



2010  
2011

**Club One**  
**Annual Report**

*The mission of Club One (SA) Limited is to provide the ethical management of gaming entitlements in order to raise funds to be distributed on the basis of merit and need for the benefit of grass roots community sport and recreation clubs and the South Australian community.*



**Club One (SA) Ltd**

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**Corporate directory**

**Directors**

AE Clarke

JB Dicker

DG Jones

DHB McLeod

SJ Owens

RG Raphael

C Taylor

**Company Secretary**

M Keenan

**Legal advisors**

Wallmans Lawyers

173 Wakefield Street

Adelaide SA 5000

Telephone (08) 8235 3000

**Corporate Accountant**

Kennedy & Co Chartered Accountants

140 Greenhill Road

Unley SA 5061

Telephone (08) 8373 5588

**Auditor**

PK Whitehead

MGI Assurance (SA) Pty Ltd

212 Greenhill Rd

Eastwood SA 5063

# Introduction

Club One is the holder of Special Club Licence 51500003.

The Licence has the authorization to:

*'possess approved gaming machines and to operate them on premises in respect of which someone else holds a gaming machine licence as agent of the holder of the gaming machine licence in accordance with the Gaming Machines Act, 1992 and the conditions of the licence.'*

Among the conditions is the following:

*'The licence is subject to the following conditions imposed by section 24A(4) of the Gaming Machines Act, 1992:*

*3. A condition requiring the holder of the licence to provide a report to the Minister, no later than 30 September in each year, on the conduct of its financial affairs during the financial year ending on the previous 30 June, including reference to distribution of funds among community, sporting and recreational groups'*

The distribution of funds among community, sporting and recreational groups.

## a. **Direct:**

Club One distributes funds directly by way of two core sponsorship programs and an ancillary program.

1. The small sponsorships grants – managed by the Board through the Executive Officer, determined monthly, up to \$500 per application, annual budget 2010 -2011 was \$ 36,000.
2. The large project sponsorships – determined twice yearly for the 2010-2011 year, managed under contract by Sport SA and Clubs SA, the budget was \$196,000.
3. Public Relations support – managed through the Board and determined by request, the spending addresses support for signage and information for Clubs. The expenditure was \$6,000

Total direct distribution 2010 – 2011 = \$238,000 plus GST.

## b. **Indirect – return from vesting**

Club One enters into an arrangement with some Clubs when it purchases Gaming Machine Entitlements (GME) termed vesting.

Vesting is a permanent arrangement whereby Club One pays an annual fee to the Club in return for the GME.

The intent of vesting is to provide permanent and better return to a Club than the return they could get from investing the proceeds of the sale of a GME.

Presently Club One has 113 GMEs subject to such arrangements. During 2010-2011 financial year Club One made vesting payments of \$594,590

As Club One raises this money annually to meet this cost, Club One is contributing all the payment to the industry.

Total Direct and Indirect distribution 2010 – 2011 = \$832,590



# Summary of grant distribution

## Summary of small grant distribution

- Athelstone Women's Soccer team** – 21 playing tops plus goal keeper.
- Badenya Football Club** – soccer balls, corner flags, stop watch, yellow and red cards, whistles.
- Blue Water Raiders Port Lincoln Dragon Boat Club Inc.** – seat post, microphone for calling strokes, etc.
- Boolaroo Swimming Club** – computer and program to run carnivals.
- Bridgewater Tennis Club** – modified equipment to start a 'hot shots' program for children 5-12.
- Central Whyalla Football Club** – to assist in resheeting roof of gym.
- Clearview Bowling Club** – photocopy machine.
- Clovelly Calisthenics** – new mid length pony hair pieces.
- Corromandel Ramblers Cricket Club** – training equipment for juniors.
- Cressy Bowmen Inc.** – 2 training bows .
- Elliot Gardens Retirement Club** – gymnastic balls to improve fitness and health.
- Encounter Paddling** – storage racks and lockable lockers for kayak storage at Encounter Lakes.
- ETSA Bowling & Croquet Club** – new locks for club on the exit doors.
- Flinders Park Tennis Club** – new program called 'hot shots' for juniors.
- Gawler Trail Horse Riders Club** – accredited first aid certificates.
- Gepps Cross Junior Football Club** – replace Guernsey's as part of Wiltshire program.
- Glengarry Tennis Club** – training equipment for junior tennis training.
- Glenunga Tennis Club** – perpetual trophy for GTC junior of year.
- Golden Grove Netball Club** – set of bibs.
- Goodwood Indians Baseball** – balls and Catchers protective equipment.
- Highercombe Golf & Community Club** – ball washer kits .
- Holdfast Bowling & Croquet Club** – youth bowls programme.
- Indoor Soccer SA** – computer.
- Inman Valley Tennis and Community Sports Club** – junior tennis teams equipment and sports tops.
- Karoonda Football Club Playground** – junior tops.
- Langhorne Creek Women's Bowls Club** – start place mats and markers and small score board.
- Lockleys Bowling Club** – preparing Club for hosting World Bowls Tournament in Centenar year.
- Morphett Vale Football & Sports Club** – junior player jackets for interchange bench.
- Morphett Vale Football & Sports Club** – footballs for junior teams.
- Mount Burr United Football Club and Mount Burr Netball Club** – new door and shutter to kitchen so can serve food by volunteers.
- Mt Barker & Districts Little Athletics Centre** – committee volunteer shirts.
- Mt Barker and Districts Little Athletics Club** – stop watches to time runners and an associated printer.
- Murrayland Junior Basketball Club** – bibs so all players can have one.
- Naracoorte Squash Club** – junior equipment, especially training racquets and balls.
- Norwood soccer club** – equipment to support development of a first XI schools knockout competition.
- Para Hills Bowling Club** – umpiring equipment, automatic return measure/boundary scope/Prohawk measure/wedges.
- Para Hills Football Club** – first aid kits.
- Plympton Sports and Recreation Club** – footballs.
- Port Lincoln City Band** – small equipment: music sheet holders, stands, rostrum banners.

