



CARLTON FOOTBALL CLUB LIMITED

A.C.N. 005 449 909
(Company Limited by Guarantee)

146th ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 OCTOBER 2010

DIRECTORS' REPORT

The Directors present their report on the results of the Carlton Football Club Ltd ("the Football Club") for the year ended 31 October 2010, and the state of affairs at that date.

1. Directors

The Directors in office during the year were:

Messrs. M Clarke, Z Fried, R. Geminder (appointed 15 Feb 2010), A Gleeson, M Harrison, S Kernahan, G Lee, M LoGiudice (appointed 15 Feb 2010), S Moulton, R Newton, A Suss, S Wilson QC (resigned 10 Nov 2010).

All Directors, unless otherwise indicated, were in office from the beginning of the year until the date of this report. Particulars of Directors in office are disclosed in Note 23 of these accounts.

2. Company Secretary

The Company Secretary at the date of this report is Mr Jason Reddick (BEc, CA).

Mr Reddick has been the Company Secretary of Carlton Football Club Ltd for 10 years. He has been a Chartered Accountant for over 18 years and employed by the Club as Accountant/Chief Financial Officer since 1994.

3. Principal Activities

The principal activities of the Football Club during the year were to promote and play Australian Rules Football in the Australian Football League ("AFL"), in which Carlton holds one of the eighteen licences.

4. Operating Results and Review of Operations

The Football Club made an operating profit of \$2,264,444 for the year ended 31 October 2010. This compared to an operating profit of \$8,676,645 for the year ended 31 October 2009.

Dividends

No dividends were paid or declared during the financial year. The Football Club is precluded from paying dividends by its Constitution.

For the second consecutive year, the team played through to an elimination final at an interstate venue.

During the regular season, the Club achieved records for both match attendances and television ratings. More than one million people attended Carlton's 22 home and away games, and Carlton was the second most watched football team on TV.

Membership fell 6.5% to 40,480. Board and management are addressing the need to grow membership (amongst other key elements of the business) by developing a strategic plan for the Club that will be launched in 2011.

Mars signed on as joint major sponsor for a 3 year term replacing Tourism Malaysia.

The Club's new training, administration and community facilities at Visy Park were officially opened on 10 February 2010 by the Victorian Minister for Sport, Recreation and Youth Affairs, Mr James Merlino, together with City of Melbourne Lord Mayor, Robert Doyle. The event to mark the occasion was attended by many dignitaries including Visy Co-chairman and Carlton Patron, Jeanne Pratt, Visy executive chairman Anthony Pratt, and Carlton President Stephen Kernahan.

DIRECTORS' REPORT (CONT.)***5. Significant Changes in the State of Affairs***

The Club borrowed a further \$1.5m from Westpac to finalise the payments on the new \$20m Visy Park facility. In addition to Carlton's own players and staff, some elite sports people from other codes have also utilized the facilities, including Australian national team members from Soccer (Socceroos), Rugby (Kangaroos), Netball (Diamonds) and Cricket.

In accordance with the requirements of Federal, State and local government funding partners, the Club also provided the facilities for Community use in 2010. Through its "Visy Enviromaniacs" program, the Club conducted environmental sustainability education sessions for 35 primary school groups. It also provided facility and oval use for the Carlton Football Community Fund's Multi-Cultural program.

On 10 May, the Club successfully bid for 260 gaming machine licences in the statewide gaming entitlement auction. The licences will take effect from August 2012 and the committed cost is recognized in Note 16.

The Melbourne Storm ended their four year tenancy at Visy Park in June 2010.

Melbourne Rebels rugby union club began a three year tenancy at Visy Park on 18 August 2010, involving renovation to, and occupation of, the Pratt Stand gym and Heroes Stand offices.

6. Subsequent Events

In the period between the end of the financial year and the date of this report, no matter or circumstance has arisen that has significantly or may significantly affect the operations of the Football Club, the results of those operations or the state of affairs of in subsequent financial years.

7. Likely Developments

The Football Club will continue the supporters "Blue Believer" fundraising initiative for raising funds towards repayment of the new borrowings used for the facility.

The Club has been in negotiation with Football Victoria and the AFL umpires regarding a three year tenancy for those organizations at Visy Park in the Heroes and Pratt Stands alongside the Melbourne Rebels.

The Club is continuing to explore further community use of the facilities with a number of community organizations.

8. Environmental Regulation

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

Environmentally Sustainable Design (ESD) initiatives have been incorporated into the new facilities at Visy Park.

9. Auditor Independence and Non-Audit Services

The directors have received an Independence Declaration from the auditor of the Football Club as set out on page 4 and it forms part of the director's report for the year ended 31 October 2010.

Ernst & Young received or are due to receive \$82,000 for the provision of non-audit services. These services have not compromised Ernst & Young's independence.

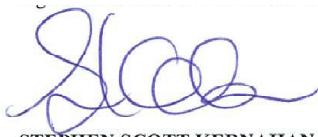
DIRECTORS' REPORT (CONT.)

10. Indemnification and Insurance of Directors and Officers

During the financial year the Football Club paid premiums to insure each of the Football Club's Directors and Officers against liabilities for costs that may arise out of their conduct while acting in the capacity of Director or Officer of the Football Club.

The Directors have not included details of the nature of the liabilities covered or the amount of the premiums paid in respect of the Directors and Officers Liability insurance contract, as such disclosure is prohibited under the terms of the contract.

Signed in accordance with a resolution of the Directors at Carlton this 22nd Day of November 2010.



STEPHEN SCOTT KERNAHAN
Director



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

In relation to our audit of the financial report of Carlton Football Club Limited for the year ended 31 October 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Kester C Brown'.

