson	Board 2006	Managing Director & CEO
T. Jonas	Board 1997-06	Finance Director Treasurer Melton Country Club Inc. Chairman Audit Committee
B. Knight	Life Member Board 1994-06	Vice President Melton Country Club Inc. Member Audit Committee
P. Leggett	Board 1999-06	Member Audit Committee Committee Melton Country Club Inc.
N. McKissock	Board 1997-06	President Melton Country Club Inc.
B. Teal	Board 1999-06	Committee Melton Country Club Inc.

13. AUDIT COMMITTEE

At the date of this report the Essendon Football Club had an audit committee consisting of the following directors:

T. Jonas (Chairman)	P. Leggett
B. Knight	R. Horsburgh

The external auditors, the Managing Director & CEO and the Finance Manager are invited to Audit Committee meetings at the discretion of the Committee.

The terms of reference of the Audit Committee are:-

- To review financial statements and other regulatory information distributed externally;
- To review external audit reports to ensure that any issues relative to controls or procedures are properly considered and when appropriate prompt remedial action is taken by management;
- To liaise with external auditors and ensure that the annual statutory audit is conducted in an effective and independent manner;
- To monitor the effectiveness of the internal control framework and consider enhancements;
- To ensure procedures are in place to protect club assets;
- To monitor the procedures in place to ensure compliance with the Corporations Law, Taxation Law, both State and Federal, and other licensing and regulatory requirements;
- To maintain a quality accounting and audit function; and
- To establish and monitor appropriate risk management systems and procedures.

The Committee must report to the full board of the Essendon Football Club. The Committee has no authority to act outside of its terms of reference without prior approval of the board.

The Committee has no authority to commit club funds without the prior approval of the board.

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2006

The Committee has access to information from employees and relevant external parties where such information is required by the Committee to fulfil its obligations. Such information must be obtained by members only with the agreement of the Committee.

The Committee has the right to conduct investigations into matters where considered appropriate under its terms of reference.

AUDITOR INDEPENDENCE

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- The nature of all non-audit services is reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Code of Ethics.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 31 October 2006:

	\$
Taxation services	2,450
Non statutory attestation services	10,905
Other	1,500
	14,855

AUDITOR'S INDEPENDENCE DECLARATION

An independence declaration has been provided by the company's auditor, William Buck. This is set out on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors.



R. Horsburgh
Director

Signed this 9th day of November, 2006.



T. Jonas
Director

DIRECTORS' DECLARATION

The directors of the company declare that:

- (1) the financial statements and notes, as set out on pages 11 to 15, are in accordance with the Corporations Act 2001:
 - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (ii) give a true and fair view of the financial position as at 31 October 2006 and of the performance for the year ended on that date of the company.
- (2) in the directors' opinion 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 the Board of Directors.



R. Horsburgh
Director



T. Jonas
Director

Signed this 9th day of November, 2006.

AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001

To the Directors of Essendon Football Club Limited:

I declare that, to the best of my knowledge and belief, during the year ended 31 October 2006 there have been:

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



William Buck
Chartered Accountants



David A. McC. Ashmore
Partner

Dated this 8th day of November, 2006. Melbourne, Australia

Independent audit report to members of Essendon Football Club Limited

Scope

The financial report and directors' responsibility

The financial report comprises balance sheet, income statement, cash flow statement and the statement of changes in members funds, accompanying notes to the financial statements and the directors' declaration for Essendon Football Club Limited, for the year ended 31 October 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of

internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

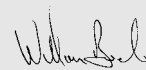
Independence

In conducting our audit, we followed applicable independence requirements of Australian accounting ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Essendon Football Club Limited is in accordance with:

- The Corporations Act 2001, including:
 - giving a true and fair view of the Essendon Football Club Limited's financial position as at 31 October 2006 and of their performance for the year ended on that date; and
 - complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- Other mandatory financial reporting requirements in Australia.



William Buck
Chartered Accountants



David A. McC. Ashmore
Partner

Dated this 10th day of November, 2006.
Melbourne, Australia.

