

Form 388

Corporations Act 2001

294, 295, 298-300, 307, 308, 319, 321, 322

Corporations Regulations

1.0.08

Copy of financial statements and reports

Company details

Company name

MELBOURNE VICTORY LTD

ACN

111 441 868

Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking

Dates on which financial
year ends

Financial year end date

30-06-2020

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

Details of current auditor or auditors

Current auditor

Date of appointment **01-07-2020**

Name of auditor

MOORE AUSTRALIA AUDIT (VIC)

Address

**LEVEL 18
530 COLLINS STREET**

MELBOURNE VIC 3000

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been submitted by

Name

Caroline Elizabeth CARNEGIE

Date

29-11-2020

For more help or information

Web

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1300 300 630



**MELBOURNE VICTORY LIMITED
AND CONTROLLED ENTITY**

ABN 62 111 441 868

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020**



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DIRECTORS' REPORT

The directors present their report on Melbourne Victory Limited and its controlled entity for the year ended 30 June 2020.

Information on directors

The names of each person who has been a director during the year and up to the date of this report are as follows:

Name	Skills & Experience
Anthony Di Pietro <i>Director & Chairman</i>	Director & Group CEO of LaManna Premier Group, an Australian integrated farming, marketing and distribution company. Member of the Australian Institute of Company Directors (MAICD). Bachelor of Commerce from University of Melbourne
Richard Wilson <i>Director</i>	Past Chairman of Allbanx. Managing Director United Mortgage Services. Managing Director Petaluma Investments Pty Ltd. President of Balwyn Football Club. Member of MFAA.
John Harris <i>Director</i>	Private investor, having previously been the Chairman of the Property, Hotel & Investment Group, Selpam Australia Pty Ltd, following a career in manufacturing original equipment components for the Australian Automotive Industry as Managing Director of Edson Industries.
Mario Biasin <i>Director</i>	Company founder and director of Metricon Homes, with more than 45 years' experience in the residential property industry. CPA, member of the Essendonians committee, and Thoroughbred Club of Australia.
Joseph Mirabella <i>Director</i>	Marketing & Sales Manager at Mirabella International Pty Ltd, a market leader in globes & lighting in Australia.
John Dovaston <i>Director</i>	John is a senior partner at PwC focusing on capital market and financial reporting transactions and is the Asia Pacific Financial Services Leader for PwC. John is an FCA and GAICD. He is also a board member of the Australian Centre for Contemporary Art.
Caroline Carnegie <i>Director & Company Secretary</i>	Caroline is a partner at law firm K&L Gates, and practices in the areas of M&A, commercial contract negotiation and transaction advice. Caroline also has a sports law practice and is the head of the sports law group in the Australian offices of K&L Gates. She is currently a member of ANZSLA, a director elect for the Lifechanger Foundation and a Women's Council member of the FFA.



DIRECTORS' REPORT

Information on directors (cont.)

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

Company secretary

Ms Caroline Carnegie was the company secretary for the Group for the year ended 30 June 2020 and up to the date of this financial report. Refer to the "Information on Directors" section of this Director's Report, for information regarding Caroline's skills and experience.

Principal activities

The principal activity of the Group during the financial year was competing as a member of the A-League, W-League, National Youth League (all conducted by the FFA), and National Premier League (conducted by the FFV) competitions. No significant changes in the nature of the Group's activities occurred during the financial year.

Operating results

The loss of the Group, after providing for income tax, amounted to \$2,673,433 (2019: \$1,328,833 loss).

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Group during the year.

Matters or circumstances arising after the end of the year

Disclosure about COVID-19 and its impact on the Group has created unprecedented uncertainty in the economic environment that we operate within. Actual economic events and conditions in future may be materially different from those realised in the 2020 financial year and projected for the 2021 financial year. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further effects on the financial position of the Group. As at the date of the Financial Statements, an estimate of the future effects of the COVID-19 pandemic on the Groups financial performance and/or financial position cannot be made, as the impact will depend on the magnitude and duration of the economic downturn with the full range of monetary impacts unknown.

Except for the above, no other matters or circumstances have arisen since the end of the financial period which significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

Any likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.



DIRECTORS' REPORT

Environmental matters

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Options

No options over issued shares or interests in the Group were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the financial year as a result of the exercise of an option over unissued shares or interests.

Meetings of directors

During the financial year, 12 meetings of directors were held. Attendances by each director during the year were as follows:

<i>Director</i>	<i>Board Meetings</i>		<i>Finance Audit & Risk Committee Meetings</i>	
	<i>Eligible to attend</i>	<i>Attended</i>	<i>Eligible to attend</i>	<i>Attended</i>
Anthony Di Pietro	12	12	-	-
Richard Wilson	12	11	-	-
John Harris	12	11	13	12
Mario Biasin	12	12	-	-
Joseph Mirabella	12	12	-	-
John Dovaston	12	11	13	13
Caroline Carnegie	12	11	-	-

Indemnification and insurance of officers and auditors

Insurance premiums totalling \$24,496 have been paid to indemnify directors and officers of the Group.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an auditor of the Group.



