

# 0910

**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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Torrensville SA 5031  
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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

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 sponsorship programs.

- 1 The small sponsorships grants - managed by the Board through the Executive Officer, determined monthly, up to \$500 per application, \$2,000 per month and an annual budget 2009 - 2010 was \$24,000 plus GST.
- 2 The large project sponsorships - determined twice yearly, managed under contract by Sport SA and Clubs SA, initial annual budget 2009 - 2010 was \$120,000 plus GST. Additionally the two peak bodies are paid collectively \$16,000 plus GST to administer the grants.

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 97 GMEs subject to such arrangements. During 2009 - 2010 financial year Club One made vesting payments of \$510,211.87

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 \$670,211.87

# summary of gr

**Marion Croquet Club** Powder coat hoops

**SA Dragon Abreast Inc** Funds for amplification in their dragon boat to convey instructions to the crew above the noise of the spectators, etc.

**State Riding for the disabled** Funds for walking transfer belts for riding programs - the belts permit volunteers to handle disabled when on the horse

**Fox Creek Working Sheepdog Trials** Commissioning of movable fences with signs for the charity fund raising

**Macclesfield Netball Club** Meet the costs of first aid equipment and training aids

**Riding for the Disabled Association** Mount Barker Centre Commissioning of a new building

**Tea Tree Gully Croquet Club** Shirts with club logo

**Port Lincoln old Style Dance Group** Support fortnightly dance group of aging participants

**Port Lincoln Dragons Abreast** Gazebo for gathering team together and providing signage space

**South City Chiefs** American Football Club based in Marion Provide padded gridiron uniforms, helmets and balls for junior team, have raised half

**Rudall Netball Club** Sports trainers' first aid bag

**Charlton Cricket Club** To renew damaged nets recent storms and cracked pitches - sold wood (from Club President's farm) and have family dinners

**Ferryden Park Senior Citizens Club** 'Every Generation Activity' fund-raiser and membership drive day, to buy a BBQ

**Murrayland Be Active Program** Seeking to set up Orienteering Course through Monarto Zoo

**Norwood Croquet Club** Purchase balls for training in the game

**Marching SA** 150 registered members age 5 to 'Masters' Music system is old and needs replacing (music is their main item of 'sporting' equipment)

**Henley Bowling Club** The Henley Sharks For modern first aid kit to comply with requirements of running Bowls into classes for local schools

**CFS** Operational Support Brigade New HQ Voluntary members providing logistic support and flying squad, seeking a Kestrel 35000 weather meter

**Marion Community Sports and Social Club** Funds for lighting equipment

**Blackwood Recreation Skating** Purchase of size adjustable inline skates to provide for increasing numbers of youth using the recreational activity

**Badenya Football Club** Liberian and African Football Club (Soccer) Team uniforms, goalie equipment, sox, coaches magnetic board and training bibs

**Port Augusta South Football Club** Seeking a vacuum cleaner, they received support for a taping course and now need to purchase maintenance gear

**Kangaroo Island Community Education Yacht Club Sailing Squad** To purchase for the windcheaters and polo shirts uniforms

**Port Lincoln Aboriginal Family Violence Prevention Legal Service Unit** To set up West Coast Weenas Surf Club for indigenous girls

**Myponga Tennis Club** Remarking of court lines

**Hellenic Association for Pensioners and Aged** Purchase of projector for use at Club meetings, will be able to fund difference

**Starplex Swim Club** Assistance with travel and accommodation costs (grants for junior athletes end at 18 and they are 19)

**Virtus Soccer Club Port Pirie** Seeking new polo tops, cones, bibs, flags and other training equipment

**Mackenzie Marching Club Old Reynella** Support for training venue when competing in Brisbane

**Kapinnie Recreation and Hall Association** Lower Eyre Peninsula Assist with building a playground by purchase of sand

**Iron Knob Bowling Club** Shade cloth and steel rails to finish off BBQ area

**Glenelg Korfbal Club** Equipment for training (sports bags, training tops, team uniforms)

**North Mount Gambier Netball Club** Storage shed for equipment, balance from fund raising

**Port Lincoln Motorcycle Club** Purchase materials to repair men's toilet block

**Tarlee Bowling Club** Purchase 2 step ladders to adjust fishing line and nets strung above green to prevent galahs from attacking greens

**Quorn Amateur Swimming Club** Purchase Meet Manager Software to enable Club to manage events, business and connect to Swim SA system