William Buck
Business Advisors
Chartered Accountants

*Income Statement***FOR THE YEAR ENDED 31 OCTOBER 2006**

	NOTE	2006 \$	2005 \$
Revenues from ordinary activities	3(a)	32,556,942	30,459,956
Expenses from ordinary activities	3(b)	(30,897,593)	(29,653,584)
Net profit from ordinary activities	3(c)	<u>1,659,349</u>	<u>806,372</u>

*Balance Sheet***AS AT 31 OCTOBER 2006****CURRENT ASSETS**

Cash and cash equivalents	16	4,936,298	2,931,500
Trade and other receivables	5	1,133,849	1,508,645
Inventories	6	410,074	388,978
Other	7	426,613	339,399
TOTAL CURRENT ASSETS		<u>6,906,834</u>	<u>5,168,522</u>

NON-CURRENT ASSETS

Financial assets	8	1,421,497	1,525,097
Property, plant and equipment	9	9,703,216	9,565,170
TOTAL NON-CURRENT ASSETS		<u>11,124,713</u>	<u>11,090,267</u>
TOTAL ASSETS		<u>18,031,547</u>	<u>16,258,789</u>

CURRENT LIABILITIES

Trade and other payables	10	1,509,695	1,432,609
Interest bearing liability	11	-	180,000
Employee benefits	12	675,499	437,731
Income in advance	13	347,256	366,321
TOTAL CURRENT LIABILITIES		<u>2,532,450</u>	<u>2,416,661</u>

NON-CURRENT LIABILITIES

Interest bearing liability	11	-	70,000
Employee benefits	12	355,973	448,353
TOTAL NON-CURRENT LIABILITIES		<u>355,973</u>	<u>518,353</u>
TOTAL LIABILITIES		<u>2,888,423</u>	<u>2,935,014</u>

NET ASSETS

	<u>15,143,124</u>	<u>13,323,775</u>
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MEMBERS FUNDS

Accumulated Funds	15	14,060,624	12,401,275
Asset Revaluation Reserve	14	1,082,500	922,500
TOTAL MEMBERS FUNDS		<u>15,143,124</u>	<u>13,323,775</u>

*Statement of Changes
in Members Funds***FOR THE YEAR ENDED 31 OCTOBER 2006**

	Asset Revaluation Reserve \$	Accumulated Funds \$	Members Funds \$
BALANCE AT 1 NOVEMBER 2004	<u>652,500</u>	<u>11,594,903</u>	<u>12,247,403</u>
Revaluation	270,000	-	270,000
Net profit recognised directly in members funds	-	806,372	806,372
BALANCE AT 31 OCTOBER 2005	<u>922,500</u>	<u>12,401,275</u>	<u>13,323,775</u>
Revaluation	160,000	-	160,000
Net profit recognised directly in members funds	-	1,659,349	1,659,349
BALANCE AT 31 OCTOBER 2006	<u>1,082,500</u>	<u>14,060,624</u>	<u>15,143,124</u>

*Cashflow Statement***FOR THE YEAR ENDED 31 OCTOBER 2006**

	NOTE	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Members, Sponsors, Supporters and Other Operations		30,082,298	27,641,506
Payments to Suppliers, Employees and Players		(27,712,672)	(27,634,935)
Interest Received		270,238	205,485
Borrowing costs		(8,659)	(25,609)
Dividends Received		1,668	23,647
NET CASH FLOWS FROM OPERATING ACTIVITIES	16(b)	<u>2,632,873</u>	<u>210,094</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		-	(122,240)
Proceeds from disposal of investments		308,371	1,105,640
Proceeds from sale of property, plant and equipment		-	11,500
Purchase of property, plant and equipment		(686,446)	(1,486,571)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<u>(378,075)</u>	<u>(491,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from related party borrowings:			
Melton Country Club		-	128,251
Hall of Fame		-	(30,000)
Repayment of Commercial bill		(250,000)	(180,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(250,000)</u>	<u>(81,749)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>2,004,798</u>	<u>(363,326)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		2,931,500	3,265,171
NET CASH AND CASH EQUIVALENTS ACQUIRED THROUGH MERGER	16(c)	-	29,655
CASH AT END OF THE FINANCIAL YEAR	16(a)	<u>4,936,298</u>	<u>2,931,500</u>

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group and AASB Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Essendon Football Club is an unlisted public company limited by guarantee and incorporated and domiciled in Australia. The Financial Report of Essendon Football Club was authorised for issue by the directors on 9th November 2006.