**Port Lincoln Orchid Club** – assist with cost for the Spring Show.

**Port McDonnell and District Bowling Club** – kitchen equipment (plates etc) for serving teas at Sunday social bowls.

**Port Parham Sports and Social Club** – accounting and records package (Quicken) and get training.

**Port Pirie and District Hockey Association** – rule books, whistles and cards.

**Port Pirie rowing Club** – navigation lights for racing shells (for early morning training).

**Recreation SA** – materials to facilitate aquatics recreation programs.

**Renmark Rowing Club** – a schools program.

**Rose Park Cricket Club** – equipment for 2 junior teams .

**Rowing SA** – Australian Youth Cup.

**Rowing South Australia (adaptive rowing; rowing for those with a physical or mental disability)** – small plastic boat trailer.

**SA 12 Cadet Dinghy Council** – develop a “fun and competency” program for children under 10.

**SADF (South Australian Dance Forum)** – dance floor, electronic equipment.

**SASRAPID / Netball SA** – netball uniforms for 10 intellectually disabled netballers to play in U21 National Championships.

**SASRAPID/ SAAFL** – footballers uniforms for Intellectual Disability Team.

**Skate SA** – create a pathway to enable recreational roller skaters in recreation centers to move into Clubs and boost the sport

**SKATE SA** – second hand skates for clinics.

**Somerton Surf Lifesaving** – Nippers board.

**South Coast Triathlons** – safety equipment to manage the races safety – cone, barricade tape, signs.

**Southern Breakers Soccer Club (Port Elliot)** – goals, corner flags and training equipment for newly formed women’s team.

**Southern Districts Grid Iron Club (The Oilers)** – training equipment.

**St Josephs Sailing Team** – training sailing boats including buoyancy vets and sailing tackle.

**Stansbury Bowling Club** – 2 first aid kits.

**Strykers hockey Club** – a junior strip for team.

**Sturt Marion Women’s Soccer Club** – replace nets and balls.

**Sturt Women’s Cricket Junior Teams** – training equipment and a small playing kit (helmets, gloves etc ) to support 3 girls teams.

**Tri State Games for the Disabled** – roadside safety sign and equipment.

**Trinity Gardens Bowling Club** – new lamps.

**West Torrens District Cricket Club** – repair the synthetic grass at the junior’s facility.

**West Torrens Softball Club** – bats and bases to expand the number of junior teams.

**Wirrabara Bowling Club** – new tables, chairs and table cloths.

**Wirulla Sport and Recreation centre** – various small items to enable juniors to access the centre and its projects.

**Woodville Bowling Club** – small refrigerator.

## Summary of large grant distribution

**Athletics SA** – recruitment and retention plan for volunteers.

**Austral Volleyball Club** – padding around posts.

**Badminton SA** – send coaches to coaches presenter course.

**Adelaide University Touch Club** – equipment to assist State Cup campaign in 2011.

**Aldinga Bay Croquet Club** – lay paving to provide disabled and machinery access to croquet courts. Erect ball containment barriers around the croquet courts.

**Berri Rowing Club** – upgrade boats for training of local high school students and use by the local rowers.

**Blindsport SA** – specialized equipment for sporting activities.

**BMW Netball Club** – equipment to be used for training over 100 members.

**Booeroo Centre Bowling Club** – new scoreboards.

**Callington United Eagles** – new jumpers to all grades.

**Charlton Cricket Club** – to remove existing pitches & replace with new ones.

**Coffin Bay Yacht Club** – heart start defib from St John Ambulance.

**Corromandel Valley Cricket Club** – new shed and training facilities.

**Croquet SA** – laptops for volunteers.

**Elliot Gardens Residents** – solar heating blanket for pool.

**Equestrian Park Aldinga Inc** – riding equipment.

**Fencing SA** – equipment for school development program.

**Flagstaff Hill Tennis Club** – Tennis Tutor Ball Machine and other equipment.

**Glenelg Softball Club** – secure trailer to transport equipment.

**Greenacres Sport & Social Club** – sets of juniors playing jumpers.

**Hallett Cove Netball Club** – full length pole covers.

**Hills Little Athletics Centre Inc** – custom built trailer for the safe transport of sporting equipment for the juniors.