**Rookies Little League T-Ball Club** Replace kit bags to hold game equipment for 10 teams

**Grange Life Saving Club** Purchase a bar fridge for ice packs, etc.

**McLaren Flat Community Club** Purchase small fridge for bar in general upgrade kitchen and bar

**Marion RSL** Assist in purchase of a notebook laptop for RSL members use and teaching

**Karatado Goju Australia** Karate Club needs equipment mats and practice boards for juniors/new starts

**Naracoorte Football Club Playground** Purchase and install playground equipment for children

**Marathon Canoe Club of SA** Purchase of red safety flags for marathon canoeing (next event Martin's Bend to Morgan)

**Victor Harbor Netball Club** Purchase bibs for junior teams

**West Croydon Football Club Inc** Purchase bibs for training, water bottles and footballs

**Wirrulla Golf and Bowls Club** Have half a shed and seek to buy a roof and cement for the floor

**Aspire to Thrive Children Charities Inc** Autism event to be held at Salisbury North FC

**Yankalilla Netball Club** Purchase poles, protectors and rings to facilitate 'Net Set Go' training program for junior netballers

**Yankalilla Hockey Club** Goalie gear

**Lone Scouts** Seeking self inflating mattresses and Jamboree troop shirts

**Broadview Football Club** Therapy unit for injuries, esp. for veterans group

**South Terrace Croquet Club** Replace Club furniture

**Southern Suburbs Rugby Union FC** Seeking medial and first aid kits for teams

**Riding for the Disabled Association** Mount Barker Centre Club Assist 47 persons per week

**Backyard Football League Australia and Netball League Australia** First aid kits

**Brooklyn Park fellowship** Card tables that are easy to move

**Aldinga Bay Croquet Club** Purchase sets of golf croquet marker signs

**Macclesfield Netball Club** Meet the costs of training bibs, etc.

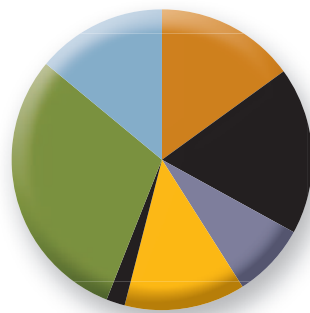
# Grant distribution

- Henley Life Saving Club** *Nipper program equipment*
- North Mount Gambier Football Club** *Marquee for change rooms*
- Toorak Burnside Bowling Club** *Replace equipment after vandal attack*
- Warrambo Community Club Inc** *Lighting for courts*
- Lyndoch & Dist bowling Club** *Bowls for female teams*
- Iron Knob Bowling Club** *Rainwater tanks and pipes*
- Tarlee Croquet and Bowling Club** *Lawn bowls for teenagers*
- Torrens Valley Redsox Softball** *Protective equipment for juniors*
- Charlton Cricket Club** *Resurface grounds*
- Adelaide Uni Sailing Membership drive** *New trailer, safety equipment and testing boats*
- Crystal Brook Amateur Swimming Club** *Training aids*
- Gawler Little Athletics** *Purchase trailer with removable hurdle frames*
- Glengowrie YMCA** *New supersoft mats*
- Murray Bridge and District Table Tennis Club** *Upgrade lighting to meet regulations*
- Skate SA** *Coaching day for non-members*
- Speedway Riders Association** *Purchase of speedway bike for 'Come'n'try' days*
- Surfing SA** *Purchase sets of rash vests*
- Trinity Gardens Bowling Club** *Remove existing shade structures and install new*
- South Adelaide Rugby League Club** *Purchase team guernseys for the junior teams*
- Gepps Cross Junior Football Club** *Purchase team guernseys for junior sides*
- Blackwood Seniors** *Purchase indoor games for the elderly*
- Diamond Taekwondo** *Purchase practice and safety equipment to comply with standards*
- Port Elliot SLC** *Purchase training rescue boat*
- Rowing SA** *Refurbish junior training and competition craft*
- Yankalilla Netball Club** *Purchase smaller balls and adjustable posts for participation by juniors*
- Brighton Seacliff Yacht Club** *Purchase training dingy to facilitate schools training*