DIRECTORS' REPORT

Auditor's independence declaration

The auditor's independence declaration has been received and is included at page 6 of this report.

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

A handwritten signature in blue ink, appearing to read 'A. Di Pietro'.

Director:.....

Anthony Di Pietro - Chairman

A handwritten signature in blue ink, appearing to read 'John Harris'.

Director:.....

John Harris - Director

9 October 2020
Melbourne, Victoria

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MELBOURNE VICTORY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, there have been:

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



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

09 October 2020



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 \$	2019 \$
Revenue	6	18,190,343	23,462,693
Other income	6	699,623	137,041
		18,889,966	23,599,734
Football expenses		11,096,555	13,146,601
Marketing expenses		463,108	562,532
Event and match day expenses		2,475,304	3,858,053
Administrative expenses		4,522,308	4,229,068
Other expenses		2,948,934	3,089,997
Share of associate loss after income tax	14a	57,190	42,316
		21,563,399	24,928,567
Profit/(loss) before income tax		(2,673,433)	(1,328,833)
Income tax expense		-	-
Profit/(loss) for the year		(2,673,433)	(1,328,833)
Total comprehensive income/(loss) for the year		(2,673,433)	(1,328,833)
Total comprehensive income/(loss) for the year, attributable to:			
Shareholders of the parent entity		(2,759,130)	(1,342,838)
Non-controlling interests	15a	85,697	14,005
		(2,673,433)	(1,328,833)

The accompanying notes form part of these financial statements



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	5,109,861	7,797,631
Trade and other receivables	11	2,309,318	1,579,004
Inventory	12	337,500	289,568
Other assets	13	211,740	289,506
Total Current Assets		7,968,419	9,955,709
Non-Current Assets			
Investments accounted for using the equity method	14	78,473	110,582
Plant and equipment	16	1,007,597	1,758,379
Right of use asset – leases	17	2,612,488	-
Intangible assets	18	1,008,149	1,008,149
Total Non-Current Assets		4,706,707	2,877,110
TOTAL ASSETS		12,675,126	12,832,819
LIABILITIES			
Current Liabilities			
Trade and other payables	19	1,433,315	1,385,837
Employee benefits	20	105,108	216,576
Lease liabilities	21	232,226	-
Other liabilities	22	1,650,911	1,515,971
Total Current Liabilities		3,421,560	3,118,384
Non-Current Liabilities			
Employee benefits	20	92,409	19,886
Lease liabilities	21	3,075,300	-
Other liabilities	22	2,064,946	2,500,000
Total Non-Current Liabilities		5,232,655	2,519,886
TOTAL LIABILITIES		8,654,215	5,638,270
NET ASSETS		4,020,911	7,194,549
EQUITY			
Issued capital	23	9,880,300	9,880,300
Accumulated losses		(5,845,855)	(2,586,520)
Share capital and accumulated losses attributable to shareholders of the parent entity		4,034,445	7,293,780
Non-controlling interests	15a	(13,534)	(99,231)
TOTAL EQUITY		4,020,911	7,194,549

The accompanying notes form part of these financial statements



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2020**

	Issued Capital \$	Accumulated Losses \$	Total \$
2020			
Balance at 1 July 2019	9,880,300	(2,685,751)	7,194,549
Total comprehensive income	-	(2,673,433)	(2,673,433)
Impact of change in accounting policy	-	(500,205)	(500,205)
Balance at 30 June 2020	9,880,300	(5,859,389)	4,020,911
2019			
Balance at 1 July 2018	6,880,300	(1,356,918)	5,523,382
Total comprehensive (loss)	-	(1,328,833)	(1,328,833)
Issue of share capital	3,000,000	-	3,000,000
Balance 30 June 2019	9,880,300	(2,685,751)	7,194,549

The accompanying notes form part of these financial statements



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		17,727,241	24,141,687
Payments to suppliers and employees		(19,898,995)	(21,496,621)
Interest paid - leases		(155,367)	-
Interest received		75,123	137,041
Net cash provided by (used in) operating activities	25	(2,251,998)	2,782,107
Cash flows from financing activities			
Proceeds from issue of share capital		-	3,000,000
Payment of principal portion of lease liabilities		(68,106)	-
Net cash provided by (used in) financing activities		(68,106)	3,000,000
Cash flows from investing activities			
Purchase of plant and equipment		(342,666)	(1,540,985)
Cash contributions to associate entity		(25,000)	(70,000)
Net cash provided by (used in) investing activities		(367,666)	(1,610,985)
Net increase (decrease) in cash		(2,687,770)	4,171,122
Cash at the beginning of the financial year		7,797,631	3,626,509
Cash at the end of the financial year	10	5,109,861	7,797,631

The accompanying notes form part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General Information

The consolidated financial statements and notes represent those of Melbourne Victory Limited and Controlled Entity (the “consolidated group” or “group”). Melbourne Victory Limited is a company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Melbourne Victory Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The functional and presentation currency of the Group is Australian dollars.