The financial report has been prepared on a historical cost basis, modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. (Refer note 1(m)).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 31 October 2006 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company have adopted the exemption under AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make estimates, judgements and assumptions based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data. Actual results may differ from these estimates.

Periodically the directors will individually assess the recoverability of each receivable and determine if amounts are recoverable. Receivables that are not considered recoverable are fully provided for.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Inventories

Inventories are measured at the lower of cost and net realisable value.

(b) Financial Assets

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

Financial Assets at fair value through the Income Statement

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management within the requirements of AASB 139 Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

(c) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or director's valuation, less, where applicable, any accumulated depreciation or amortisation and impairment losses.

Land

Freehold land is shown at fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on an annual valuation by external independent valuers.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets including leasehold improvements, 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.

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

Class of Fixed Assets	Depreciation Rate
Leasehold Improvements	2.5% - 10%
Plant & Equipment	15% - 33.3%

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities 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 values.

(e) Impairment of Assets

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

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

(f) Employee Benefits

Provision is made for the company's liability for employee benefits to annual leave and long service leave from services rendered by employees to balance date. Long service leave is provided for employees with six or more years' service for amounts which approximate the present value of future payments to be made to employees.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

(g) Income Received in Advance

Income is brought to account in the period in which it relates. Income received prior to 31 October 2006 which relates to future periods, has been recorded as income received in advance.

(h) Income Tax

Income Tax has not been provided for in the accounts of the company, as the company is an exempt sporting organisation in accordance with Section 50-45 of the Income Tax Assessment Act.

(i) Player Acquisition Costs

Player acquisition costs are written off in the year they are incurred as uncertainty exists as to the term over which the benefit will be received.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are included in the Cashflow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(l) New Accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 October 2006 reporting periods but contain an option for early adoption.

The company has reviewed each of these new standards and interpretations and is satisfied that they have no impact on the reported financial position and performance of the Company for the year ended 31 October 2006 and therefore there has been no early adoption of these standards.

(m) Business Combination

The Windy Hill Fitness Centre is a business owned by the company but it is independently managed under a management agreement. The company has for the first time included the revenue and expenses of that business in the Income Statement and the net amount owing by the manager in the Balance Sheet. The comparative figures have been adjusted to correspond with this new accounting treatment.

The effect of this change has been to include an additional \$2,219,895 (2005: \$2,020,177) of revenue and \$2,219,895 (2005: \$2,020,177) of expenses. There has been no change to the Balance Sheet or Cashflow Statement.

2. ESSENDON FOOTBALL CLUB LIMITED

Essendon Football Club Limited ("Club") is an Australian public company limited by guarantee with a registered office in Napier Street Essendon, Victoria, Australia. The liability of each member of the company is limited to \$6.