## Types of Clubs

Club	City	Rural	Total
Athletics	#	1	1
Bowling	3	6	9
Canoe	1	#	1
Community & RSL	11	3	14
Cricket	#	2	2
Croquet	4	1	5
Dog	#	1	1
Dragon Boat	1	1	2
Football	4	3	7
Golf	1	#	1
Grid Iron	1	#	1
Gymnastics	#	1	1
Hockey	#	1	1
Karate	1	#	1
Korfball	1	#	1
Marching	1	1	2
Motor Cycle	#	1	1
Netball	#	8	8
Riding Club	2	1	3
Rowing	1	#	1
Rugby	2	#	2
Sailing	2	1	3
Skate	2	#	2
Soccer	1	1	2
Softball	1	#	1
Speedway	1	#	1
Surf	3	2	5
Swimming	1	2	3
Tennis	#	1	1
Table Tennis	#	2	2
TBall	1	#	1
Taekwondo	1	#	1

**Totals**                      **40**        **43**        **83**



## Purchase types

- Administration ● *Equipment, score boards, etc.*
- Building needs ● *Chairs, air conditioners, etc.*
- First aid ●
- General equipment ● *BBQs, etc.*
- Play equipment ●
- Sports Equipment ●
- Uniforms ●

**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 2008)  
Nominee - A lawyer with at least three years standing with experience in the club and gaming industry. Two years of the term remaining.

**Dwayne Jones**

(re-appointed in 2009)  
Nominee - a qualified accountant of at least three years standing with experience in the club and gaming industry. Three years of the term remaining.

**Andrew Clarke**

(re- appointed March 2007)  
Nominee - a person with experience in dealing with issues of problem gambling and gambling addiction. One year 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 (left to right)*  
*Robert 'Bob' Raphael*  
*Stanley 'Jim' Owens*  
*Dwayne Jones*  
*David McLeod (Chair)*  
*Michael Keenan (CEO)*  
*John Dicker*  
*Andrew Clarke*  
*(absent Cameron Taylor)*



**I am pleased to report that despite a drop in income and activity over the past year in most areas of hospitality and particularly in the Gaming sector, Club One has reaped the rewards of its adherence to sound commercial fundamentals by again producing steady growth**

#### **Club One in action**

Club One now has over \$8 million in assets and a turnover exceeding \$2 million a year. The assets come in the form of its Gaming Machine Entitlements (GMEs) and the bulk of its turnover is sourced from fees paid by gaming venues that host Club One GMEs. Through regular interaction with venues and assistance to clubs, the number of GMEs secured by Club One has grown during the year from 190 to 216. This represents a growth rate of 14%.

The number of Club One GMEs in clubs also increased with the Roxby Downs Club expansion finally seeing the venue recommissioned and Club One GMEs placed in the venue under a Host Club Agreement. This expansion has seen the Roxby Downs Club's services and facilities greatly improved, with the Club now a welcome enhancement to the Roxby Downs amenity. It certainly represents the standard that can be achieved by the potential offered by Club One to the Club sector.

As part of a strengthening strategy, Club One has sought to spread its portfolio of participating gaming venues. This has seen the number of venues participating in Club One increase by 100% and these include the two industry majors, Coles and Woolworths (ALH).

This process has been complemented by an agreement with Club Management Services (CMS) that enables Club One to retain its GMEs and place them to respond to Club One objectives. As a result, whilst the number of GMEs in Club One has risen to 216, the number of GMEs residing in CMS has fallen from 77 to 73, thus all growth is with Club One and its contracts.

On the other side of the ledger expenses, too, have grown. Underpinning its asset base Club One has in excess of \$4 million in loans and as the loans are rolling over they are converting to principal and interest payments, effectively doubling the repayments. An expense that is a positive is the number of GMEs that are vested has grown from 66 to 97. This is a 30% increase. ('Vesting' is where a club sells its GMEs to Club One in return for an ongoing contracted annual indexed payment).

At present 45% of all GMEs are vested and this means that Club One is generating ongoing significant returns to participating clubs. The intent of vesting is to provide permanent and better returns for a club than the return they could get from investing the proceeds of the sale of a GME. Presently Club One has 97 GMEs subject to such vesting arrangements. During the reporting period Club One made total vesting payments to the club sector of \$510,211.87



## Sponsorship Grants

Apart from providing participating clubs with an income stream from the sale or vesting of GMEs Club One manages two schemes to provide sponsorship grants directly to all clubs. These are:

### The small sponsorship grants

These are managed by the Board through its Executive Officer. They are determined monthly and are set at figure of \$500 per application to a total of \$2,000 per month. In the past year the annual budget was \$24,000 plus GST.

### The large project sponsorship grants

These are determined twice yearly and are managed under contract by Sport SA and Clubs SA. The annual budget for 2009 - 2010 was \$120,000 plus GST. Additionally, the two peak bodies are paid collectively \$16,000 plus GST to administer the grants.