Registered office

C/- OHM Australia
77 Station Street
MALVERN VIC 3144

Principal place of business

Entrance E
AAMI Park
Olympic Boulevard
MELBOURNE VIC 3000

2. New and Amended Accounting Policies Adopted by the Group

Initial application of AASB 16

The Group has adopted AASB 16 Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16. The comparatives for the 2019 reporting period have not been restated.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases where the Group is the lessee.

The lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right of use assets for all facility leases were measured at their carrying amount as if AASB 16: Leases had been applied since the commencement date, but discounted using the Group's incremental borrowing rate per lease term as at 1 July 2019.

The following practical expedients have been used by the Group in applying AASB 16 for the first time:

- for a portfolio of leases that have reasonably similar characteristics, a single discount rate has been applied;
- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases;
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate;
- applying AASB 16 to leases previously identified as leases under AASB 117: Leases and Interpretation 4: Determining whether an arrangement contains a lease without reassessing whether they are, or contain, a lease at the date of initial application; and
- not applying AASB 16 to leases previously not identified as containing a lease under AASB 117 and Interpretation 4.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. New Accounting Standards for Application in Future Periods

AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2020, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3: *Business Combinations* to an associate or joint venture, and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor's interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor's interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

The application of AASB 2014-10 will result in a change in accounting policies for transactions of loss of control over subsidiaries (involving an associate or joint venture) that are businesses per AASB 3 for which gains or losses were previously recognised only to the extent of the unrelated investor's interest.

The transitional provisions require that the Standard should be applied prospectively to sales or contributions of subsidiaries to associates or joint ventures occurring on or after 1 January 2020. Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

4. Parent Information

The following information has been extracted from the books and records of the parent, Melbourne Victory Limited, and has been prepared in accordance with Australian Accounting Standards.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. Parent Information (cont.)

Statement of Financial Position	2020	2019
	\$	\$
Current assets	5,778,288	7,455,708
Non-current assets	4,588,713	2,417,396
Total assets	10,367,001	9,873,104
Current liabilities	3,111,556	2,559,438
Non-current liabilities	3,221,000	19,886
Total liabilities	6,332,556	2,579,324
Net assets	4,034,445	7,293,780

Equity		
Issued capital	9,880,300	9,880,300
Retained profits/(losses)	(5,845,855)	(2,586,520)
Total Equity	4,034,445	7,293,780

Statement of Profit or Loss and Other Comprehensive Income

Total profit/(loss)	(2,759,130)	(1,342,838)
Total comprehensive income/(loss)	(2,759,130)	(1,342,838)

Contractual Commitments

At 30 June 2020, Melbourne Victory Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2019: Nil).

5. Significant accounting policies

a. Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical cost, except for the measurement of fair value of non-current assets, financial assets and financial liabilities.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

The financial statements were authorised for issue on 9 October 2020 by the directors of the Group.

b. Income tax

Income Tax – Melbourne Victory Limited

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

Income Tax – Melbourne Victory FC Academy Limited

Melbourne Victory FC Academy Limited (a subsidiary of Melbourne Victory Limited as disclosed at Note 15) is exempt from income tax as an exempt sporting organisation in accordance with Section 50-45 of the *Income Tax Assessment Act 1997*.

c. Leases - the Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use assets is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

c. Leases - the Group as lessee (cont.)

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates it will exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

d. Plant and equipment

Classes of plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life. The depreciation rates used for each class of depreciable asset are shown below:

Office equipment	6.70% - 33.33%
Leasehold improvements	10.00%
Football equipment	20.00% - 33.33%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

When an asset is disposed of, the gain or loss is calculated by comparing proceeds received with its carrying amount and is taken to profit or loss.

e. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit taking; or



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in an effective hedging relationship).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

The Group initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as “accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy, and information about the Groupings was documented appropriately, so that the performance of the financial liability that was part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading and not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Group made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Group's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (ie the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Group recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (eg amounts due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

The Group uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Group assesses whether the financial instruments are credit-impaired, and if:

- the credit risk of the financial instrument has increased significantly since initial recognition, the Group measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; or
- there is no significant increase in credit risk since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times. This approach is applicable to:

- trade receivables or contract assets that result from transactions within the scope of AASB 15: Revenue from Contracts with Customers and which do not contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (ie diversity of customer base, appropriate groupings of historical loss experience, etc).