	2006 \$	2005 \$		2006 \$	2005 \$
3. OPERATING PROFIT FROM ORDINARY ACTIVITIES			4. AUDITORS' REMUNERATION		
(a) Revenue from Ordinary Activities			Remuneration of the auditor William Buck for:		
(i) Operating revenue			- auditing the annual financial report	32,800	30,750
AFL annual distribution	4,442,316	4,269,504	- other	14,855	17,400
AFL Prizemonies	15,000	15,000		<u>47,655</u>	<u>48,150</u>
Marketing revenues	15,900,447	14,507,096	The auditors received no other benefits.		
Merchandise - sale of goods	1,543,884	1,484,763	5. TRADE AND OTHER RECEIVABLES		
Match receipts	738,167	801,232	Current		
Windy Hill Fitness Centre	2,859,034	2,694,540	Trade and Sundry Debtors	1,119,094	1,480,731
Windy Hill Venue - sale of goods	2,785,601	2,586,188	Less Provision for Doubtful Debts	(25,000)	(25,000)
- other	3,009,303	2,781,420		<u>1,094,094</u>	<u>1,455,731</u>
TOTAL OPERATING REVENUE	<u>31,293,752</u>	<u>29,139,743</u>	Trading amounts receivable from associated entities (Refer Note 18a)	39,755	52,914
(ii) Non-operating revenue				<u>1,133,849</u>	<u>1,508,645</u>
AFL distribution from sale of Waverly Park	300,000	300,000	6. INVENTORIES		
Interest received	281,719	205,485	Merchandise - at cost	348,172	335,665
Rental income	486,512	508,421	Food and liquor - at cost	61,902	53,313
Net Income from investments	194,959	306,307		<u>410,074</u>	<u>388,978</u>
TOTAL NON-OPERATING REVENUE	<u>1,263,190</u>	<u>1,320,213</u>	7. OTHER ASSETS		
TOTAL REVENUE FROM ORDINARY ACTIVITIES	<u>32,556,942</u>	<u>30,459,956</u>	Prepaid expenses	426,613	339,399
(b) Expenses from Ordinary Activities			8. FINANCIAL ASSETS		
Administration	1,374,718	1,223,330	Non-Current		
Finance costs	8,659	25,609	Financial assets held at fair value	1,421,497	1,525,097
Football expenses	11,796,127	11,757,313	9. PROPERTY, PLANT AND EQUIPMENT		
IT expenses	143,697	121,392	Land - at 2006 independent valuation	2,785,000	2,625,000
Marketing expenses	8,044,301	7,499,044		<u>2,785,000</u>	<u>2,625,000</u>
Merchandise - cost of sales	851,804	828,135	Plant and Equipment - at cost	2,430,319	2,189,800
Rental expenses	175,000	175,000	Provision for Depreciation	(1,795,393)	(1,539,985)
Venue expenses	945,869	852,385		<u>634,926</u>	<u>649,815</u>
Windy Hill Fitness Centre	2,295,782	2,130,239	Motor Vehicles - at cost	-	31,814
Windy Hill Venue - cost of sales	927,050	856,132	Provision for Depreciation	-	(31,814)
- other	4,334,586	4,185,005		<u>-</u>	<u>-</u>
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	<u>30,897,593</u>	<u>29,653,584</u>	Leasehold Improvements - at cost	8,218,185	7,772,258
(c) Profit from ordinary activities has been determined after :			Provision for Amortisation	(1,934,895)	(1,481,903)
Charging as Expenses (Revenue):				<u>6,283,290</u>	<u>6,290,355</u>
Depreciation of:			TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,703,216</u>	<u>9,565,170</u>
- Plant and Equipment	255,408	239,819			
Amortisation of:			An independent valuation of freehold land in Napier Street, Essendon, was undertaken on 13th October 2006 by P.W. Stokes FAPI FREI. The valuation was based on the current market value of the land. See table below for movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.		
- Leasehold Improvements	452,992	409,993			
Provision for Employee Entitlements	145,388	92,506			
Provision for Doubtful Debts	-	10,000			
(Profit)/Loss on sale of investments	(6,752)	(73,029)			
(Write-up)/write-down of non-current investments to recoverable amount	(72,227)	(123,923)			
Dividend/Distribution income received on investments	(115,980)	(109,354)			

Note 9 continued

2006

	Land \$	Plant & Equipment \$	Leasehold Improvements \$	Total \$
Beginning of financial year	2,625,000	649,815	6,290,355	9,565,170
Additions	-	240,519	445,927	686,446
Disposals	-	-	-	-
Revaluations	160,000	-	-	160,000
Depreciation expense	-	(255,408)	(452,992)	(708,400)
End of financial year	<u>2,785,000</u>	<u>634,926</u>	<u>6,283,290</u>	<u>9,703,216</u>