Club One made direct and indirect distributions to the club industry of \$670,211.87. The intent is to increase this amount in the coming year, matching the increased revenue flows to Club One and reflecting the commitment of Club One to its industry.

## The year

Looking back, 2009-2010 has been a rewarding year for Club One. It has grown and it has met its charter of providing to its community.

My job as Chair has been made much easier by the commitment of the Board and the work of the Executive Officer. As well our advisors, Wallmans and Kennedy and Co have continued to provide expertise and counsel of great value at all times.

In terms of the Board, the three-year term of the independent member who is a qualified accountant of at least 3 years standing with experience in the club and gaming industry was filled by the renewal of the appointment of Mr Dwayne Jones.

Club One has maintained its professional relationship with the Office of the Liquor and Gambling Commissioner and Independent Gambling Authority, and regularly communicates with the key peak bodies in the industry, Clubs SA, Sport SA, the Australian Hotels Association and has appreciated the consistent support provided by its members, the South Australian National Football League and Clubs SA.

## Going forward

The future of Club One continues to be bright and given the period of stability that follows this year's March State election, Club One can look forward to expanding and supporting the club and not-for-profit sector; and whilst there is legislation pending, Club One, as a proven key element in South Australia's gaming policy structure, is confident of its role and future.

From its position as a penniless legislative orphan created barely six years ago to the successful funding source that it is today, Club One and its Board can look forward to building on its record of achievement and of fulfilling its role in what is now a significant and mature corporate body.

David McLeod



# EXECUTIVE

During 2009 - 2010 Club One secured 32 new Gaming Machine Entitlements (GMEs) from clubs. The majority of the GMEs were vested. This is a sale in which Club One and the club enter a contract to transfer ownership of the GMEs to Club One in return for a perpetual and indexed annual payment as negotiated. As part of the transfer there are legal costs and stamp duty, which Club One meets.

The other form of transfer is a straight sale in which Club One buys the GME. Presently Club One meets the capped amount in the Gaming Machine Act (\$50,000) and meets all legal costs and stamp duty.

In the future it is anticipated that some form of market place will be legislated and the price will reflect a managed form of supply and demand. Many clubs and hotels have had expectations that the removal of the cap will see the price rise. However, if the recent Victorian partial deregulation is a guide, \$50,000 will be a high price.

Further, if past performance is replicated, the advent of any form of change is a long way off. In addition to the new GMEs, Club One obtained 4 GMEs by way of relinquishment by Club Management Services (CMS). In this process, CMS - which provides Club One with a line of credit - has first right access to lease an agreed proportion of the Club One GMEs. In the long term these GMEs must be placed into newly generated club venues. In the short term they are available for placement into CMS venues. CMS may choose not to take its allocated GMEs and it may also surrender some that it holds. In the course of the year CMS has relinquished a total of 28 GMEs.

Club One places its GMEs into venues that pay a negotiated amount per year. The venues are identified by way of an Expression of Interest held each year. This expression sets the price and participants in the scheme. Club One then enters contracts with the venues. If it is a hotel, the agreement is a short term (eg. 3 month at call rolling contract) agreement colloquially called 'parking'.

If the venue is a club, where possible, the agreement is long term - up to 20 years - and called a Host Club Agreement. The income Club One derives from its GMEs pays for the process and is distributed to clubs by way of vesting and grants.

2009 - 10 was a year of consistent accrual of GMEs. It commenced with the Moorook Club selling two of its GMEs in June. In July CMS relinquished two GMEs and the Elizabeth Bowling Club transferred its 10 GMEs to Club One in a vesting Agreement.

In August the Kilburn Club vested two GMEs and sold one, and in September CMS relinquished a further two GMEs. In January 2010, Tea Tree Gully Golf Club vested its 12 GMEs. In February the Vine Inn sold three GMEs. Cue Sports sold one GME and Hackham also sold one GME in the same month.

In May both Hackham (two) and the Vine Inn (three) sold further GMEs. By the end of May 2010 Club One held 213 GMEs and was negotiating for a further three.

As evidenced, Club One is growing consistently. This growth has occurred despite the slowing of the Gaming Industry and increasing costs and compliance. These forces are also creating pressure on clubs to leave the gaming industry. Some are looking to an anticipated trading system which may not eventuate until late 2011. Others are recognising that Club One is the way of the future and are negotiating to transfer GMEs.