Purchased or originated credit-impaired approach

For a financial asset that is considered credit-impaired (not on acquisition or origination), the Group measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (eg default or past due event);
- a lender granting to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- high probability that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Group assumes that the credit risk has not increased significantly since initial recognition and accordingly it can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Group applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but not necessarily will, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a risk of default lower than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Group recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

e. Financial instruments (cont.)

Assets measured at fair value through other comprehensive income are recognised at fair value, with changes in fair value recognised in other comprehensive income. Amounts in relation to change in credit risk are transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (eg loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

f. Impairment of non-financial assets

At the end of each reporting period the Group determines whether there is any evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the assets is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

g. Investments in associates

Associate companies are companies in which the Group has significant influence generally through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associate Group. In addition, the Group's share of the profit or loss of the associate Group is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

g. Investments in associates (cont.)

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of Melbourne Victory Ltd's ownership interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the Group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investments in associates are shown at Note 14.

h. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on high quality Australian corporate bonds with terms to maturity that match the expected timing of cashflows.

i. Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

j. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

k. Revenue and other income

The Group has adopted *AASB 15 Revenue from Contracts with Customers* from 1 July 2019 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under *AASB 118 Revenue* and related interpretations. Additionally, the disclosure requirements of *AASB 15* have not generally been applied to comparative information.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

k. Revenue and other income (cont.)

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST).

Revenue generated by the Group is categorised into the following segments:

Consumer revenue:

Membership revenue is recognised on a straight-line basis over the duration of the respective season to which the membership relates.

Revenue from the sale of goods and merchandise is recognised at the point the product is delivered to the customer and title transfers to the buyer.

Revenue from match day activities (gate receipts and other match day revenues) are recognised as each match is completed.

Commercial revenue:

Sponsorship revenue is recognised on a straight-line basis over the duration of the respective contract, only once the Group has discharged its obligations under the sponsorship contract.

Hospitality revenues are recognised upon the completion of each match or event at which the hospitality services are provided.

Coterie group revenues are recognised on a straight-line basis over the duration of the respective season to which the coterie group membership relates.

Grant revenue:

Operational grant revenues are recognised on a proportional basis as the services required under each grant contract are delivered.

Capital grant revenues are recognised as the performance obligations attaching to the grant are met by the Group.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

k. Revenue and other income (cont.)

Other revenue:

Interest is recognised using the effective interest method.

Revenue from the transfer of players is recognised on a proportional basis as the performance hurdles in the transfer agreement are completed.

Annual distributions from the Football Federation of Australia are recognised on a straight-line basis over the course of the year, in the season to which they relate.

l. Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included 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 is classified as operating cash flows.

m. Foreign currency transactions and balances

Functional and presentation currency

The functional currency and presentation currency of Melbourne Victory Ltd is Australian dollars, being the primary economic environment in which the Group operates.

Transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

n. Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

o. Critical accounting estimates and judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

(i) Key estimates - impairment

The Group assesses impairment at the end of each reporting year by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

FFA Licence Fees

Included in *Note 18 Intangible assets* is an amount of \$1,008,149, being the amount paid by the Group for admission into the A League competition. The license was initially granted for a five-year term and has since been renewed twice (at no cost to the Group), and now expires at the conclusion of the 2034/35 season. The directors have considered the requirements of AASB 138 – Intangible Assets, and determined that the license has an infinite life, and as such no amortisation charge has been recognised.

In addition, the directors have conducted an impairment test on the license and determined that the license is not impaired. In arriving at this conclusion, the directors believe that the fair value of the license exceeds its carrying amount.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5. Significant accounting policies (cont.)

o. Critical accounting estimates and judgements (cont.)

(ii) Key judgements - recoverability of receivables

Receivables - Season 2019/20

Included in *Note 11 Trade and other receivables* is \$622,356 (2019: \$870,057) for sponsorship and hospitality benefits provided during the 2019/20 season. With the exception of the amount included in the allowance for expected credit losses as disclosed at Note 10, the directors believe these debts to be recoverable.

Royalties

Included in *Note 11 Trade and other receivables* is \$100,000 (2019: \$100,000) for royalties expected to be received for sales of merchandise. These royalties are based on sales figures which the Group does not currently have access to. The directors believe the estimate to be reasonable on the basis of past experience and sales data.