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2006

	2006 \$	2005 \$
10. TRADE AND OTHER PAYABLES		
Trade Creditors	212,708	203,997
Accruals	1,296,987	1,228,612
	<u>1,509,695</u>	<u>1,432,609</u>

11. INTEREST BEARING LIABILITIES**Current**

Bank bills payable	-	180,000
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Non Current

Bank bills payable	-	70,000
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12. EMPLOYEE BENEFITS**Current**

Annual Leave	428,876	383,824
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Long Service Leave	246,623	53,907
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	<u>675,499</u>	<u>437,731</u>
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Non Current

Long Service Leave	355,973	448,353
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Number of Club employees at the reporting date	124 employees	128 employees
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The number of club employees relates to staff with leave entitlements.

This excludes players.

13. INCOME RECEIVED IN ADVANCE

Income Received in Advance	347,256	366,321
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14. ASSET REVALUATION RESERVE

Freehold Land:

Balance at the beginning of the financial year	922,500	652,500
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Revaluation increment (Refer Note 9)	160,000	270,000
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Balance at the end of the financial year	<u>1,082,500</u>	<u>922,500</u>
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15. ACCUMULATED FUNDS

Balance at the beginning of the financial year	12,401,275	11,594,903
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Net profit for the year	1,659,349	806,372
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Balance at the end of the financial year	<u>14,060,624</u>	<u>12,401,275</u>
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16. NOTES TO THE STATEMENT OF CASH FLOWS**(a) Reconciliation of Cash**

For the purposes of the statement of cash flows, the entity considers cash to include cash on hand, cash in banks and short-term investments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the statement of cashflows is reconciled to the Balance Sheet as follows:

Cash on Hand	151,983	140,187
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Cash at Bank	639,858	312,813
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Short Term Deposits	4,144,457	2,478,500
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	<u>4,936,298</u>	<u>2,931,500</u>
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(b) Reconciliation of net cash from operating activities to net profit from ordinary activities:

Operating profit/(loss) from ordinary activities	1,659,349	806,372
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(Profit)/Loss from Sale of Fixed Assets	-	2,900
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(Profit)/Loss from Sale of Investments	(6,752)	(73,029)
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Increase/(Decrease) in Provision for Doubtful Debts	-	10,000
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Depreciation and Amortisation	708,400	649,812
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(Increase)/Decrease in Receivables and Other Assets	287,582	(302,023)
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(Increase)/Decrease in Inventory	(21,096)	(116,284)
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(Increase)/Decrease in Value of Investments	(83,707)	(123,923)
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(Increase)/Decrease in Dividends reinvested	(114,313)	(85,707)
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Increase/(Decrease) in Payables and Income in Advance	58,022	(650,530)
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Increase/(Decrease) in Provision for Employee Entitlements	145,388	92,506
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Net Cash Provided by (used in)		
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Operating Activities	<u>2,632,873</u>	<u>210,094</u>
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16. NOTES TO THE STATEMENT OF CASH FLOWS (continued)**(c) Merger with Essendon Football Club Hall of Fame**

On 31 October 2005 the Hall of Fame merged into the Essendon Football Club by way of the transfer from the Hall of Fame into the Essendon Football Club of all of its assets and liabilities.

Current Assets:

Cash assets	-	29,655
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Receivables	-	11,331
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Prepayments	-	1,316
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Non-Current Assets:

Property, plant and equipment	-	81,380
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Current Liabilities:

Loan	-	(90,000)
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Payables	-	(33,682)
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Net assets merged in	<u>-</u>	<u>-</u>
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17. CAPITAL AND LEASING COMMITMENTS**(a) Operating Lease Commitments**

Non-cancellable Operating Leases contracted for but not capitalised in the accounts.

Payable:

- not later than one year	183,333	178,333
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- later than one year but not later than 5 years	446,666	630,000
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	<u>629,999</u>	<u>808,333</u>
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	<u>629,999</u>	<u>808,333</u>
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Operating lease commitments relate to the lease of freehold land.