# officer report

The proposed trade will create changed conditions for Club One. In particular its EOI process for securing venues may well be undermined by the anticipated capacity for venues to buy in a trading system.

A further change will be generated by the shortage of funds available to Club One. At the present time the CMS funding arrangements will be exhausted by June 2011. The capacity of Club One to raise capital using GMEs for security is yet to be realised and may well be limited if realised.

A significant constraint is the circumscribed potential of Club One to develop venues, be it through CMS or by its own efforts. The costs and challenges demanded by the process of establishing a venue are significant. Additionally, the capital demanded to secure a venue or build one is many millions; a lot of the (then) accessible millions disappeared in the Global Financial Crisis and the residual has been mopped up by the ongoing demands of the mining industry.

Whatever the future, even if it is that Club One is to remain a GME broker, Club One is now a significant participant in providing sustainability to the South Australia's club sector and an important factor in the gaming industry in South Australia. As such, Club One vindicates the Independent Gambling Authority's recommendation and the Parliaments' recognition of the value of the unique solution offered by the Club One concept to managing Gaming in South Australia.

Michael Keenan



**Directors report**

Your directors present their report on the company for the financial year ended 30 June 2010.

**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, Bachelor of Arts, Masters of Education. Mr Keenan has 24 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.

**Operating results**

The profit of the company for the financial year after providing for income tax amounted to \$299,776 (2008: \$165,799 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  
Over 30 years experience in the hospitality industry. Manager Trades Hall Club for three years.

Cameron Taylor  
Manager Para Hills Community Club for 12 years. Acting manager of Renmark Hotel Inc. from November 1992 to May 1996.

David McLeod (Chairman)  
*Bch Law, Master of Public and International Law*  
32 years experience in legal practice ranging from commercial, institutional, administrative and local Government law to licensing, projects and issues management.

Dwayne Jones  
*Bch Management (Logistics and Supply Chain Management)*  
Experience as a financial controller and bookkeeper.

Andrew Clarke  
*Bch Arts (Social Work)*  
18 years experience with Child and Youth Services, 7 years as a Director of Community Services at Uniting Care Wesley Bowden.

Stanley Owens  
*Associate Member of CPA Australia*  
43 years experience in accounting and management.

John Dicker  
*Bch Business, Police Studies Certificate*  
44 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:

	No. eligible to attend	No. attended
Robert Raphael	11	10
Cameron Taylor	11	10
David McLeod	11	11
Dwayne Jones	11	9
Andrew Clarke	11	11
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 2010 has been received and can be found on page ??.

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

David McLeod  
Director

Dated this XXday of  
XXXXXXXX 2010

**Income statement**

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue		1,868,029	1,454,283
Administrative expenses		(44,908)	(45,238)
Professional fees		(99,246)	(119,961)
Marketing expenses		(189,335)	(119,385)
Occupancy expenses		(12,817)	(12,780)
Employee/director expenses		(275,928)	(281,669)
Other expenses from ordinary activities	2	(558,126)	(353,040)
Borrowing costs expense		(387,893)	(356,412)
Profit before income tax		299,776	165,799
Income tax expense		-	-
Profit after income tax		299,776	165,799

**Balance sheet**

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		20,404	159,686
Trade and other receivables	3	447,807	194,393
<b>Total current assets</b>		468,211	354,079
<b>Non-current assets</b>			
Property, plant and equipment	4	6,548	848
Intangible assets	5	8,509,299	7,159,699
<b>Total non-current assets</b>		8,515,847	7,160,547
<b>Total assets</b>		8,984,058	7,514,626
<b>Current liabilities</b>			
Trade and other payables	6	122,001	121,693
Interest bearing liabilities	7	104,201	103,435
<b>Total current liabilities</b>		226,202	225,128
<b>Non-current liabilities</b>			
Interest bearing liabilities	7	4,731,717	4,312,231
<b>Total non-current liabilities</b>		4,731,717	4,312,231
<b>Total liabilities</b>		4,957,919	4,537,359
<b>Net assets</b>		4,026,138	2,977,267
<b>Equity</b>			
Reserves	8	4,339,992	3,590,897
Accumulated losses	9	(313,854)	(613,630)
<b>Total equity</b>	10	4,026,138	2,977,267