6. Revenue and other income	2020	2019
	\$	\$
Consumer revenue	5,806,990	7,998,088
Commercial revenue	6,144,370	7,170,150
Other revenue	6,238,983	8,294,455
	<u>18,190,343</u>	<u>23,462,693</u>
Other Income:		
- Government subsidies	624,500	-
- Interest received	75,123	137,041
	<u>699,623</u>	<u>137,041</u>

7. Result for the year

The result for the year includes the following specific expenses:

Depreciation	264,168	196,792
Amortisation	262,941	-
	<u>527,109</u>	<u>196,792</u>

8. Remuneration of auditors

Remuneration of Group auditor for audit of the financial report	<u>27,800</u>	<u>27,800</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9. Income tax expense

<i>(a) Reconciliation of income tax to accounting profit:</i>	2020	2019
	\$	\$
Prima facie tax payable/(refundable) on profit from ordinary activities before income tax at 30% (2019: 30%)	(827,740)	(402,851)
Add tax effect of:		
- Non-deductible entertainment	-	3,725
- Provision for inventory obsolescence	4,739	-
- Superannuation payable	-	1,243
- Annual leave payable	756	41,687
- Provision for vouchers	70,363	-
- Right of use asset expenses	57,315	-
- Tax losses carried forward	725,189	396,252
	<u>30,622</u>	<u>40,056</u>
Less tax effect of:		
- Provision for inventory obsolescence	-	24,239
- Long service leave payable	12,439	5,763
- Amortisation of lease incentive	8,355	10,054
- Superannuation payable	2,239	-
- allowance for expected credit losses	7,589	-
Income tax expense	<u>-</u>	<u>-</u>

(b) Deferred tax

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 5(b) occur:

Tax losses (at 30%)	<u>1,182,918</u>	<u>457,729</u>
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A deferred tax asset has not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilise the tax benefits therein.

10. Cash and cash equivalents

Cash at bank	<u>5,109,861</u>	<u>7,797,631</u>
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Cash and cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	<u>5,109,861</u>	<u>7,797,631</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	1,972,119	1,261,914
Allowance for expected credit loss - note 11(a)	(300,000)	(325,298)
Deposits	71,500	71,500
Other receivables	565,699	570,888
	2,309,318	1,579,004

(a) Impairment of receivables

Reconciliation of changes in the allowance for expected credit losses is as follows:

Balance at beginning of the year	325,298	442,546
Debtor write offs during the year	(112,727)	(154,248)
Additional impairment loss recognised	87,429	37,000
	300,000	325,298

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses the lifetime expected loss allowance for all trade receivables. Trade receivables comprise invoices for goods and services for which the relevant performance obligations have been completed at balance date.

To measure expected credit losses, trade receivables have been grouped based on shared risk characteristics and days past due. The expected losses are based on the payment profiles of sales over a 24-month period prior to balance date, and the corresponding historical losses expected within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors affecting the ability of customers to settle the receivables.

On that basis, the loss allowance as at 30 June 2020 was determined as follows for trade receivables:

	Gross Amount	< 30	31 - 60	61 - 90	> 90
2020					
Gross carrying amount - trade receivables	1,972,119	1,077,809	43,280	197,036	653,994
Expected loss rate	15.21%	0.00%	0.00%	20.12%	39.81%
Loss allowance	300,000	-	-	39,639	260,361



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

11. Trade and other receivables (cont.)

(b) Credit risk - trade and other receivables

The following table details the Group's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Group.

	Gross Amount	Past due and impaired	Ageing profile - not impaired (days overdue)				No formal trade terms
			< 30	31 - 60	61 - 90	> 90	
2020							
Trade receivables	1,972,119	300,000	1,077,809	43,280	157,397	393,633	-
Other receivables	565,699	-	-	-	-	-	565,699
Total	2,537,818	300,000	1,077,809	43,280	157,397	393,633	565,699
2019							
Trade receivables	1,261,914	325,298	158,201	320,970	96,200	361,245	-
Other receivables	570,888	-	-	-	-	-	570,888
Total	1,832,802	325,298	158,201	320,970	96,200	361,245	570,888

The Group does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

12. Inventory

	2020	2019
	\$	\$
Retail merchandise	387,500	323,770
Less: provision for obsolescence	(50,000)	(34,202)
	337,500	289,568

13. Other assets

Prepayments	211,740	289,506
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

14. Investments accounted for using the equity method	2020	2019
	\$	\$
Melbourne Sports Operations Pty Ltd	78,473	110,582

(a) Movements during the year in equity accounted investment in associate

Balance at beginning of the financial year	110,582	82,898
Add: capital contributions to associate entity	25,000	70,000
Less: share of associate entity loss after income tax	(57,109)	(42,316)
	<u>78,473</u>	<u>110,582</u>

(b) Summarised presentation of aggregate assets, liabilities and performance of associate

Current assets	20,071	27,200
Non-current assets	230,224	312,630
Total assets	<u>250,295</u>	<u>339,830</u>
Current liabilities	21,026	14,232
Non-current liabilities	1,234,731	1,159,731
Total liabilities	<u>1,255,757</u>	<u>1,173,963</u>
Net assets/(liabilities)	<u>(1,005,462)</u>	<u>(834,133)</u>
Revenue	<u>30,000</u>	<u>59,136</u>
Profit/(loss) after income tax	<u>(171,328)</u>	<u>(126,947)</u>

(c) Ownership interest

<i>Melbourne Sports Operations Pty Ltd</i>	2020	2019
- percentage share holding	33%	33%

Melbourne Sports Operations Ltd ("MSO") is responsible for the conduct of the training activities at AAMI Park in Melbourne. The Group holds 100 of the 300 shares on issue.