**Hockey SA** – facilitate a corporate hockey challenge.

**Holdfast Bay Bowls & Croquet** – loan bowls and bowls storage equipment for school students and night owls.

**Iron Knob Bowling Club Inc** – replace a 48 year old rainwater tank with new pipes/fittings

**Jamestown Amateur Swimming Club** – conduct a coaching day in Jamestown.

**Kara Kara Rhythmic Gymnastics Club** – safety mats.

**Kangaroo Island Yacht Club** – Junior come and try trainer dinghy.

**Lacrosse SA** – development kit and promotion materials.

**Lyndoch & Dist bowling Club** – sets of small bowls to encourage children and to assist the female players.

**Manoora Basketball Club** – storage shed.

**Millicent Golf Club** – junior coaching equipment.

**Moana Surf Life Saving Club** – ski ergo training equipment.

**North Eastern Metro Junior Football Assoc.** – establish a youth/girls competition.

**Mountain Pony Club** – dressage training equipment.

**Murrayville Netball Club** – build a new storage shed with shelter for spectators.

**North Eastern Metrostars Soccer Inc** – new sporting equipment for juniors, including: inflatable goals, balls, cones and bags for equipment.

**North Mount Gambier Football Club** – build a change rooms for female teams.

**Para Hills Football and Sport Club** – establish 2 junior girls teams and U18 team.

**Port Adelaide Lion Soccer Club** – junior playing and pitch equipment.

**Port Pirie Regional Gymnastics Club** – replace equipment.

**Port Lincoln Gymnastics Club** – safety landing mats.

**Port Victoria Progress Assoc** – refencing club rooms.

**Powerblades Dragon Boat Club** – construct new website.

**Port Lincoln Tennis Club** – construct new website.

**Port Augusta and District Little Athletics Club** – lay a concrete base, rubber surfacing and sand for pit.

**Reade Park Croquet Club** – four croquet mallets.

**Quorn Bowling Club** – evaporative air conditioners and 1 gas heater with 2 reverse cycle units and shade cloth.

**Rivoli Bay Sailing Club** – new boat and life jackets for come and try program.

**Riding for disabled York Pen.** – equipment for participation.

**Riverside Rowing Club** – new equipment.

**Road Runners Softball Club** – junior and trial sport equipment.

**SA Sea Rescue Inc** – sea rescue training dummies, and 1 adult size and 1 youth size.

**SASRAPID (SA Sport & Rec Assoc for people with disabilities)** – uniform kits for the indoor cricket team.

**Snowtown Community Club** – solar panels to reduce the club's costs.

**Strathalbyn Netball Club** – medical equipment, junior sports equipment and coaching resources.

**Sturt Lawn Tennis** – sun and wind screens for courts.

**Southern Vales Archery Club** – UV sun shades.

**South Coast Triathlons** – new time clocks.

**Special Olympics SA** – volunteer management services.

**Sports Medicine SA** – sport injury management services.

**Surfing SA** – competition rash vests.

**Spalding Bowling Club** – retractable shade sail.

**Special Olympics Australia (SA)** – equipment for Community Sports-Link program which provides people with an intellectual disability the opportunity to participate in local sport and recreational activities.

**Trinity Gardens Bowling Club** – portable hydration station to enable convenient access to cool water at the bowling green in use.

**Tarlee Bowling Club** – set of lawn bowls suitable for young people and to encourage teenagers to take up the sport.

**Ten Pin Bowling SA** – portable lane equipment for schools and training program.

**Toorak Burnside Bowling Club** – to build an outdoor BBQ to enable fund raising and socialising.

**Torrens Valley Redsox Softball Club Inc** – purchase protective equipment for the "Catchers" and umpires who oversee school and junior games.

**USC Lion Volleyball Club** – volleyballs of current standard and level 1 coaching accreditation for 6 coaches.

**Waiwilta Paddling Club** – paddle box and speaker system.

**Warrambo Community Club Inc** – to replace inferior lighting at the community netball courts.

**Wheel Chair Sports SA** – wheelchair basketball development program and equipment.

**Western Dist Athletics Club** – to replace broken partitioning in the club house and also whiteboards and notice boards.