**Statement of changes in equity**

for the year ended 30 June 2010

	Retained earnings \$	Asset revaluation reserve \$	Total \$
<b>Balance at 1 July 2008</b>	(779,429)	3,720,000	2,940,571
Profit attributable to the entity	165,799	-	165,799
Revaluation increment	-	(129,103)	(129,103)
<b>Balance at 30 June 2009</b>	(613,630)	3,590,897	2,977,267
Profit attributable to the entity	299,776	-	299,776
Revaluation decrement	-	749,095	749,095
<b>Balance at 30 June 2010</b>	(313,854)	4,339,992	4,026,138

**Cash flow statement**

for the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		1,599,242	1,429,909
Payments to suppliers and directors		(1,554,680)	(1,292,776)
Interest received		2,415	2,327
Net cash (used in)/generated from operating activities	11(a)	46,977	139,460
<b>Cash flow from investing activities</b>			
Payment for property, plant and equipment		(606,512)	(556,892)
Net cash used in investing activities		(606,512)	(556,892)
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		517,977	597,125
Decrease in borrowings		(97,724)	(33,702)
Net cash generated from financing activities		420,253	563,423
Net increase in cash held		(139,282)	145,990
Cash at the beginning of the financial year		159,686	13,696
Cash at the end of the financial year		20,404	159,686



## Notes to the financial statements

### 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. As a result of carry forward tax losses no income tax liability exists at balance date.

#### (f) Going concern

Notwithstanding the deficiency of net assets, 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 hat such financial support will continue to be made available.

	2010	2009
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	\$	\$
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#### Note 2: Profit before income tax

Expenses		
Depreciation and amortisation	3,537	1,484
Remuneration of auditor - audit or review	2,350	2,110

#### Note 3: Trade and other receivables

Current	2010	2009
Trade receivables	414,317	152,683
Other debtors and accrued income	31,990	26,710
Prepayments	1,500	15,000
	447,807	194,393

#### Note 4: Property, plant and equipment

Plant and equipment	2010	2009
At Cost	11,659	2,822
Less accumulated depreciation	(5,111)	(1,974)
Total plant and equipment	6,548	848
Total Property, plant and equipment	6,548	848

#### Note 5: Intangible assets

Gaming machine entitlements	8,479,545	7,129,545
Special Clubs Licence	29,133	29,133
Borrowing costs	2,000	2,000
Less accumulated amortisation	(1,380)	(980)
	8,509,299	7,159,699

#### Note 6: Trade and other payables

Current	2010	2009
Trade creditors	4,962	32,958
Employee benefits	11,616	17,879
Director benefits	41,101	40,397
GST creditor	6,681	(7,182)
Accrued expenses	57,641	37,641
	122,001	121,693

	2010	2009
	\$	\$
<b>Note 7: Interest bearing liabilities</b>		
<b>Current</b>		
Unsecured Loan - Other	104,201	-
	104,201	-
<b>Non-current</b>		
Unsecured Loan - CMS	3,956,059	3,438,082
Unsecured Loan - Other	775,659	977,584
	4,731,718	4,415,666

**Note 8: Reserves**

Asset revaluation reserve	4,339,992	3,590,897
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Movements during the financial year:

Opening balance	3,590,897	1,194,299
Revaluation of Lump Sum and Vesting GME's	749,095	2,396,598
Closing Balance	4,339,992	3,590,897

**Note 9: Retained earnings**

Opening balance	(613,630)	(779,429)
Profit after income tax	299,776	165,799
Closing balance	(313,854)	(613,630)

**Note 10: Equity**

Beginning balance	2,977,267	2,940,571
Movement in asset revaluation reserve	749,095	(129,103)
Profit after income tax	299,776	165,799
Closing balance	4,026,138	2,977,267

**Note 11: Cash flow information**

Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	299,776	165,799
Non cash flows in profit		
Deprecation and amortisation	3,537	1,484
Interest Expenses	-	-

Changes in assets and liabilities		
(Increase)/decrease in receivables	(261,634)	(4,728)
(Increase)/decrease in other assets	13,500	(15,000)
Increase/(decrease) in payables	(2,110)	(13,114)
Increase/(decrease) in provisions	(6,092)	5,019
Cash Flows from operations	46,977	139,460

**Note 12: 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 Wednesday 30 June 2010 the number of members was 2 (2009:2)

**Club One Directors declaration**

The directors of the company declare that:

- The financial statements and notes, as set out on pages 4 to 10 are in accordance with the Corporations Act 2001 and:
  - comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - give a true and fair view of the financial position as at 30 June 2010 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.
- 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

Dated this XX day of XXXXXXXXXX 2010



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