There are three shareholders of MSO, and each shareholder is entitled to appoint one director.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15. Interests in subsidiaries

The Group controls one subsidiary company – Melbourne Victory FC Academy Limited (“MVFCAL”), which was incorporated on 22 September 2016. MVFCAL is a company limited by guarantee, with no issued share capital. The Group’s control over MVFCAL is based on the control exercised at Board level, with 80% of MVFCAL directors being directors of Melbourne Victory Limited, its exposure to variable returns (benefits of player improvement, etc) and its ability to use its power to affect the extent of the returns.

Under its constitution, neither the profits nor net assets of MVFCAL can be distributed to members of MVFCAL so while the group is deemed to control MVFCAL it does not have an ownership interest in profits or net assets, and these are presented as non-controlling interests.

(a) Summarised presentation of aggregate assets, liabilities and performance of subsidiary

	2020 \$	2019 \$
Current assets	2,190,132	2,621,000
Non-current assets	906,397	1,319,954
Total assets	3,096,529	3,940,954
Current liabilities	(22,777)	558,945
Non-current liabilities	3,132,840	3,481,240
Total liabilities	3,110,063	4,040,185
Net assets/(liabilities)	(13,534)	(99,231)
Revenue	1,829,109	33,595
Profit/(loss) after income tax	85,697	14,005

16. Plant and equipment

Office equipment		
At cost	1,012,914	875,023
Less accumulated depreciation	(773,479)	(660,095)
	239,435	214,928
Leasehold improvements		
At cost	770,465	770,465
Less accumulated depreciation	(681,725)	(606,719)
	88,740	163,746



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16. Plant and equipment (cont.)

	2020	2019
	\$	\$
Football equipment		
At cost	162,808	153,241
Less accumulated depreciation	(114,077)	(93,490)
	48,731	59,751
Capital works in progress		
At cost	685,882	1,319,954
Less accumulated depreciation	(55,191)	-
	630,691	1,319,954
Total plant and equipment	1,007,597	1,758,379

(a) Movements in carrying amounts of plant and equipment

	Office Equipment \$	Leasehold Improvements \$	Football Equipment \$	Capital Works in Progress \$	Total \$
2020					
Balance at beginning of the year	214,928	163,746	59,751	1,319,954	1,758,379
Additions	137,891	-	9,567	195,208	342,666
Contributions	-	-	-	(558,945)	(558,945)
Transfer to Contract Costs	-	-	-	(270,335)	(270,335)
Depreciation expense	(113,384)	(75,006)	(20,587)	(55,191)	(264,168)
Balance at the end of the year	239,435	88,740	48,731	630,691	1,007,597
2019					
Balance at beginning of the year	200,284	131,780	82,122	-	414,186
Additions	119,807	98,918	2,306	1,319,954	1,540,985
Depreciation expense	(105,163)	(66,952)	(24,677)	-	(196,792)
Balance at the end of the year	214,928	163,746	59,751	1,319,954	1,758,379

17. Right of use assets - leases

	2020	2019
	\$	\$
Non-current:		
Right of use assets	2,612,488	-
	2,612,488	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

17. Right of use assets - leases (cont.)

(a) Movements in carrying amounts of right of use assets

	Right of Use Assets	Total
2020	\$	\$
Balance at beginning of the year	-	-
Additions	3,242,206	3,242,206
Remeasurement adjustment	(366,779)	(366,779)
Amortisation	(262,939)	(262,939)
Balance at the end of the year	2,612,488	2,612,488

Right of Use Asset - Leases

The right of use assets relate to the Group's leased premises and training facilities, and have a useful life equal to the expected expiry date of the applicable lease – including the exercise of any lease options where the exercise of such option is considered likely to occur. These assets are amortised on a straight-line basis over the term of the lease.

18. Intangible assets	2020	2019
	\$	\$
License fee	1,008,149	1,008,149
	<u>1,008,149</u>	<u>1,008,149</u>

(a) Movements in carrying amounts of intangible assets

	License fee	Total
2020	\$	\$
Balance at beginning of the year	1,008,149	1,008,149
Balance at the end of the year	1,008,149	1,008,149
2019		
Balance at beginning of the year	1,008,149	1,008,149
Balance at the end of the year	1,008,149	1,008,149

License Fee

The license fee has been assessed as having an infinite useful life and is tested at least annually for impairment - refer to note 5(o)(i). As a result, no amortisation charge is recognised against this asset.

On 30 June 2019, the New Leagues Working Group ("NLWG") endorsed a number of recommendations that will result in the A-League being separated from, and run independently of, Football Federation Australia.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. Intangible assets (cont.)