Kester C Brown
Partner
22 November 2010

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 OCTOBER 2010

| | Notes | 2010 \$ | 2009 \$ |
|---|-------|-------------------------|-------------------------|
| Revenue | 5 | 35,048,822 | 34,147,804 |
| Membership related expenses | | (2,548,564) | (2,363,417) |
| Administration expenses | | (2,393,793) | (1,942,157) |
| Operating expenses | 6(b) | (27,946,569) | (28,092,771) |
| Borrowing costs expense | 6(a) | (395,785) | (295,935) |
| Depreciation and lease amortisation | 6(a) | (1,070,388) | (322,815) |
| Amortisation of intangible | | (673,266) | (378,266) |
| Loss on disposal of non current assets | | (145,144) | - |
| Other income – grants for redevelopment | | 2,389,131 | 7,924,202 |
| Net Profit | | <u>2,264,444</u> | <u>8,676,645</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | <u><u>2,264,444</u></u> | <u><u>8,676,645</u></u> |

The above statement of comprehensive income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2010

| | Notes | 2010 \$ | 2009 \$ |
|---|-------|-------------------|-------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4a | 852,944 | 585,160 |
| Trade and other receivables | 7 | 802,780 | 985,082 |
| Inventories | 8 | 418,658 | 227,300 |
| Other assets | 9 | 261,274 | 450,286 |
| TOTAL CURRENT ASSETS | | <u>2,335,656</u> | <u>2,247,828</u> |
| NON CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 20,853,739 | 16,118,262 |
| Intangible assets | 11 | 282,244 | 955,510 |
| TOTAL NON CURRENT ASSETS | | <u>21,135,983</u> | <u>17,073,772</u> |
| TOTAL ASSETS | | <u>23,471,639</u> | <u>19,321,600</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 1,554,988 | 1,403,328 |
| Income received in advance | 13 | 91,241 | 100,842 |
| Interest bearing liabilities | 14 | 7,877,899 | 6,500,000 |
| Provisions | 15 | 891,362 | 738,021 |
| TOTAL CURRENT LIABILITIES | | <u>10,415,490</u> | <u>8,742,191</u> |
| NON CURRENT LIABILITIES | | | |
| Interest bearing liabilities | 14 | 286,201 | 98,379 |
| Provisions | 15 | 106,500 | 82,026 |
| TOTAL NON CURRENT LIABILITIES | | <u>392,701</u> | <u>180,405</u> |
| TOTAL LIABILITIES | | <u>10,808,191</u> | <u>8,922,596</u> |
| NET ASSETS | | <u>12,663,448</u> | <u>10,399,004</u> |
| Retained profits / (accumulated losses) | | <u>12,663,448</u> | <u>10,399,004</u> |
| TOTAL ACCUMULATED FUNDS | | <u>12,663,448</u> | <u>10,399,004</u> |

The above statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOW

YEAR ENDED 31 OCTOBER 2010

| | Notes | 2010 \$ | 2009 \$ |
|---|-------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from football related activities | | 38,734,888 | 37,891,216 |
| Payments to suppliers and employees | | (36,032,192) | (36,202,635) |
| Interest received | | 64,621 | 31,124 |
| Borrowing costs | | (395,785) | (295,936) |
| NET CASH PROVIDED BY /(USED IN) OPERATING ACTIVITIES | 4(c) | 2,371,532 | 1,423,769 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (5,649,388) | (12,297,178) |
| Receipt of Govt. / AFL redevelopment grants | | 2,389,131 | 7,924,202 |
| Loans granted - related parties | | (79,565) | (56,833) |
| NET CASH PROVIDED BY /(USED IN) INVESTING ACTIVITIES | | (3,339,822) | (4,429,809) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds/(Repayment) of interest bearing liabilities | | 1,236,074 | (4,000) |
| NET CASH PROVIDED BY /(USED IN) FINANCING ACTIVITIES | | 1,236,074 | (4,000) |
| Net increase/(decrease) in cash and cash equivalents held | | 267,784 | (3,010,040) |
| Cash and cash equivalents at the beginning of the year | | 585,160 | 3,595,200 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 4(b) | 852,944 | 585,160 |

The above statement of cash flow is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 OCTOBER 2010

| | Retained profits /(Accumulated losses) \$ |
|----------------------------|--|
| AT 31 OCTOBER 2008 | <u>1,722,359</u> |
| Profit for the year | 8,676,645 |
| Other comprehensive income | - |
| Total comprehensive income | <u>8,676,645</u> |
| AT 31 OCTOBER 2009 | <u>10,399,004</u> |
| Profit for the year | 2,264,444 |
| Other comprehensive income | - |
| Total comprehensive income | <u>2,264,444</u> |
| AT 31 OCTOBER 2010 | <u><u>12,663,448</u></u> |

The above statement of changes in equity is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 1 CLUB INFORMATION**

The Football Club was formed in 1864 and incorporated in Melbourne, Australia, on 20th June 1978.

The registered office of the Football Club is located at:
Visy Park, Royal Parade, Carlton North, 3054.

The principal activities of the Football Club during the year were to promote and play Australian Rules Football in the Australian Football League ("AFL"), in which Carlton holds one of the eighteen licences.

The financial report of the Football Club for the year ended 31 October 2010 was authorised for issue in accordance with a resolution of the directors on 22 November 2010.

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of accounting**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies adopted are consistent with those of the previous year except as follows:

The Football Club has adopted the following new and amended Australian Accounting Standards as of 1 November 2009.

When the adoption of the standard is deemed to have an impact on the financial statements, its impact is described below:

- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Football Club has elected to present one statement.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Football Club for the annual reporting period ended 31 October 2010. These are outlined in the table below:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

| Reference | Title | Summary | Application date of standard | Impact on Club financial report | Application day for club |
|--------------------|---|--|------------------------------|---|--------------------------|
| AASB 124 (Revised) | Related Party Disclosures (December 2009) | <p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p> | 1 January 2011 | The Club has not yet determined the extent of the impact, if any. | 1 July 2011 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

| Reference | Title | Summary | Application date of standard | Impact on Club financial report | Application day for club |
|-----------|---|---|------------------------------|---|--------------------------|
| AASB 1053 | Application of Tiers of Australian Accounting Standards | <p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards; and</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and</p> <p>(b) the Australian Government and State, Territory and Local Governments.</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) for-profit private sector entities that do not have public accountability;</p> <p>(b) all not-for-profit private sector entities; and</p> <p>(c) public sector entities other than the Australian Government and State, Territory and Local Governments.</p> | 1 July 2013 | The Club has not yet determined the extent of the impact, if any. | 1 July 2013 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

| Reference | Title | Summary | Application date of standard | Impact on Club financial report | Application day for club |
|-------------|--|--|------------------------------|---|--------------------------|
| AASB 2010-2 | Amendments to Australian Accounting Standards arising from reduced disclosure requirements | This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements. | 1 July 2013 | The Club has not yet determined the extent of the impact, if any. | 1 July 2013 |

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****(b) Statement of Compliance (cont)**

Other Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective are not expected to have a material impact on the Football Club.

(c) Going Concern

As at 31 October 2010 the Carlton Football Club Limited has a current asset deficiency of \$8,079,834. This give rise to significant uncertainty about the ability of the company to continue to operate as a going concern.

Notwithstanding the current asset deficiency of the Football Club, the accounts have been prepared on the basis that the Football Club is a going concern. The appropriateness of adopting this basis is dependent on the Football Club being able to successfully generate sufficient funds through membership, sponsorship, fundraising, gate receipts and other revenue sources in addition to receiving AFL distributions, to meet its debts as and when they become due and payable and to continue to fund its ongoing operations.

