



CLUB ONE (SA) LIMITED

Year in Review 2014

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Introduction

The following materials expand upon the Accounts for the year 2013 -2014.

The explanatory materials are to be read in conjunction with the Accounts; they do not replace them nor follow the structure of the document but rather when read together with the Accounts, the materials will elaborate on the figures in the accounts.

The explanation is confidential to the Board of Club One and the Member of Club One. It is recognised that the substance of the document is publically available across a variety of sources, including the Office of Liquor and Gambling Annual Reports and the Parliamentary Hansard.

A modified version of this document will be posted onto the Club One Website post the AGM.

This document addresses new material to the 2013 AGM Report.

The document is organised as:

Introduction

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1. YEAR (2014) IN REVIEW

It is with pleasure that we make the 9th Annual Report of Club One (SA) Ltd.

The hospitality Industry faces many challenges at the present time and Club One is not exempt from these issues. Despite the challenges, Club One in the 2013 – 2014 year has provided in excess of \$868,000 to the Club sector.

Much of the capacity to provide these monies was provided by strategies developed by the Board early in the year.

The year (July 2013) started with the hearing of the Playford Patriots application to establish a gaming venue at Angle Vale. They already possessed a Hotel and Liquor Licence. The hearing was successful and much was expected. Saturno's as landlord immediately set to work and built a venue in record time, ready for opening in October 2014.

Club One will put 32 GMEs in the venue under a Host Club Agreement.

Club One has also supported the venture with what has become a \$100,000 interest free loan.

Among the other venues there was significant movement of GMEs between and from Club Management Services (CMS) venues. The Coles group reallocated some its GMEs internally and following a successful purchase in the Trade, the Plush group rearranged its allocations – and took some more GMEs from Club One.

In August, Club One undertook its annual review of Vesting Fees in accord with the contracts; it was found that the industry trade figures would see vesting payments drop by 5.6%. The Board resolved to absorb the drop and retain the existing payments. Should the fee rise, a consideration would be made of this absorption.

Following amendments to the Gaming Act which saw the Casino being able to enter the Trade and rent Club One GMEs, Club One met with the Casino and outlined proposals to vest GMEs into the Casino. Nothing came of the initial talks as the Casino is on an investment strategy and has to build capacity before it can take more GMEs.

At the 2013 AGM, the constitution was amended to align the appointment of independents to the Board with the AGM. The first will occur in 2014. A clause in the licence stated that Club One had to receive the concurrence of the OLG before amending its constitution. When the OLG was advised of the changes, it reviewed the clause and agreed that it was no longer appropriate. The OLG has removed the requirement from the Licence.

In 2013 -2014, Club One has reviewed its tax status. It resolved to make a significant case to the ATO arguing for exemption from paying company tax. The matter is entrusted to Bernie Walrut, barrister, briefed by Rob Richards of Richard's Commercial Lawyers. The case will be argued after the 2014 tax returns.

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The Campania Club approached Club One in April looking to divest itself of its remaining 10 GMEs. Campania still wished to have some control of the GMEs. Utilising a new section of the Gaming Machine Act, Club One has negotiated a two year rental to permit the GMEs to be used by Club One and have Campania receive some benefit. The lower price paid for renting GEMs also provided Club One with more flexibility in negotiations with venues.

Sadly at the end of the financial year, long time advisor to Club One, David Semple of Wallmans, passed away. His invaluable expertise and common sense provided Club One with innovative legal documentation and sound advice in a timely manner.

Another loss was the resignation in July 2014 of the Clubs SA nominee Cameron Taylor. Cameron was an inaugural board member of Club One and we thank him for his contribution.

He has been replaced by Shane Barton-Ancliffe.

Overall a busy year.

Jack Clarke, Chariman

Michael Keenan, Executive Officer.

2. FINANCIAL ELEMENTS

DEBT

- Best Bricks Loan
- National Australia Bank Loan
- CMS Working Capital Loan
- CMS GME Funding Loan

NON CMS HOST CLUBS

- Adelaide Soccer Club [40]
- Sturt Football Club (Bazaar) [3]
- Athelstone Football Club [5]
- Berri Club [7]

CMS – CLUB ONE (HYBRID) CLUBS

- Roxby Club [10]

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Sources of GMEs - VESTING/PURCHASE (as of June 2014)