**Westminster Hockey Club** – to purchase hockey sticks and protective face masks.



### Purchase types

- Administration equipment ● score boards etc
- Building needs ● chairs, air conditioners etc
- First aid ●
- General equipment ● BBQ etc
- Sports Equipment ●
- Unifoms ●

### Type of clubs

Club	City	Rural	Total
Archery	2	#	2
Athletics	3	6	9
Badminton	1	0	1
Baseball	1	0	1
Basketball	0	2	2
Blindsport SA	1	0	1
Bowling	6	5	11
Calisthenics	1	0	1
Community &RSL	3	4	7
Cricket	6	2	8
Croquet	5	1	6
Dance	1	0	1
Fencing	1	0	1
Football	6	5	11
Grid Iron	1	0	1
Golf	1	1	2
Gymnastics	1	3	4
Hockey	1	1	2
Kayak	2	0	2
Lacrosse	1	0	1
Netball	3	3	6
Pony Club	2	3	5
Recreation SA	1	0	1
Rowing	3	4	7
Sailing	2	3	5
Sea Rescue SA	1	0	1
Skate	2	0	2
Soccer	5	2	7
Softball	4	0	4
Sports Medicine SA	1	0	1
Special Olympics	1	0	1
Squash	0	1	1
Surf	2	0	2
Swimming	1	2	3
Tennis	6	2	8
Ten Pin Bowling	1	0	1
Volleyball	2	0	2
Wheelchair sports	1	0	1
<b>Totals</b>	<b>82</b>	<b>48</b>	<b>130</b>

# Board

Club One (SA) Ltd is managed by a Board made up of three Independents with expertise and experience in Gaming Law, Accounting and welfare issues (appointed in accordance with provisions of the Gaming Machine Act 1992), two nominees of the Licensed Clubs Association of South Australia (Clubs SA), a nominee of The South Australian Sports Federation Incorporated (Sport SA) and a nominee the South Australian National Football League (SANFL). Each independent member has a three-year term and retires in a yearly sequence. The independents nominate the Chair.

**David McLeod** Chair (re-appointed March 2011)  
Nominee – A lawyer with at least three years standing with experience in the club and gaming industry.

**Dwayne Jones** (Re-appointed in 2009). Nominee – a qualified accountant of at least three years standing with experience in the club and gaming industry. One year of the term remaining.

**Andrew Clarke** (Re-appointed March 2010).  
Nominee – a person with experience in dealing with issues of problem gambling and gambling addiction. Two years of the term remaining.

**Jim Owens** Nominee of South Australian National Football league. Appointed at the pleasure of the nominee.

**John Dicker** Nominee of Sport SA. Appointed at the pleasure of the nominee.

**Cameron Taylor** Nominee of Licensed Clubs Association of SA. Appointed at the pleasure of the nominee.

**Robert 'Bob' Raphael** Nominee of Licensed Clubs Association of SA. Appointed at the pleasure of the nominee.

*The Board (back – left to right)*

*John Dicker*

*Cameron Taylor*

*Andrew Clarke*

*Stanley 'Jim' Owens*

*(front – left to right)*

*Robert 'Bob' Raphael*

*David McCleod (Chair)*

*Michael Keenan (CEO)*

*Dwayne Jones*



# Report of the Chair 2010 -2011

I am pleased to report on the 2011 year for Club One (SA).

Despite a year of economic stress, Club One has managed to maintain a steady rate of growth, reflected in its regular acquisition of Gaming Machine Entitlements (GMEs). This has enabled Club One to sustain its grants and support to the industry in a time of general income decline.

Whilst Club One has acquired more GMEs, the revenue from GMEs has been dropping. On a daily basis the income has dropped from over \$172 per day at its peak in 2007 to \$157 per day in 2010 (OLGC annual Report 2009-10). Gaming is not alone in this drop; retail has followed a similar pathway, as has most of the consumer sector. Taken together, these trends have created a loss of confidence in the future and a commensurate slowing of investment.

An additional, ongoing and wearing pressure on industry confidence is the Gillard-Willkie Pact, and the regular promises by Mr Willkie that he will bring down the government unless it does as he wishes with the gaming industry. Whilst these calls are both intrusive and clumsy, they have chilled the declining vigour of the industry.

The core of the problem is that there is plenty of certainty. The work of Clubs Australia reveals that the legacy of any implementation of the Gillard-Willkie Pact will be a crippled club sector, sport denuded of funds and a lot of self satisfied "concerned" people – that is until they find out that they have helped create dysfunctional communities. This will be especially so in the poorer suburbs where large clubs provide the main social and recreational support and a focus for social cohesion.

In South Australia, recent regulations have almost made it impossible to provide new gaming venues, or even to expand existing venues to any size.

Without new venues and growth, there will be no dynamic for the industry. This may suit existing operators but it will further concentrate wealth and it will constrain Club One by preventing it from attaining its goals of providing new, modern, safe and well planned clubs to fund sport and recreation

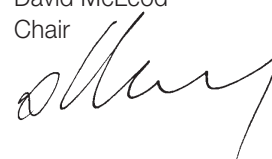
In such an environment, it is a matter for celebration that Club One managed to secure its 250th GME during the year under review. Club One has defied many expectations and despite the economic environment, the weight of legislative and statutory challenges, Club One has met and passed a significant growth milestone. Clubs can be proud that their body is second in size only to the Casino.

In the immediate future, Club One confronts "the trade". This is a government-managed market of GMEs. This "trade" has the objective of reducing the number of GMEs in SA, and will be met by removing 1 in 4 of all GMEs sold by hotels. The "trade" is designed to encourage sales at low value in order to maximise purchases and thereby the reduction in GMEs.