(b) Capital Expenditure Commitments

Payable:

- not later than one year	203,279	26,340
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18. RELATED PARTIES**(a) Related Party Trading Balances**

Trading amounts receivable from associated entities:

Current

Melton Country Club Inc.	39,755	52,914
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(b) Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(i) Associated Entities

Rental income received or receivable from:

Melton Country Club Inc.	488,333	478,333
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EFC Hall of Fame Trust	-	24,000
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	<u>488,333</u>	<u>502,333</u>
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Interest received or receivable from:

Melton Country Club Inc.	-	1,820
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Management fees received or receivable from:

Melton Country Club Inc.	113,752	110,210
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(ii) Directors & Director related entities

Courier fees paid or payable to Australian

National Couriers Services of which

Mr Patrick Leggett is a director.	12,915	13,085
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Consulting fees for tax services paid or

payable to Pitcher Partners of which

Mr Tim Jonas is a partner.	2,200	12,800
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19. KEY MANAGEMENT PERSONNEL**Transactions with key management personnel**

The key management personnel compensation included in 'employee expenses' are as follows:

Short term employee benefits	1,175,671	1,047,545
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Other long term benefits	-	-
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Post employment benefits	71,852	68,670
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Termination benefits	-	-
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	<u>1,247,523</u>	<u>1,116,215</u>
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20. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in marketing interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

		2006 Fixed interest maturing in:					Weighted average interest rate
Note	Floating Interest rate	1 year or less	1 to 5 years	Non interest bearing	Total		%
	\$	\$	\$	\$	\$		
Financial Assets							
Cash and cash equivalents	16(a)	639,858	4,144,457	-	151,983	4,936,298	5.74
Trade and other receivables	5	-	-	-	1,133,849	1,133,849	Nil
Financial assests	8	-	-	-	1,421,497	1,421,497	Nil
		639,858	4,144,457	-	2,707,329	7,491,644	
Financial Liabilities							
Trade and other payables	10	-	-	-	1,509,695	1,509,695	Nil
		-	-	-	1,509,695	1,509,695	
Net Financial Assets/(Liabilities)		639,858	4,144,457	-	1,197,634	5,981,949	
		2005 Fixed interest maturing in:					Weighted average interest rate
Note	Floating Interest rate	1 year or less	1 to 5 years	Non interest bearing	Total		%
	\$	\$	\$	\$	\$		
Financial Assets							
Cash and cash equivalents	16(a)	312,813	2,478,500	-	140,187	2,931,500	5.56
Trade and other receivables	5	-	-	-	1,508,645	1,508,645	Nil
Financial assests	8	-	-	-	1,525,097	1,525,097	Nil
		312,813	2,478,500	-	3,173,929	5,965,242	
Financial Liabilities							
Interest bearing liability	11	-	180,000	70,000	-	250,000	6.36
Trade and other payables	10	-	-	-	1,432,609	1,432,609	Nil
		-	180,000	70,000	1,432,609	1,682,609	
Net Financial Assets/(Liabilities)		312,813	2,298,500	(70,000)	1,741,320	4,282,633	

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the Balance Sheet and notes to the financial statements. No unrecognised financial assets exist at balance date.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Terms, Conditions and Accounting Policies

The company's accounting policies, including terms and conditions of each class of financial assets and financial liability, recognised at balance date, are set out below. There are no unrecognised financial assets or liabilities.

(i) Financial Assets

Trade Debtors

Trade debtors are carried at amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full amount is no longer probable. Trade receivables are generally settled within 30 days from the date of invoice/statement.

(ii) Financial Liabilities

Trade creditors and other accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company. Trade accounts payable are normally settled within 30 days. Liabilities for player payments are settled on various terms as negotiated with individual players.

(d) Net Fair Values of Financial Assets and Liabilities

The company's financial assets and liabilities are carried in the Balance Sheet at amounts that approximate their net fair value.