Club	Number	Lump sum	Vesting fee
Trade (initial)	27		
Trade (1)	7		
Trade (2)	3		
Trade (3)	9		
Trade (4)	6		
Trade (5)	1		
Trade (6) (31 July 2014)	3		
ANI-Cooinda	3	3	0
Athelstone	1	1	0
Blackwood RSL	10	10	0
Berri	2	2	0
Cadell Club	1	1	0
Campania	10	10	0
Colonel Light Gardens RSL	2	2	0
Cue Sports	2	2	0
Elizabeth Bowling Club	10	0	10
Elizabeth Rugby Club	9	4	5
Flagstaff Hill golf	16	0	16
Gaza	3	3	0
Hackham	16	4	12
Holdfast Bay Bowling club	11	11	0
Kadina Club	6	1	5
Kilburn FC	6	6	0
Loxton Club	6	6	0
Lyrup	2	2	0
Mannum Club	2	2	0
Millicent Club	11	7	4
Modbury North Bowling Club	10	10	0
Moorook & Dist. Club	9	4	5
Murray Bridge Club	1	1	0
North Mt. Gambier FC	20	0	20
Payneham RSL	12	0	12
Pooraka	2	2	0
RSL Marion	2	2	0
Salisbury Bowling Club	12	0	12
Semaphore RSL	5	5	0
Tea Tree Gully Golf	12	0	12
Vine Inn	6	6	0
Waybacks	5	0	5
West Croydon RSL	10	10	0
Totals (33 clubs)	234	116	118
Include Trade	290		
Minus 14 sold	276		
Club "owns" (1in4 + trade + preCMS)	56 + 56 +10 -14 (sold)		= 108

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3. ALLOCATIONS

CMS VENUES

Venue	Number parked	
Flagstaff	7	Matthews
Oxford Hotel	9	Saturno
Morphett Arms	4	Kipa &Palmer
Mile End	0 (was 7)	Saturno
Mick O'Shea	0 (was 7)	Saturno
Lakes Resort	7	Fahey
Belair	4	Matthews
Warradale	5	Palmer
Highway Inn	3	Palmer
The Avenues	0 (was 7)	Saturno
Feathers	3	Matthews
Clovercrest	4 (was 6)	Kipa & Palmer
Eyre	3	Matthews
Stirling	3	Matthews
Returned Hotel	50	
Relinquished Club	60	
Total Relinquished and Returned (held by CO)	110	
Total Parked		
Roxby	10	From returned GMEs
Total nominal	168	
Total Club One (1 in 4)	56	(club one has total of 108)

NON-CMS TEMPORARY ALLOCATION

The Reserve Group and the JillCar group returned their respective GMEs. The Resrve Group sold the Flagstaff to the Matthews Group. This saw 7 GMEs that were previously parked with the Reserve Group become part of the CMS group.

- Jones Group (17)
- Toad Hole - Mawson Lakes (7)
- ALH – “Woolworths” (21)
- Chinbyi –Aldinga Hotel (4)
- Coles – Coles/Liqourland venues (15)
- Plush- Plush Hotel group (24)
- Beswick Group (8)

4. SERVICE CONTRACTS

No change on 2013

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5. DEBT SUMMARY

All loans are now on a Principle and Interest regime. In the next decade Club One will progressively retire all its loans.

Best Bricks Loan

Club One has borrowed up to \$535,000 from Best Bricks at an Interest Rate of 9%.

NAB Loan

Club One has borrowed \$400,000 from the National Australia Bank. Principal and Interest repayable over 14 years full variable rate

CMS Working Capital Loan

Club One has borrowed from CMS \$300,000 at an interest rate of 8.5%. repaid over a 10 year period

CMS GME Funding Loan

Club One has borrowed from CMS \$5,000,000 at an interest rate of 8.5% to secure up to 333 GMEs. Principal and interest are repaid over a 10 year period..

BANK SA Overdraft

Club One has an overdraft with Banks SA of \$200,000 at the current Bank rate.

6 .Key Assets

Term depsoit Bank SA \$635,714.45

Access Saver \$257,578.26

Loan Playford Patriots \$100,000.00

Gaming Machine Entitlements

- Trade GME's (no Cost) \$1,440,687.50
- Annual Fee GME's (est PV) \$4,516,750.00
- Purchased GME's (at cost) \$3,480,750.00
- Option to Purchase GME's \$29,545.45

Total Gaming Machine Entitlements \$9,467,732.95

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9. GME VESTING SUMMARY

There is no change in the formal for the Vesting Fee.

However the down turn in the industry when applied to the increment/ decrement formula for vesting fees saw a drop in the fee to be paid to Vesting Clubs by 5.6%. The Board agreed not to decrease the payments.

10. NON CMS HOST CLUB SUMMARY

There is no change to the Non CME Host Club Arranegemnst for teh period to teh end of June 2014.

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11. NON-CMS TEMPORARY ALLOCATION SUMMARY

There was no change in the arrangements for Non CMS temporary allocations to June 2014.

12. CMS HOST CLUB ALLOCATION SUMMARY

There are no full CMS Host Clubs

13. THE TRADE

As reported in Annual Report 2013, Club One entered Trade 4 2013 (June to December 2013). It sold 14 GMEs. Club One received \$40,625 per GME plus GST.