Club One will approach the "trade", as it does all its projects, by looking for positives so it can maximise the position of Club One and thereby the club and sporting sector.

I would like to thank the Executive Officer, Michael Keenan, for his innovation and energy in pursuing the interests of Club One. I thank also my Colleagues on the Board for their deliberations and support in this challenging year. Finally, I thank the many clubs throughout the State that have understood the bigger picture for the industry, and have put their GMEs into Club One.

David McLeod  
Chair



# Executive Officer Report

## Overview

After over half a decade of significant effort, Club One has reached the significant milestone of 250 Gaming Machine Entitlements (GMEs). The growth has been consistent and substantive. In response to the lack of capital and legislative challenges, the Board has adopted an approach of being a broker in GMEs. This strategy has been successful despite the industry being in a state of almost constant flux, particularly now the Commonwealth Government is seeking to intervene. Regardless, Club One has been constantly exploring new strategies, has reached a position of maturity, and understands itself to be a unique and significant part of the club and gaming industry in South Australia.

## GMEs

Club One has slowly, regularly and consistently accrued GMEs this year. The slow growth is a function of the accessibility of capital and the processes of scrutiny and propriety undertaken by the Office of Liquor and Gambling Commission (OLGC).

As the OLGC has undergone some restructuring in the year, the already slow due process has further slowed. Some of this is because of the need for the OLGC to put its systems in place and partly because there has been a change over in staff. In turn, these changes have seen much corporate memory lost and thereby a need to a train and familiarise staff.

Unfortunately the fall-out of these processes has seen Club One miss opportunities to maximise income as GMEs have taken longer to commission. It has also seen Club One resort to short-term financial arrangements to cover costs generated by these increasing times between purchase and commissioning.

## Raising Capital – Regulation changes

The Parliament approved changes to the Gaming Machine Act in this year. In turn, the Minister amended regulations that gave Club One the capacity to access its GMEs to raise finance. The changes, which were gazetted toward the end of financial year, have brought Club One into line with hotels and clubs with regards to providing GMEs as collateral. It also means that for the first time Club One can seek institutional finance.

Unfortunately the climate is not conducive to capital raising as the lingering global financial crisis (GFC) has made capital hard to access because the banks are very risk adverse. Indeed, for many banks, gaming with its heightened state of legislative flux, is not seen as good risk.

Regardless, in the long run the granting to Club One of an ability to access the capital market will provide a significant boost to Club Ones' capacities.

## **New Venues – IGA and the Social Effect Inquiry**

The new capital raising abilities are intended to meet Club One’s ongoing support of clubs by vesting/purchasing more GMEs. The capital is also intended to facilitate the establishment of Club One venues, an important part of the Club One charter.

Unfortunately, the strike rate of Club One new venues is very low. Part of this is because Club One has not had the capital but also because the processes of establishing a venue have proved to be difficult. They have become more difficult with the Independent Gambling Authority (IGA) defining the Gaming Machine Act Social Effect Inquiry requirements for new venues and for those venues seeking to substantially expand.

Whilst the new Inquiry has yet to be tested, Club One has concluded that if and when it may be applied, the process requirements of the test will intensify the already challenging requirements required of a venue to exist or expand.

## **The Trade**

As part of the government commitment to remove 3,000 GMEs from South Australia, the Gaming Act was amended to facilitate and describe OLGC-managed trades in GMEs..

Club One subsequently participated in a sub working party process to clarify the processes of the trade.

The commencement of the trade has had several mooted dates and at the time of writing this report, they are still being mooted.

Club One anticipates the trade with some caution as it will occur in an industry that has had several years of income decline and increased compliance costs. There is also some legislative uncertainty emanating from the Commonwealth Parliament. As a result there may be a depressed price for GMEs. The impact of a low price may well see venues leave contracts with Club One as they replace Club One GMEs with those they purchase. However should the price rise, then Club One would be seen as a better investment; a price rise would also increase the value of Club One’s assets – its GMEs.

## **Club Management Services (CMS) arrangements**

Presently, under a set of agreements with Club Management Services, Club One obtains a line of credit that facilitates its purchases of GMEs.

The facility is reaching maturity and the various arrangements that were agreed have been eroded by changing legislative and economic circumstances. As a result, Club One and CMS have been discussing the arrangements and anticipate a significantly changed relationship to evolve.



## Parking and Venues

Most of Club One GMEs are put into venues on a temporary basis. This is termed “parking”. The arrangements, as overseen by the OLG, have managed to see Club One allocate all its GMEs. Coupled with the income from long-term arrangements with clubs, the income has slowly increased in proportion with the number of GMEs fully employed. The resulting incomes are applied to the Club One debt and to fund operations and make grants.

The capacity of Club One to expand its income utilising parking is increasingly more challenging. Many venues are balancing up the increasing costs of compliance and the slowing of the gaming industry and concluding that the advantages of having Club One GMEs is becoming less appealing.