The directors also note the following mitigating factors:

- The Football Club's banker ("Westpac") and the Australian Football League ("AFL") have continued to provide financial support through to the date of this report. The AFL support is in the form of a \$1,350,000 loan (interest of 3% applies from 1 May 2009) which is due and payable over 4 years. The facility from Westpac is in the form of two commercial bill facilities with no fixed term but is subject to annual reviews. The \$5,000,000 facility is due for review in October 2011 and the \$1,500,000 facility is due for review in August 2011.
- The AFL has provided guarantees for both Westpac facilities through to their review dates. The Football Club has an expectation that the guarantees will be rolled over as in previous years, provided that it continues to comply with its license agreement with the AFL and all other AFL rules and regulations.
- Profitable business performance for the year ended 31 October 2010 and the expectation of profitable operations for the year ending 31 October 2011.
- The Football Club has secured the licences to operate 3 new gaming facilities in Richmond, Hobson's Bay and Manningham. Income from these venues is expected in the 2011 financial year.
- The Football Club expects to generate free cash and commence repaying its borrowing in the year ending 31 October 2011.

Should the Football Club not continue as a going concern it may be required to realise assets other than in the ordinary course of operations and at amounts other than those recorded in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company not continue as a going concern.

(d) Significant accounting judgements, estimates and assumptions**(i) Impairment of Intangible Assets**

The Football Club assesses impairment of intangible assets at each reporting date by evaluating conditions specific to the Football Club and to the particular asset that may lead to impairment. In reviewing potential impairment of intangible assets reference is made to factors including forecast future cash flows and discount rates. To the extent that intangible assets are determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

(e) Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Revenue recognition (cont)

Sales revenue is detailed in note 5 and comprises revenue earned from sponsorships & hospitality, AFL dividends & distributions, membership & reserved seating, gaming, gate receipts, merchandise and fundraising. Revenues are recognised at the fair value of the consideration received, net of the amount of goods and services tax (GST). The following specific recognition criteria must also be met before revenue is recognised:

Sponsorship Income

In accordance with a payment schedule upon receipt of a signed sponsorship agreement. Sponsorship involving contra arrangements are recognised as revenue equivalent to the fair value of services provided by the sponsor.

Sale of Goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(f) Plant and EquipmentCost

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation is provided on a diminishing value basis on all new plant and equipment over their estimated useful lives.

Major depreciation periods are:

| | 2010 | 2009 |
|--------------------------|------------|------------|
| • Equipment | 3-10 years | 3-10 years |
| • Furniture and fittings | 7 years | 7 years |

- | | | |
|--------------------------|------------|------------|
| • Equipment | 3-10 years | 3-10 years |
| • Furniture and fittings | 7 years | 7 years |

Leases

Leases are classified at their inception as either operating or finance leases based in the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased term to the Football Club are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term.

(g) Inventories

Inventories are valued in the accounts at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(h) Trade and Other Receivables

Trade Receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for impairment is made when there is objective evidence that the Football Club will not be able to collect the debts. Bad debts are written-off when identified.

Receivables from related parties are initially recognised at fair value and carried at amortised cost. Interest is taken up as income on an accrual basis.

(i) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Football Club prior to the end of the financial year that are unpaid and arise when the Football Club becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are initially recognised at fair value and carried at amortised cost. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(j) IntangiblesGaming Licence

Gaming licences have been acquired through a business combination and are carried at a directors' valuation based on the future cash flows of the asset.

The intangible asset has been determined to have a useful life through to August 2012, which is the end date of the Football Club's existing agreement with the current gaming operator, Tabcorp. Amortisation is applied on a straight line basis through to August 2012.

No assets or liabilities have been recognised in respect of allocated gaming entitlements that are effective from August 2012, other than deposits paid which are recognised as prepayments.

(k) ImpairmentPlant & Equipment and Definite Life Intangible assets

The carrying values of plant and equipment and definite life intangible assets 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 and definite life intangible assets 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

For plant and equipment and definite life intangible assets, impairment losses are recognised in the income statement in the cost of sales line item.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****(k) Impairment (cont)**Financial Assets

The entity assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred on a financial asset, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The discount rate used for financial assets carried at amortised cost is the financial asset's original effective interest rate (i.e. The effective interest rate computed at initial recognition).

(l) Income Tax

As a club established for the encouragement of a game or sport, Carlton Football Club Limited is exempt from income tax in accordance with section 50-45 of the Income Tax Assessment Act 1997.

(m) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee benefit expenses and revenues arising in respect of the following categories;

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits, are charged against profits on a net basis in their respective categories.

(n) Goods and Services Tax

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

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

(o) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Cash on hand and in banks are stated at nominal value.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)****(p) Comparative Figures**

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

(q) Members' Liability on Winding Up

The Football Club is a company limited by guarantee and domiciled in Australia. Accordingly the liability of the members of the Football Club is limited. As stated in clause 4 of the Football Club's Memorandum of Association, each member of the Football Club undertakes to contribute to the assets of the Football Club in the event of it being wound up while they are a member or within one year afterwards for payment of the debts and liabilities of the Football Club contracted before they cease to be a member and of the costs, charges and expenses of winding up the Football Club and for the adjustment of the rights of the contributories amongst themselves such amount as may be required not exceeding fifty dollars (\$50).

(r) Interest Bearing Loans and Borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

Borrowing costs are recognised as an expense when incurred.

(s) Derecognition of Assets

A financial asset is derecognised when the rights to receive cash flows from the asset have been extinguished or expired.

(t) Redevelopment Grants

In August 2008, the Football Club, Australian Football League (AFL), State Government (via Department for Victorian Communities (DVC)) and the City of Melbourne, signed a joint funding agreement for a redevelopment of the facilities at Visy Park as part of the Victorian AFL Facilities Funding Program. In June 2009, the Football Club and the Federal Government also signed a funding agreement for the Visy Park project. Grants received from the AFL, State Government, City of Melbourne, and Federal Government are brought to account as income in the period that they are received, reflecting the date on which control over the grant is attained.

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Football Club's principal financial instruments comprise receivables, payables, bank commercial bill facility, AFL loan, unsecured debentures, and cash.

The main purpose of these financial instruments is to raise finance for the Football Club's operations. It is, and has been throughout the period under review, the Football Club's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Football Club's financial instruments are interest rate risk, credit risk and liquidity risk. The Football Club uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of prevailing market interest rates, analysing and monitoring of customers for credit risk, and assessing liquidity risk by producing future rolling cash flow forecasts, which are performed on a monthly basis.