This process of separation remains ongoing at the time of this report, and there remains uncertainty around the governance, commercial and operating models that will ultimately be put in place when the separation is finalised.

Accordingly, the impact (if any) that any reforms may have on the Group's A-League License (as disclosed above) are not yet certain.

The Australian Professional Football Clubs Association Limited, in which the Group holds an 8.33% voting interest, continues to represent the Club with regard to the above matters.

19. Trade and other payables

	2020 \$	2019 \$
<i>Unsecured liabilities</i>		
Trade payables	468,215	56,282
Accrued expenses	559,126	1,076,613
Other payables	405,974	252,942
	1,433,315	1,385,837

All amounts are short term and the carrying amounts are considered to be a reasonable approximation of their fair value.

20. Employee benefits

Annual leave – current	96,962	94,443
Long service leave - current	8,146	122,133
	105,108	216,576
Long service leave – non-current	92,409	19,886
	197,517	236,462

21. Lease liabilities

Lease liabilities – current	232,226	-
Lease liabilities – non-current	3,075,300	-
	3,307,526	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

22. Other Liabilities	2020	2019
	\$	\$
Current:		
Deferred income - government grants	-	558,945
Deferred income – other	1,416,367	957,026
Provision for membership vouchers	234,544	-
Non-current:		
Deferred income - government grants	2,064,946	2,500,000
	3,715,857	4,015,971

Refer Note 4(k) for disclosure of the Group's policy on accounting for government grants.

23. Issued capital

14,039,632 (2019: 14,039,632) ordinary shares	9,880,300	9,880,300
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(a) Movement in ordinary shares on issue	2020	2019
	No.	No.
At the beginning of the reporting period	14,039,632	12,839,632
Shares issued during the year	-	1,200,000
At the end of the reporting period	14,039,632	14,039,632

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

(b) Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell asset to reduce debt.

There are no externally imposed capital requirements.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24. Contingencies

Contingent liabilities

The Group has the following contingent liabilities at the end of the reporting period:

	2020 \$	2019 \$
A rental guarantee is payable to the landlord by our bankers upon receipt of a written legal demand from the landlord	71,500	71,500

25. Cash flow information

Reconciliation of result for the year to cashflows from operating activities

Profit/(loss) for the year	(2,673,433)	(1,328,833)
Non-cash flows in profit:		
- depreciation	264,168	196,792
- amortisation	262,941	-
- share of (profit) / loss of associate	57,109	42,316
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(730,314)	723,353
- (Increase)/decrease in other assets	77,766	(44,358)
- (Increase)/decrease in inventory	(47,932)	118,952
- (Increase)/decrease in intangible assets	(2,612,488)	-
- Increase/(decrease) in trade and other payables	47,478	302,042
- Increase/(decrease) in lease liabilities	3,441,766	-
- Increase/(decrease) in other liabilities	(300,114)	2,652,098
- Increase/(decrease) in employee benefits	(38,945)	119,745
Cash flow from operations	(2,251,998)	2,782,107

26. Related parties

The Group's related parties are as follows:

(a) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The names and positions held of directors and other key management personnel in office at any time during the financial year are:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

26. Related parties (cont.)

Board of directors

Mr Anthony Di Pietro	Director (non-executive) and Chairman
Mr Richard Wilson	Director (non-executive)
Mr John Harris	Director (non-executive)
Mr Mario Biasin	Director (non-executive)
Mr Joseph Mirabella	Director (non-executive)
Mr John Dovaston	Director (non-executive)
Ms Caroline Carnegie	Director (non-executive) and Company Secretary

Other key management personnel

Mr Trent Jacobs	Chief Executive Officer
Mr Jim Christo	General Manager – Commercial (ceased 3 July 2020)
Ms Christina Smith	General Manager – Community & Government Relations (commenced 9 September 2019, ceased 8 July 2020)
Mr Shane Doyle	General Manager – Finance & Operations
Ms Jessica Cook	General Manager – Marketing & Media (commenced 8 October 2019, ceased 8 July 2020)
Mr Drew Sherman	General Manager – Football

For details of disclosures relating to key management personnel, refer to Note 24(b) *Compensation of key management personnel*.

(b) Transactions with related parties

During the year, the Group transacted with related parties on normal commercial terms and conditions no more favourable than those available to other parties. The net impact of those transactions, and those amounts outstanding at year end, are summarised below:

	2020	2019
	\$	\$
Amounts received from related parties	845,683	878,149
Amounts paid to related parties	270,292	404,057
Amounts owing to Group by related parties at balance date	7,020	-
Amounts owing by Group to related parties at balance date	13,544	15,465

27. Key management personnel disclosures

(a) Director remuneration

No income was paid or otherwise made available to any director, either directly or indirectly, by the Group during the financial year.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

27. Key management personnel disclosures (cont.)

(b) Compensation of key management personnel

The total remuneration paid to the key management personnel of the Group during the year was as follows:

	2020 \$	2019 \$
Short-term employee benefits	1,573,436	1,505,686
Post-employment benefits	116,615	118,618
	<u>1,690,051</u>	<u>1,624,304</u>

The directors and key management personnel of the Group receive a non-monetary benefit - being private travel insurance - as part of the club's overall suite of insurance policies. As these policies are negotiated on a group basis, the Group cannot reasonably estimate the value of the policy attributable to directors and key management personnel.