## Grants and activities

As Club One manages to place GMEs into venues shortly after getting them, the slowing of the industry and the restrictions on venues has not yet materialised as a drop in income for Club One. This in turn has enabled Club One to maintain its sponsorship program and small grants initiatives.

The money is in high demand as club and sport fund-raising has been a victim of the changed economic times.

## Board membership – re-appointment of the Chair

The constitution of Club One requires the rotated retirement and election of one of the three independent members each year. This year, David McLeod was reappointed to the position of a person with legal expertise and experience in gaming. He also resumed his role as the Chair.

## The coming year – industry health and the Wilkie pact

The stability engineered by the re-appointment of the Chair will be tested in the coming year as the Gillard-Wilkie Pact to introduce mandatory pre-commitment is realised.

Club One will be challenged by the collateral damage that will occur as average recreational gamblers turn away from playing gaming machines because of the mooted identification imposts determined by pre-commitment.

The present slow decline in gaming activity will also provide a challenge to Club One. This trend has been maintained as the industry has matured. Should internet gambling be legalised - as recommended by the Productivity Commission - the downward trend will become a collapse. To date there is no sign of such a paradoxical move.

At present and for the near future, it is steady as it goes until the March 2012 deadlines set by Mr Wilkie.



Michael Keenan  
Executive Officer

# Financial Report

## Directors report

Your directors present their report on the company for the financial year ended 30 June 2011.

### Directors

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

Robert Raphael  
Cameron Taylor  
David McLeod  
Dwayne Jones  
Andrew Clarke  
Stanley Owens  
John Dicker

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

### Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Anthony Michael Keenan, CSA (cert), Bachelor of Arts, Masters of Education. Mr Keenan has 25 years experience working in Public Office, Management and as a Company Director. Mr Keenan was appointed company secretary on 24 February 2005.

### Principal Activity

The principal activity of the company during the financial year was the management of gaming machine entitlements on behalf of licensed clubs in South Australia. No significant change in the nature of these activities occurred during the year.

The company's short term and long term objectives are to:

- Maximise the number and spread of gaming machine entitlements, gaming machines and gaming revenues for Licensed Clubs.
- Generating income and determining policies to foster and support grass roots sport, recreation and community benefit.
- Generating income and determining policies to foster and support the peak bodies and associations involved with clubs.
- To support the development and management of a skill centre that will service the skills needs of gaming in Clubs in South Australia. In particular by developing the practice of safe gaming principles by its adherence to best practice harm minimisation as contained in the Clubs SAfe © program and its successors.

In facilitating these objectives, the company has adopted the following strategies:

- Purchasing GMEs at prices that ensure sales are made to company thereby ensuring the retention of GMEs in the sector through supporting Clubs that seek more GMEs to expand their fleet and participating in the transfer of hotel machines to the Club sector by purchase and other transfers.
- Whilst maximizing income from each GME, the company aims to maximise grants and sponsorships based on merit and need, whilst increasing the company involvement with peak bodies and associations in the clubs industry.
- Support venues and include in contracts the requirements to meet harm minimization and club Safe practices, which will allow Clubs to trade successfully to amass sufficient funds to attract capital to support a skill centre and participate in seminars and conferences that address safe practices.

### Operating Results

The profit of the company for the financial year after providing for income tax amounted to \$279,032 (2010: \$299,776 profit).

### Dividends Paid or Recommended

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

### Review of Operations

A review of the operations of the company during the financial year and the results of those operations found that during the year, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

### Significant Changes in State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

### After Balance Date Events

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

### Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

### Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Options

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

## Information on Directors

Robert Raphael, Director

Over 30 years experience in the hospitality industry. Manager Trades Hall Club for three years.

Cameron Taylor, Director

Manager Para Hills Community Club for 15 years /Assistant manager of Renmark Hotel Inc from November 1992 to May 1996, then acting manager. from November 1995 to May 1996.

David McLeod, Chairman

*Bch Law, Master of Public & International Law*  
33 years experience in legal practice ranging from commercial, institutional, administrative & local govt. law to licensing, projects & issues management.

Dwayne Jones, Director

*Bch Management (Logistics and Supply Chain Management)*

Experience as a financial controller and bookkeeper.

Andrew Clarke, Director

*Bch Arts (Social Work)*

18 years experience with Child & Youth Services, 7 years as a Director of Community Services at Uniting Care Wesley Bowden.

Stanley Owens, Director

*Tertiary educated in Accounting. Past Member of the Institute of Chartered Accountants and CPA Australia*

44 years experience in accounting and management.

John Dicker, Director

*Bch Business, Police Studies Certificate*

42 years experience in law enforcement.

## Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each director were as follows:

	Number eligible to attend	Number attended
Robert Raphael	11	10
Cameron Taylor	11	10
David McLeod	11	10
Dwayne Jones	11	9
Andrew Clarke	11	10
Stanley Owens	11	11
John Dicker	11	10

## Indemnifying Officer or Auditor

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 officer or auditor of the company.

## Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration for the year ended 30 June 2011 has been received and can be found within this report.