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)**

Primary responsibility for identification and control of financial risks rests with the Finance sub-committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including interest rate risk, credit terms and future cash flow forecast projections.

Fair Values

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

Risk Exposures and Responses***Interest Rate Risk***

The Football Club's exposure to market interest rates relates primarily to the Football Club's debt facility obligations. The facility is provided by Westpac. The level of debt is disclosed in Note 14.

At balance date, the Football Club had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

| | 2010 \$ | 2009 \$ |
|------------------------------|--------------------|--------------------|
| Financial Assets | | |
| Cash and Cash Equivalents | 852,944 | 585,160 |
| Financial Liabilities | | |
| AFL Loan | (1,350,000) | (1,500,000) |
| Commercial Bill Facility | (6,500,000) | (5,000,000) |
| Net Exposure | (6,997,056) | (5,914,840) |

In addition to the items above exposed to variable interest rate risk, the Football Club has the following financial liabilities:

- Unsecured Notes to the value of \$4,843 which incur a fixed 10% interest rate charge. Unsecured Notes to the value of \$7,636 which incur a fixed 8% interest rate charge.

The Football Club regularly analyses its interest rate exposure, cash and debt levels.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 31 October 2010, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been effected as follows:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

| | Net Profit Higher / (Lower) | |
|---|--------------------------------|------------|
| | 2010 \$ | 2009 \$ |
| Judgements of Reasonably Possible Movements: | | |
| +0.5% (50 basis points) | (34,985) | (\$29,574) |
| -0.5% (50 basis points) | 34,985 | \$29,574 |

Reasonably possible movements in interest rates were determined taking into account past performance, economic forecasts and management's knowledge of financial markets.

The sensitivity was higher in 2010 than in 2009 because the net exposure was higher in 2010 due to the additional debt resulting from the redevelopment of Visy Park.

The Football Club has a Commercial Bill Facility of \$6,500,000. The planned reduction of this debt will reduce the impact of variations in interest rates.

Foreign Currency Risk

The Football Club has no exposure to foreign currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Football Club if a customer or counterparty fails to meet its contractual obligation, and arises principally from the Football Club's trade and other receivables.

It is the Football Club's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Football Club's exposure to bad debts is limited.

The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Football Club. The Football Club has the majority of customers concentrated in Australia and the majority remit payment on 30 days which is industry standard.

Liquidity Risk

Liquidity risk is the risk that the Football Club will not be able to meet its financial obligations as they fall due.

The Football Club's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 31 October 2010.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Maturity Analysis of Financial Assets and Liability Based on Contractual Maturities

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in the Football Club's ongoing operations such as property, plant, equipment and investments in working capital, and trade receivables. These assets are considered in the Football Club's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Football Club has established comprehensive risk reporting covering its business that reflects expectations of management of expected settlement of financial assets and liabilities.

| Year Ended 31 October 2010 | <6 months \$ | 6-12 months \$ | 1-5 years \$ | TOTAL \$ |
|--|-----------------|--------------------|--------------------|--------------------|
| Financial Assets | | | | |
| Cash and Cash Equivalents | 852,944 | - | - | 852,944 |
| Trade and Other Receivables | 802,780 | - | - | 802,780 |
| Financial Liabilities | | | | |
| Trade and Other Payables | (1,479,988) | - | (75,000) | (1,554,988) |
| AFL Loan | - | (150,000) | (1,200,000) | (1,350,000) |
| Interest Bearing Loans and Borrowings | (11,403) | (6,516,496) | (286,201) | (6,814,100) |
| Interest on AFL Loan and Interest Bearing Loans and Borrowings | (249,745) | (234,349) | (197,908) | (682,002) |
| Net Maturity | (85,412) | (6,900,845) | (1,759,109) | (8,745,366) |

| Year Ended 31 October 2009 | <6 months \$ | 6-12 months \$ | 1-5 years \$ | TOTAL \$ |
|--|--------------------|--------------------|-----------------|--------------------|
| Financial Assets | | | | |
| Cash and Cash Equivalents | 585,160 | - | - | 585,160 |
| Trade and Other Receivables | 985,082 | - | - | 985,082 |
| Financial Liabilities | | | | |
| Trade and Other Payables | (1,403,328) | - | - | (1,403,328) |
| AFL Loan | - | (1,500,000) | - | (1,500,000) |
| Interest Bearing Loans and Borrowings | (5,000,000) | - | (98,379) | (5,098,379) |
| Interest on AFL Loan and Interest Bearing Loans and Borrowings | (147,500) | (147,500) | - | (295,000) |
| Net Maturity | (4,980,586) | (1,647,500) | (98,379) | (6,726,465) |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

| | 2010 \$ | 2009 \$ |
|-------------------------------------|-------------|-------------|
| Finance facilities available | | |
| Total facilities | | |
| -Commercial Bill | (6,500,000) | (5,000,000) |
| Facilities used at balance date | | |
| -Commercial Bill | 6,500,000 | 5,000,000 |
| Facilities unused at balance date | | |
| -Commercial Bill | - | - |

Capital Management

In managing capital, the Football Club aims to maintain a stable capital base, capable of withstanding cash flow fluctuations, but flexible enough to accommodate the Club's plans for growth. The Football Club aims to maintain an optimal capital structure to reduce the cost of capital, the amount of debt and maximise benefits to members.

The capital structure of the group consists of debt, which includes interest-bearing loans as disclosed in Note 14, cash and cash equivalents.

The Club is not subject to any externally imposed capital requirements.

NOTE 4 STATEMENT OF CASH FLOWS

| | 2010 \$ | 2009 \$ |
|---|----------------|----------------|
| (a) Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows: | | |
| Cash on hand | 10,265 | 5,400 |
| Cash at bank | 842,679 | 579,760 |
| Closing cash balance | <u>852,944</u> | <u>585,160</u> |
| (b) Reconciliation to Cash Flow Statement | | |
| For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 October 2010: | | |
| Cash on hand | 10,265 | 5,400 |
| Cash at bank | 842,679 | 579,760 |
| Closing cash balance | <u>852,944</u> | <u>585,160</u> |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 4 STATEMENT OF CASH FLOWS (CONT.)