28. Financial risk management

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable. The Group does not trade in financial instruments.

The Group's financial instruments arise directly from its operations, and its main risk exposures are interest rate risk and credit risk. The board meet regularly to review these risks and determine strategies for management of these risks as appropriate.

Significant accounting policies

Details of the significant accounting policies in relation to financial instrument recognition and measurement, for each class of financial instrument, are disclosed at Note 4 to the financial statements.

The most significant financial risks to which the Group is exposed to are described below:

Specific Risks

- Interest rate risk
- Credit risk
- Liquidity risk

Financial instruments used

The principal categories of financial instrument used by the Group are:

- Trade and other receivables
- Cash at bank
- Trade and other payables



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

28. Financial risk management (cont.)

Interest rate risk

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

	Weighted average effective interest rate		Floating interest rate		Non-interest bearing		Total	
	2020 %	2019 %	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Financial assets								
Cash and cash equivalents	1.25%	1.92%	5,109,861	7,797,631	-	-	5,109,861	7,797,631
Trade receivables	-	-	-	-	1,972,119	1,261,914	1,972,119	1,261,914
Other receivables	-	-	-	-	565,699	570,888	565,699	570,888
Total financial assets	-	-	5,109,861	7,797,631	2,537,818	1,832,802	7,647,679	9,630,433
Financial liabilities								
Trade and other payables	-	-	-	-	1,433,315	1,385,837	1,433,315	1,385,837
Total financial liabilities	-	-	-	-	1,433,315	1,385,837	1,433,315	1,385,837

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group manages its liquidity needs by continuous monitoring of anticipated cash flows, and endeavours to settle all financial obligations within agreed credit terms.

At the reporting date, reports indicate that the Group is expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

28. Financial risk management (cont.)

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentrations of credit risk with any single counterparty or company of counterparties.

The credit risk exposure on the Group's receivables is disclosed in Note 12(b).

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair values of the Group's assets and liabilities approximates their carrying value as disclosed in the statement of financial position and the notes to the financial statements.

Cash flow interest rate sensitivity

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +2.00% and -2.00% (2019: +2.00%/-2.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

	2020		2019	
	+2%	-2%	+2%	-2%
	\$	\$	\$	\$
Profit before income tax	103,627	(103,627)	157,383	(157,383)
Equity	103,627	(103,627)	157,383	(157,383)



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

29. Events occurring after the reporting date

The financial report was authorised for issue on 9 October 2020 by the Board of Directors.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in future may be materially different from those estimated by the group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to the group. At the date of the annual report an estimate of the future effects of the COVID-19 pandemic on the group cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.

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

30. Company details

The registered office of the company is:

C/- OHM Australia
77 Station Street
MALVERN VIC 3144

The principal place of business of the Group is:

Entrance E
AAMI Park
60 Olympic Boulevard
MELBOURNE VIC 3000



DIRECTORS' DECLARATION

The directors of the Group declare that:

1. the financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 5 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Group;
2. In the directors' opinion, there are reasonable grounds to believe that the Group 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.

Handwritten signature of Anthony Di Pietro in blue ink.

Director:.....
Anthony Di Pietro - Chairman

Handwritten signature of John Harris in blue ink.

Director:.....
John Harris - Director

9 October 2020
Melbourne, Victoria

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MELBOURNE VICTORY LIMITED****Opinion**

We have audited the accompanying financial report of Melbourne Victory Limited and controlled entity (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group, comprising the company and the entities it controlled at the year's end.

In our opinion:

- a. the financial report of Melbourne Victory Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2020 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 5.

Basis for Opinion

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

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

Emphasis of Matter – Events occurring after the Reporting Date and the impact of COVID-19

We draw attention to Note 29 *Events Occurring after the Reporting Date* in the financial report, which describes the unprecedented uncertainty of the economic environment at the date of signing the financial report due to the response to COVID-19, and in particular the possible effects on the group. In our judgment, this issue is fundamental to the users' understanding of the financial report, the financial position and the financial performance of the group. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report of the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance 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 and the Corporations Act 2001, and for such internal control as the directors determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



MOORE AUSTRALIA AUDIT (VIC)
ABN 16 847 721 257



GEORGE S. DAKIS
Partner
Audit and Assurance

Melbourne, Victoria

09 October 2020