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

David McLeod  
Director



## Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue		2,253,796	1,868,029
Administrative expenses		(32,775)	(44,908)
Professional fees		(100,282)	(99,246)
Marketing expenses		(254,925)	(189,335)
Occupancy expenses		(14,966)	(12,817)
Employee/director expenses		(293,675)	(275,928)
Other expenses from ordinary activities	2	(738,526)	(558,126)
Borrowing costs expense		(435,331)	(387,893)
Profit before income tax		383,316	299,776
Income tax expense	3	(104,284)	-
Profit after income tax		279,032	299,776
Other Comprehensive Income for the year		-	-
Total Comprehensive income attributable to the entity		279,032	299,776

## Balance Sheet

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	190,839	20,404
Trade and other receivables	5	537,901	447,807
<b>Total current assets</b>		728,740	468,211
<b>Non-current assets</b>			
Property, plant and equipment	6	4,459	6,548
Intangible assets	7	10,064,850	8,509,299
Deferred Tax Assets	10	21,465	-
<b>Total non-current assets</b>		10,090,774	8,515,847
<b>Total assets</b>		10,819,514	8,984,058
<b>Current liabilities</b>			
Trade and other payables	8	515,415	114,509
Provisions	9	8,619	7,492
Interest bearing liabilities	10	117,411	104,201
Current Tax Liabilities	11	116,582	-
<b>Total current liabilities</b>		758,027	226,202
<b>Non-current liabilities</b>			
Interest bearing liabilities	10	5,375,324	4,731,718
Deferred Tax Liabilities	11	9,167	-
<b>Total Non-current liabilities</b>		5,384,491	4,731,718
<b>Total liabilities</b>		6,142,518	4,957,920
<b>Net Assets</b>		4,676,996	4,026,138
<b>Equity</b>			
Reserves	12	4,711,818	4,339,992
Accumulated losses	13	(34,822)	(313,854)
<b>Total equity</b>	14	4,676,996	4,026,138

## Statement of Changes in Equity

for the year ended 30 June 2011

	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
<b>Balance at 1 July 2009</b>	(613,630)	3,590,897	2,977,267
Comprehensive income			
Profit attributable to the entity	299,776	-	299,776
Revaluation increment	-	749,095	749,095
Total comprehensive income	299,776	749,095	1,048,871
<b>Balance at 30 June 2010</b>	(313,854)	4,339,992	4,026,138
Comprehensive income			
Profit attributable to the entity	279,032	-	279,032
Revaluation increment	-	371,826	371,826
Total comprehensive income	279,032	371,826	650,858
<b>Balance at 30 June 2011</b>	(34,822)	4,711,818	4,676,996

## Cash Flow Statement

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		1,976,432	1,599,242
Payments to suppliers and directors		(1,664,240)	(1,554,680)
Interest received		5,460	2,415
Net cash (used in)/generated from operating activities	15	317,652	46,977
<b>Cash flow from investing activities</b>			
Payment for property, plant and equipment		(804,032)	(606,512)
Net cash used in investing activities		(804,032)	(606,512)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		760,403	517,977
Decrease in borrowings		(103,588)	(97,724)
Net cash generated from financing activities		656,815	420,253
Net increase in cash held		170,435	(139,282)
Cash at the beginning of the financial year		20,404	159,686
Cash at the end of the financial year		190,839	20,404

## Notes to the Financial Statements

For the year ended 30 June 2011

### Note 1: Statement of significant accounting policies

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users who are dependent on its general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Corporations Act 2001.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with previous period unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of this report are as follows:

#### (a) Property, Plant and Equipment

Each class of property plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

##### *Gaming Machine Entitlements*

Gaming machine entitlements are revalued at fair value annually using the current market rate published on the Office of Gaming and Liquor Commissioner website.

##### *Plant and equipment*

Plant and equipment is measured on the cost basis.

##### *Depreciation*

All assets, excluding freehold land and buildings, are depreciated on a straight line basis over their useful lives to the company.

#### (b) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to Balance Sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on costs.

Contributions are made by the company to a nominated superannuation fund and are charged as expenses when incurred.

#### (c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

#### (d) Goods and Services Tax (GST)

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

Cash flows are presented in the Cashflow Statement on a gross basis.

#### (e) Income Tax

The company was assessed as a taxable entity by the Australian Taxation Office on 21 November 2008 as it did not meet the conditions of s.50-45 Income Tax Assessment Act 1997. The Australian Taxation Office ruled that any benefit sporting bodies or sports gained from the company's activities were ancillary to the company's main purpose of operation, management and the maximising of income from gaming machines and management of same in licensed and other clubs.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

No deferred tax liability is recognised for the revaluation of gaming machine entitlements, due to the restrictions on the sale of gaming machine entitlements per the Gaming Machines Act 1992. Accordingly no gain or loss on sale will ever be recognised by the company, thus failing to meet the recognition criteria of a tax liability per AASB 112 Income Tax.

#### (f) Going Concern

The financial report has been prepared on a going concern basis as the directors have received a guarantee of continued financial support and the directors believe that such financial support will continue to be made available.