| | 2010 \$ | 2009 \$ |
|---|-------------------|-------------------|
| (c) Reconciliation of the operating profit to the net cash flows from operations | | |
| Net profit | 2,264,444 | 8,676,645 |
| Depreciation and amortisation of non-current assets | 1,070,388 | 322,815 |
| Amortisation of intangible assets | 673,266 | 378,266 |
| Impairment loss – trade and other receivables | - | 16,864 |
| (Profit) / Loss on sale of property, plant & equipment | 145,144 | - |
| Grant Income Received | (2,389,131) | (7,924,202) |
| Changes in assets and liabilities | | |
| - (Increase)/Decrease in Inventory | (191,358) | 63,599 |
| - (Increase)/Decrease in Receivables | 261,868 | 262,026 |
| - (Increase)/Decrease in Other assets | 189,011 | (60,371) |
| - Increase/(Decrease) in Trade creditors | 124,686 | (544,501) |
| - Increase/(Decrease) in Other creditors | 55,000 | - |
| - Increase/(Decrease) in Sundry creditors & accruals | (9,601) | (3,749) |
| - Increase/(Decrease) in Provisions | 177,815 | 236,377 |
| Net cash provided by operating activities | <u>2,371,532</u> | <u>1,423,769</u> |
| | 2010 \$ | 2009 \$ |
| (d) Non cash financing activities | | |
| Acquisition of assets by means of finance lease | <u>301,621</u> | - |
| | <u>301,621</u> | <u>-</u> |

NOTE 5 REVENUES

| | 2010 \$ | 2009 \$ |
|--|-------------------|-------------------|
| Revenues from operating activities | | |
| Included in the operating profit are the following revenues arising from operating activities: | | |
| Sponsorship and Hospitality | 11,236,664 | 11,436,258 |
| AFL Income | 7,794,500 | 7,618,252 |
| Membership and Reserved Seating | 7,075,655 | 7,658,601 |
| Gaming | 2,901,929 | 2,805,347 |
| Gate Receipts | 3,565,362 | 2,392,750 |
| Merchandise | 1,623,294 | 1,518,591 |
| Fundraising | 337,200 | 275,344 |
| Interest revenue | 64,621 | 31,124 |
| Other Football Operations revenue | 449,597 | 411,537 |
| Total revenues from ordinary activities | <u>35,048,822</u> | <u>34,147,804</u> |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 6 EXPENSES AND LOSSES/(GAINS)

| (a) Expenses | 2010 \$ | 2009 \$ |
|---|------------|------------|
| Cost of merchandise sold | 964,586 | 984,507 |
| Merchandise Inventory write off | 4,591 | 9,708 |
| | <hr/> | <hr/> |
| Depreciation of non-current assets | | |
| -Plant and equipment | 1,048,144 | 322,815 |
| -Leased assets | 22,244 | - |
| | <hr/> | <hr/> |
| | 1,070,388 | 322,815 |
| | <hr/> | <hr/> |
| Amortisation of non-current assets | | |
| -Intangible assets | 673,266 | 378,266 |
| | <hr/> | <hr/> |
| Total depreciation and amortisation expenses | 1,743,654 | 701,081 |
| | <hr/> | <hr/> |
| Lease payments – operating lease | 80,871 | 80,286 |
| | <hr/> | <hr/> |
| Borrowing costs expense | | |
| Interest expense | | |
| -Other | 355 | 754 |
| -Finance Lease | 19,317 | - |
| -Commercial Bill & AFL Facilities | 376,113 | 295,181 |
| | <hr/> | <hr/> |
| Total borrowing costs expense | 395,785 | 295,935 |
| | <hr/> | <hr/> |
| Impairment losses - trade and other receivables | - | 16,864 |
| | <hr/> | <hr/> |
| (b) Operating Expenses | | |
| Football Department costs | 16,475,381 | 16,164,087 |
| Marketing and Other Department costs | 11,471,188 | 11,928,684 |
| | <hr/> | <hr/> |
| | 27,946,569 | 28,092,771 |
| | <hr/> | <hr/> |
| (c) Personnel Expenses * | | |
| Wages and Salaries | 15,785,690 | 15,225,699 |
| Contributions to Superannuation | 1,112,489 | 1,057,337 |
| Movement in employee entitlements | 232,168 | 236,376 |
| | <hr/> | <hr/> |
| | 17,130,347 | 16,519,412 |
| | <hr/> | <hr/> |

* Personnel Expenses in note 6(c) is included in Operating Expenses in note 6(b)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 7 TRADE AND OTHER RECEIVABLES

| Current | 2010 \$ | 2009 \$ |
|-------------------------------|------------|------------|
| Trade Receivables | 354,301 | 543,779 |
| Allowance for impairment loss | - | (6,420) |
| | 354,301 | 537,359 |
| Other Receivables | 312,081 | 390,890 |
| Related Party Loans | 136,398 | 56,833 |
| | 802,780 | 985,082 |

Trade Receivables and Allowance for Impairment

Trade receivables are non-interest bearing and are generally on 30 – 60 day terms.

An allowance for impairment (impairment loss) is recognised when there is objective evidence that a trade receivable is impaired.

Movements in the allowance for impairment loss were as follows:

| | 31 October 2010 \$ | 31 October 2009 \$ |
|--|-----------------------|-----------------------|
| Allowance for impairment losses opening balance | 6,420 | 14,877 |
| Charge for the year | - | 16,864 |
| Amounts written off | - | (25,321) |
| Amounts recovered | (6,420) | - |
| Allowance for impairment losses closing balance | - | 6,420 |

An ageing analysis of trade receivables is provided below:

| | 0-30 days NPDNI [^] \$ | 31-60 days NPDNI [^] \$ | 61-90 days PDNI* \$ | +91 days PDNI* \$ | +91 days CI# \$ | Total \$ | |
|-------------|--|---|------------------------------|----------------------------|--------------------------|----------------|---|
| 2010 | 40,562 | 204,133 | 47,235 | 62,371 | - | 354,301 | [^] Not past due not impaired *Past due not impaired # Considered impaired |
| 2009 | 264,844 | 28,249 | 199,133 | 45,133 | 6,420 | 543,779 | |

For terms and conditions of trade and other receivables, refer Note 2(h). The Football Club maintains direct contact with debtors and is satisfied that payment of the amounts past due but not impaired will be received.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 7 TRADE AND OTHER RECEIVABLES (CONT.)

Related Party Receivables

For terms and conditions of related party receivables refer to Note 22.

Fair Value and Credit Risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. The receivables are unsecured as no collateral is held as security over the receivables, nor is it the Football Club's policy to transfer (on-sell) receivables to special purpose entities.

