YEAR (2017) IN REVIEW

It is with pleasure that we present the 12th Annual Report of Club One (SA) Ltd.

This year was marked by the termination by Club Management Services (CMS) of its original contracts with Club One (2006).

On the 15 December 2015, Club Management Services (CMS) informed Clubs One that:

In accordance with Clause 7 of the Rights Agreement between Club One (SA) Ltd and Club Management Services (SA) Pty Ltd, dated 4 July 2006, Club Management Services (SA) Pty Ltd hereby gives notify that Club Management Services (SA) Pty Ltd does not wish to renew the agreement.

As a result accordance all contracts lapsed as 4 July 2016.

After prolonged and complex negotiations, on 30 September 2016 a new CMS Agreement and a transitional agreement were signed off and put before the Commissioner. This replaced all previous arrangements between Club One and CMS.

In simple terms, the relationship with CMS changed from being the key financier that had supply contracts with Club One to take Gaming Machine Entitlements (GMEs) and meet agreed GME fees, to being one of a financier only to Club One of $4.25 million at 8.5%, repayable over 10 years.

I am pleased to report that at the date of writing this report (25/10/17), Club One's indebtedness to CMS has been reduced from $4.5m to $2.6m.

At the AGM in November 2016, the annual appointment in accordance with Clause 38 of the Special Club Licence saw the reappointment of Jack Clarke as Chairman for a further three year term.

Importantly, despite the vagaries of contracts and the market, Club One has managed to maintain its grants scheme to not for profit Clubs. This year it passed the milestone of the 550th not for profit Club grant.

Club One commenced the year with 264 GMEs – 92 in Clubs, 100 in Hotels and 72 unallocated. At the end of the financial year Club One had 221 GMEs -92 in Clubs.68 in hotels and 61 unallocated

The reduction in GMEs was a result of sales in the Trades in GMEs for the purpose of reducing debt.

Club One has entered the Trades twice this year and sold a total of 48 GMEs. Club One also receives GMEs by the 1 in 4 allocation system with a total of 17 GMEs being allocated to Club One from the Trade, a net sale of 31 Club One GMEs.

The Consumer and Business Services managed Trades in GMEs occurred on 21 July 2016 (Trade 12/2106) and 2 March 2017 (Trade 13/2107).

Each Trade saw a decline in the sale price of a GME. The prices were $23,375.00 (July) and $17,063.50 (March), a decline of $6,311.50 or 24%.

The return of GMEs has seen less Club One GMEs earning an income. This decline in GME revenues has had an effect on Club One income thereby affecting the payment of Vesting Fees to Clubs. These Vesting Fees have fallen, but by a significant percentage less than the value that a GME has fallen. The formula for setting the Vesting Fee has seen a decrement of 11.07% this year. It is anticipated that the value of GMEs and thereby Vesting fees will continue to decline. Despite this, Club One paid $653,004 to Vesting Clubs in this financial year.

The case before the Australian Taxation Office for a tax exemption is still being pursued. The benefaction that Club One provides to Not for Profit Clubs and Associations is at the heart of the case and, if successful, will provide Club One with significant financial relief.

In summary, 2016-17 saw Club One experience a drop in income over the previous year as CMS withdrew from arrangements with Club One.

None the less Club One managed to control expenses and to strategically reduce debt and thereby maintained it financial health and future projected incomes.
.
The coming year promises to be another interesting one.

Jack Clarke - Chairman