	2011 \$	2010 \$
<b>Note 2: Profit before income tax</b>		
Expenses		
Depreciation and amortisation	2,489	2,841
Remuneration of auditor		
– audit or review	2,475	2,350
<b>Note 3: Income tax expense</b>		
The components of tax expense comprise:		
Current tax	108,368	-
Deferred tax		
Recoupment of prior year tax losses	(4,084)	-
Under provision in respect of prior years	-	-
	104,284	-
Prima facie tax payable on profit from ordinary activities before income tax at 30%	114,995	-
Add:		
Tax effect of:		
Non Deductible Expenses	32,669	-
Accrued Income	9,597	-
Less:		
Tax effect of:		
Deductible Expenses	27,779	-
Provisions	2,248	-
Accruals	18,867	-
Recoupment of prior year tax losses not previously brought to account	4,084	-
Income tax attributable to entity	104,284	-
<b>Note 4: Cash and cash equivalents</b>		
Cash at Bank	190,839	20,404
	190,839	20,404
Reconciliation of cash		
Cash at bank	190,839	20,404
	190,839	20,404
<b>Note 5: Trade and other receivables</b>		
<b>Current</b>		
Trade receivables	507,344	414,317
Other debtors & accrued income	30,557	31,990
Prepayments	-	1,500
	537,901	447,807
<b>Note 6: Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At Cost	11,659	11,659
Less accumulated depreciation	(7,200)	(5,111)
Total plant & equipment	4,459	6,548
Total Property, plant & equipment	4,459	6,548

	2011 \$	2010 \$
<b>Note 7: Intangible assests</b>		
Gaming machine entitlements	10,030,418	8,479,545
Special Clubs Licence	29,133	29,133
Capitalised Legal Fees	5,079	-
Borrowing costs	2,000	2,000
Less accumulated amortisation	(1,780)	(1,380)
	10,064,850	8,509,299
<b>Note 8: Trade and other payables</b>		
<b>Current</b>		
Trade creditors	409,414	4,962
Employee benefits	7,678	4,124
Director benefits	42,539	41,101
GST creditor	(15,289)	6,681
Accrued expenses	71,073	57,641
	515,415	114,509
<b>Note 9: Provisions</b>		
Provision for annual leave	8,619	7,492
	8,619	7,492
<b>Note 10: Interest bearing liabilities</b>		
<b>Current</b>		
Unsecured Loan - Other	117,411	104,201
	117,411	104,201
<b>Non-current</b>		
Unsecured Loan - CMS	4,684,864	3,956,059
Unsecured Loan - Other	690,460	775,659
	5,375,324	4,731,718
<b>Note 11: Tax</b>		
<b>Current</b>		
Income tax payable	116,582	-
	116,582	-
<b>Non-current</b>		
Deferred tax liability		
Opening Balance		
Add		
Provisions		
Accruals	9,167	-
Closing Balance	9,167	-
Deferred tax assets		
Opening Balance		
Add		
Provisions	21,465	-
Closing Balance	21,465	-

	2011 \$	2010 \$
<b>Note 12: Reserves</b>		
Asset revaluation reserve	4,711,817	4,339,992
Movements during the financial year:		
Opening balance	4,339,992	1,194,299
Revaluation of Lump Sum & Vesting GME's	371,82	3,145,693
Closing Balance	4,711,818	4,339,992

**Note 13: Retained earnings**

Opening balance	(313,854)	(613,630)
Profit after income tax	279,032	299,776
Closing balance	(34,822)	(313,854)

**Note 14: Equity**

Beginning balance	3,111,244	2,940,571
Movement in asset revaluation reserve	371,82	(129,103)
Profit after income tax	279,032	299,776
Closing balance	3,762,102	3,111,244

**Note 15: Cash flow information**

Reconciliation of cash flow from operations		
with profit after income tax		
Profit / (loss) after income tax	279,032	299,776
<i>Non cash flows in profit</i>		
Deprecation and amortisation	2,489	3,537
Interest Expenses	-	-
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(93,023)	(261,634)
(Increase)/decrease in other assets	(5,079)	13,500
Increase/(decrease) in payables	28,822	(2,110)
Increase/(decrease) in provisions	105,411	(6,092)
Cash Flows from operations	317,652	46,977

**Note 16: Members Guarantee**

The company is limited by guarantee. If the company is wound up, the articles of association state that each member is required to contribute a maximum of \$200 each toward meeting any outside obligations of the company. At Thursday 30 June 2011 the number of members was 2 (2010:2)

**Note 17: Entity details**

The registered office the company is:

Club One (SA) Ltd  
140 Greenhill Road  
Unley SA 5061

The principal place of business is:

Club One (SA) Ltd  
222a Henley Beach Road  
Torrensville SA 5031

**Directors Declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 14 are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001;and

(b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the financial year ended on that date of the company in accordance with the accounting policies described in Note 1 to the financial statements.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable with the continuing support of creditors.

This declaration is made in accordance with a resolution of the directors.

DAVID MCLEOD  
Director





**Club One (SA) Ltd**

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