NOTE 8 INVENTORIES

| | 2010 | 2009 |
|-------------------------|----------------|----------------|
| | \$ | \$ |
| Merchandise stock | | |
| At cost | 407,487 | 156,974 |
| At net realisable value | 2,009 | 54,944 |
| Other inventory | | |
| At cost | 9,162 | 15,382 |
| | <u>418,658</u> | <u>227,300</u> |

NOTE 9 OTHER ASSETS

| | 2010 | 2009 |
|----------------|----------------|----------------|
| | \$ | \$ |
| Current | | |
| Prepayments | 261,274 | 450,286 |
| | <u>261,274</u> | <u>450,286</u> |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

| | 2010 \$ | 2009 \$ |
|------------------------------------|--------------------|--------------------|
| Plant & Equipment | | |
| At cost | 4,120,313 | 4,186,698 |
| Accumulated depreciation | <u>(2,692,422)</u> | <u>(2,919,418)</u> |
| Net Carrying Amount | <u>1,427,891</u> | <u>1,267,280</u> |
| Furniture and fittings | | |
| At cost | 198,226 | 231,478 |
| Accumulated depreciation | <u>(76,935)</u> | <u>(121,295)</u> |
| Net Carrying Amount | <u>121,291</u> | <u>110,183</u> |
| Leased Assets | | |
| At cost | 310,331 | - |
| Accumulated amortisation | <u>(22,244)</u> | <u>-</u> |
| Net Carrying Amount | <u>288,087</u> | <u>-</u> |
| Leasehold Improvements & Buildings | | |
| At cost | 19,618,579 | 14,740,799 |
| Accumulated depreciation | <u>(602,109)</u> | <u>-</u> |
| Net Carrying Amount | <u>19,016,470</u> | <u>14,740,799</u> |
| Total Property, Plant & Equipment | <u>20,853,739</u> | <u>16,118,262</u> |

Reconciliations

Movements in the carrying amount of each class of plant & equipment between the beginning and the end of the current financial year are set out below.

| 2010 | Plant & Equipment \$ | Furniture & Fittings \$ | Leased Assets (a) \$ | Leasehold Improvements & Buildings \$ | Total \$ |
|--|----------------------------|----------------------------------|----------------------------|--|--------------------|
| Carrying amount at the beginning of the year | 1,267,280 | 110,183 | - | 14,740,799 | 16,118,262 |
| Additions | 728,527 | 34,372 | 310,331 | 4,877,781 | 5,951,011 |
| Disposals | (121,446) | (647) | - | (23,053) | (145,146) |
| Depreciation expense | <u>(446,470)</u> | <u>(22,617)</u> | <u>(22,244)</u> | <u>(579,057)</u> | <u>(1,070,388)</u> |
| Carrying amount at year end | <u>1,427,891</u> | <u>121,291</u> | <u>288,087</u> | <u>19,016,470</u> | <u>20,853,739</u> |

(a) Plant & Equipment pledged as security for liabilities.

Leased kitchen equipment and motor vehicle is pledged as security for the related finance lease.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 10 PROPERTY, PLANT AND EQUIPMENT (CONT)

| 2009 | Equipment \$ | Furniture & Fittings \$ | Leasehold Improvements & Buildings \$ | Total \$ |
|--|-----------------|-------------------------------|--|-------------|
| Carrying amount at the beginning of the year | 1,349,158 | 129,307 | 2,665,434 | 4,143,899 |
| Additions | 223,229 | 1,088 | 12,075,365 | 12,299,682 |
| Disposals | (2,504) | - | - | (2,504) |
| Depreciation expense | (302,603) | (20,212) | - | (322,815) |
| Carrying amount at year end | 1,267,280 | 110,183 | 14,740,799 | 16,118,262 |

NOTE 11 INTANGIBLE ASSETS AND GOODWILL

a) Reconciliation of carrying amount at the beginning and end of the period

| | 2010 Gaming Licence \$ | 2009 Gaming Licence \$ |
|--|---------------------------------|---------------------------------|
| Year ended 31 October 2010 | | |
| At 1 November 2009, net of accumulated amortisation and impairment | 955,510 | 1,333,776 |
| Amortisation | (673,266) | (378,266) |
| At 31 October 2010, net of accumulated amortisation and impairment | 282,244 | 955,510 |
| At 31 October 2010 | | |
| Cost (gross carrying amount) | 1,744,167 | 1,744,167 |
| Accumulated amortisation and impairment | (1,461,923) | (788,657) |
| Net carrying amount | 282,244 | 955,510 |

NOTE 12 TRADE AND OTHER PAYABLES

| | 2010 \$ | 2009 \$ |
|-----------------|------------|------------|
| Current | | |
| Trade creditors | 597,105 | 651,152 |
| Other creditors | 957,883 | 752,176 |
| | 1,554,988 | 1,403,328 |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 13 INCOME RECEIVED IN ADVANCE

| Current | 2010 | 2009 |
|-----------------------------|---------------|----------------|
| | \$ | \$ |
| Sponsorship and Hospitality | 91,241 | 100,842 |
| | <u>91,241</u> | <u>100,842</u> |

NOTE 14 INTEREST BEARING LIABILITIES

| Current | 2010 | 2009 |
|--------------------|------------------|------------------|
| | \$ | \$ |
| Loan – AFL | 1,350,000 | 1,500,000 |
| Lease Liability | 27,899 | - |
| Commercial Bill | 6,500,000 | 5,000,000 |
| | <u>7,877,899</u> | <u>6,500,000</u> |
| Non Current | | |
| Lease Liability | 273,722 | - |
| Unsecured – Notes | 12,479 | 98,379 |
| | <u>286,201</u> | <u>98,379</u> |

a) Terms & Conditions

Refer to Note 3 for details of all other terms & conditions attached to the above facilities.

b) Assets pledged as security

The \$5,000,000 Commercial Bill facility provided by Westpac is secured by a guarantee limited to \$5,000,000 given by the Australian Football League (the guarantee expires on 31 October 2011). The \$1,500,000 Commercial Bill facility provided by Westpac is secured by a guarantee limited to \$1,500,000 given by the Australian Football League (the guarantee expires on 31 August 2011). A transaction negotiation authority facility of \$500,000 for uncleared funds is secured by a fixed & floating charge over all assets and undertakings including liquor licenses and gaming licenses relating to Club Laverton gaming venue.

c) AFL Loan - Terms & Conditions

The \$1,500,000 loan from the AFL was a non-interest bearing liability until 31 October 2008. From 1 November 2008, interest was charged at a fixed rate of 6%. On 1 May 2010, the loan was extended to 31 October 2014. Interest is payable on the loan at or below the market rate. From 1 May 2009 the interest rate reduced to 3%. \$150,000 was repaid on 31 October 2010.

d) Finance Leases

The current and non current lease liabilities totaling \$301,621 represents finance leases with Westpac maturing between 2013 and 2015 with fixed interest rates between 8.55% and 9.9%

NOTE 15 PROVISIONS

| | 2010 | 2009 |
|----------------------------------|----------------|----------------|
| | \$ | \$ |
| Employee benefits | | |
| Annual Leave: | 645,123 | 515,822 |
| Long Service Leave (current) | 246,239 | 222,199 |
| | <u>891,362</u> | <u>738,021</u> |
| Long Service Leave (non current) | <u>106,500</u> | <u>82,026</u> |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 16 COMMITMENTS

| | 2010 \$ | 2009 \$ |
|--|-------------------|-------------------|
| Player Contracts | | |
| Amounts contracted to AFL players: | | |
| Not later than one year | 7,922,200 | 6,256,200 |
| Later than one year but not later than two years | 3,680,920 | 4,030,000 |
| Later than two years but not later than five years | 1,400,000 | 2,350,000 |
| | <u>13,003,120</u> | <u>12,636,200</u> |

Operating Lease Commitments

The Football Club has a 40 year lease agreement with the Melbourne City Council for the Visy Park venue that continues through until 2035. The annual rent (\$80,871 in 2010) is contracted to increase by CPI each year.

Finance Lease Commitments

The Football Club has finance lease contracts for various items of kitchen equipment and a motor vehicle with a carrying amount of \$288,087. These lease contracts expire within three to five years.

| | 2010 \$ | 2009 \$ |
|---|-----------------|------------|
| Finance leases commitments | 288,087 | - |
| Within one year | 27,899 | - |
| After one year but not more than five years | 273,722 | - |
| Total minimum lease payments | <u>301,621</u> | - |
| Less amounts representing finance charges | <u>(94,341)</u> | - |
| Present value of minimum lease payments | <u>207,280</u> | - |

Gaming Entitlement Commitments

The Club was successful in bidding and acquiring 260 gaming machine entitlements from the State Government auction on 10 May 2010. At balance date the Club had contractual obligations in respect of gaming entitlements. These amounts are not recognised as a liability. The gaming entitlement commitments are expected to be settled as follows:

| | 2010 \$ | 2009 \$ |
|---|------------------|------------|
| Within one year | - | - |
| After one year but not more than five years | 929,500 | - |
| After five years | 429,000 | - |
| Total entitlement payments | <u>1,358,500</u> | - |

NOTES TO THE FINANCIAL STATEMENTS**YEAR ENDED 31 OCTOBER 2010****NOTE 17 CONTINGENCIES**

There are no material contingent liabilities or contingent assets as at 31 October 2010.

NOTE 18 MEMBERS' CONTRIBUTION

The amount capable of being called up in the event of, and for the purpose of, the winding up of the Football Club is limited to \$50 per member, subject to the provision of the Constitution.

NOTE 19 SUBSEQUENT EVENTS

In the period between the end of the financial year and the date of this report, no matter or circumstance has arisen that has significantly or may significantly affect the operations of the Football Club, the results of those operations or the state of affairs of the Football Club in subsequent financial years.

NOTE 20 DIRECTORS' REMUNERATION

Non-executive directors do not receive directors' fees, but the Football Club has paid premiums in respect of indemnification and insurance of directors.

Disclosure of the liabilities covered and the amount of the premiums paid in respect of the Directors and Officers Liability insurance contract is prohibited under the terms of the contract.

NOTE 21 AUDITORS' REMUNERATION

| Amounts received or due and receivable by Ernst & Young, the auditors of the Football Club for: | 2010 | 2009 |
|---|----------------|---------------|
| | \$ | \$ |
| Auditing the accounts | 58,600 | 57,100 |
| Facilitation of Strategic Planning | 82,000 | 900 |
| | <u>140,600</u> | <u>58,000</u> |

NOTE 22 RELATED PARTY

Key Management personnel are determined to be the Chief Executive Officer, six General Managers and the Senior Coach. During the year, a total of \$1,976,638 (2009 – \$1,892,548) of short term benefits was paid to these key personnel for services provided to the Football Club. During the year, a total of \$119,777 (2009 – \$140,940) of post employment benefits for superannuation was paid to these key personnel for services provided to the Football Club.

Carlton Football Club Foundation was established as a Prescribed Private Fund governed by a Trust Deed. The Trustees of the Fund include Mark Harrison (Football Club Director), Greg Swann (Football Club CEO), and Jason Reddick (Football Club CFO/Company Secretary). During the year, the Foundation made a donation of \$318,000 to the Australian Sports Foundation indicating it's preference that the gift benefit the Carlton Football Club Elite Training Facilities Project. The Football Club loaned The Carlton Foundation \$16,889 (2009 - \$10,563) during the year to cover operational costs. \$27,452 (2009 - \$10,563) is owing to the Football Club at 31 October 2010

The Football Club is the sole unit holder in the PFS Unit Trust ("Premier Finance"). Premier Finance operates mortgage financing services. During the year the Football Club loaned Premier Finance \$7,040 (2009 - \$17,130) to cover operational costs. Premier Finance owes \$24,169 (2009 - \$17,130) to the Football Club at 31 October 2010.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 22 RELATED PARTY (CONT)

Carlton Football Community Fund is a charitable trust governed by the terms of a Trust Deed. The Trustees of the Fund include Mark Harrison (Football Club Director), Greg Swann (Football Club CEO), and Jason Reddick (Football Club CFO/Company Secretary). The Carlton Football Community Fund employed staff to conduct a multi-cultural community program to engage the community in the benefits of Australian Rules football. The Football Club loaned Carlton Football Community Fund \$55,357 (2009 - \$29,140) during the year to cover operational costs. \$84,497 (2009 - \$29,140) is owing to the Football Club at 31 October 2010.

Director transactions with the Football Club

A number of directors of the Football Club, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with directors and their director related entities were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year in relation to directors and their director related entities were as follows:

| Director | Service | Income/(Expense) 2010 (GST Exclusive) | Receivable/(Payable) at 31/10/10 | Income/(Expense) 2009 (GST Exclusive) | Receivable/(Payable) at 31/10/09 |
|-------------|------------------------------------|---|-------------------------------------|---|-------------------------------------|
| M Clarke | Corp Sales | 4,220 | - | 9,272 | - |
| Z Fried | Corp Sales Stock | 4,495 (7,984) | - - | 55,855 (10,535) | - - |
| R Geminder | Corp Sales Donation | 55,896 - | - - | - - | - - |
| A Gleeson | Corp Sales | 14,311 | - | 16,468 | - |
| M Harrison | Corp Sales | 7,382 | - | 4,586 | - |
| S Kernahan | Corp Sales Printing | 51,114 (147,629) | - (524) | 48,368 (118,571) | - - |
| G Lee | Corp Sales Supply Temp Staff | 16,447 (2,096) | - - | 13,784 (9,719) | - - |
| M LoGiudice | Corp Sales | 19,428 | - | - | - |
| S Moulton | Corp Sales Legal services | 22,176 - | - - | 11,159 - | - - |
| R Newton | Corp Sales | 12,633 | - | 65,141 | - |
| A Suss | Corp Sales | 11,308 | - | 11,586 | - |
| S Wilson QC | Corp Sales | 3,664 | - | 5,305 | - |

Refer Note 23 for Particulars of Directors.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 23 PARTICULARS OF DIRECTORS

| Full Names and Office Held | Date and Place of Birth | Nature and Date of Change | Number of Years on Board | Experience/Background | Qualifications |
|-------------------------------------|--------------------------------------|---------------------------|--------------------------|--|---|
| CLARKE, Marcus Director | 24.01.61 Melbourne | Continuing | 3 year, 9 months | Has been a barrister since 1987 and has represented a number of Carlton players at the AFL Tribunal and in appeals from the Tribunal. | B.Ec., LL.B |
| FRIED, Issac Jacob Director | 20.06.72 Melbourne | Continuing | 3 year, 11 month | Joint owner of the Spotlight Group which includes Spotlight Stores, Anaconda Outdoor Adventure stores, RSEA Safety Stores, Barokes Wine-in-a-can and Spotlight Property Group. Has been working in the group since 1990. Managing Director SPG Investments. | |
| GEMINDER, Raphael Director | 24.03.1960 Spring Hill, Israel | Appointed 15.02.2010 | 6 months | Executive Chairman of Pact Group, a leading Australasian packaging business in a broad range of rigid plastic and metal packaging. Prior to acquiring Pact Group, Ruffy was the co-founder and Chairman of Visy Recycling, growing it into the largest recycling company in Australia. | MBA (Finance) |
| GLEESON, Adrian Paul. Director | 29.04.67 Koroit | Continuing | 4 years, 6 months | A Certified Financial Planner, continues to be a partner in C.A.G Financial Services P/L and is a member of the National Board of Apogee Financial Planning – part of the National Australia Bank group. | CFP, Dip FP |
| HARRISON, Mark Adam Director | 10.02.69 Melbourne | Continuing | 3 year, 11 months | 1998 joined Ashe Morgan Winthrop and became a Director. Joined Wingate Group in 2008. In 2008 became Trustee of Carlton Foundation and Director of Premier Finance Services P/L. | Studied a Bachelor of Economics at La Trobe University. |
| KERNAHAN, Stephen Scott Director | 01.09.63 Adelaide SA | Continuing | 13 years | Partner in Docklands Press. A member of the Carlton Hall of Fame, a Carlton Life Member, Carlton Legend and member of the AFL Hall of Fame | |
| LEE, Gregory Douglas Director | 26.11.55 Melbourne | Continuing | 4 year, 7 months | Managing Director of United Recruitment which he started in 1994. A Board Member of William Angliss Institute of TAFE and a Fellow of the Institute of Company Directors. | B.Sc, FAICD, FAIM |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 23 PARTICULARS OF DIRECTORS (CONT.)

| Full Names and Office Held | Date and Place of Birth | Nature and Date of Change | Number of Years on Board | Experience/Background | Qualifications |
|--|---------------------------------|------------------------------|--------------------------|---|--|
| LOGIUDICE, Mark Director | 16.05.1969 Melbourne | Appointed 15.02.2010 | 6 Months | Mark has been in the property industry since 1986 and is Managing Director of Crawfords Group, a family owned investment and development company, involved in commercial, industrial and retail property. Further to his property interests, Mark is a Director of Premier Fruits Group, a national farming, marketing and logistics company of fresh produce. | |
| MOULTON, Stephen Fletcher Director | 12.01.62 Hertfordshire UK | Continuing | 3 year, 11 months | Practising lawyer for 25 years, he was chairman of Partners of Mills Oakley Lawyers from 2004-2008. Director of Premier Finance Services P/L since 2008. Partner Price Waterhouse Coopers from 2009. | B. Juris and LLB (Mon) |
| NEWTON, Richard Gordon Director | 31.10.59 Melbourne | Continuing | 4 years, 6 months | Chairman of Selpam Group of Companies, a family business involved in property developments and investments. Director of Amalgamated Holdings Ltd. | B Bus |
| SUSS, Ari Daniel Director | 09.06.76 Melbourne | Continuing | 3 year, 9 months | Senior advisory to Premier Steve Bracks 1999-2004. Manager of Government and Corporate Affairs for Linfox Group of Companies 2004-2008. Executive Director of Fox Private Group (investments) since July 2008. | MPPM (Monash University) HPLP (Exec Ed, Harvard Business School) MAICD, AIMM, MPRIA. |
| WILSON QC, Simon Kemp Director | 11.03.51 Melbourne | Resigned November 2010 | 8 years | Has been a member of the Victorian Bar since 1976 and was appointed Queen's Counsel in 1992. | B. Juris, LLB |

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 OCTOBER 2010

NOTE 23 PARTICULARS OF DIRECTORS (CONT.)

**Directors Attendances at Board and Sub-Committee Meetings
November 2009 – October 2010**

| Name | Board (Total 10) | Finance Sub- Com (Total 9) | Total |
|-------------|-----------------------------|---|--------------|
| M Clarke | 9 | | 9 |
| I Fried | 10 | 9 | 19 |
| R Geminder | 9 | | 9 |
| A Gleeson | 9 | | 9 |
| M Harrison | 8 | 8 | 16 |
| S Kernahan | 10 | 9 | 19 |
| G Lee | 9 | | 9 |
| M Logiudice | 9 | | 9 |
| S Moulton | 10 | | 10 |
| R Newton | 9 | 8 | 17 |
| A Suss | 10 | | 10 |
| S Wilson QC | 9 | | 9 |

DIRECTORS' DECLARATION

AT 31 October 2010

In accordance with a resolution of the Directors of Carlton Football Club Limited, I state that:

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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b)
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



STEPHEN SCOTT KERNAHAN
Director

22 November 2010



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Independent auditor's report to the members of Carlton Football Club Limited

Report on the Financial Report

We have audited the accompanying financial report of Carlton Football Club Limited, which comprises the balance sheet as at 31 October 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors², as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Carlton Football Club Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Carlton Football Club Limited at 31 October 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A stylized, handwritten signature of Ernst & Young in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Kester C Brown'.

Kester C Brown
Partner

Melbourne
22 November 2010