

Club One (SA) Ltd
ABN 51 113 107 994

Financial Report

For the Year Ended 30 June 2012

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'C' followed by a horizontal line and a small flourish.

.....
John Clarke - Director

Dated this 26 day of September 2012

Club One (SA) Ltd
ABN 51 113 107 994

Directors Report

Your directors present their report on the company for the financial year ended 30 June 2012.

Directors

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

Robert Raphael (Resigned March 2012)

Cameron Taylor

David McLeod (Resigned June 2012)

Dwayne Jones

Andrew Clarke

Stanley Owens

John Dicker

Gregory Saunders (Appointed March 2012)

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 26 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.

Directors Report (Continued)

Principal Activity (Continued)

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 \$284,335 (2011: \$279,032 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.

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Directors Report (continued)

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
Qualifications	- Work educated
Experience	- Over 30 years experience in the hospitality industry. Manager Trades Hall Club for three years.
Cameron Taylor	- Director
Qualifications	- Work educated
Experience	- Manager Para Hills Community Club for 16 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
Qualification	- Bch Law, Master of Public & International Law
Experience	- 34 years experience in legal practice ranging from commercial, institutional, administrative & local govt. law to licensing, projects & issues management.
Dwayne Jones	- Director
Qualifications	- Bch Management (Logistics and Supply Chain Management)
Experience	- Experience as a financial controller and bookkeeper.
Andrew Clarke	- Director
Qualifications	- Bch Arts (Social Work)
Experience	- 18 years experience with Child & Youth Services; 7 years as a Director of Community Services at Uniting Care Wesley Bowden.
Stanley Owens	- Director
Qualifications	- Tertiary educated in Accounting. Past Member of the Institute of Chartered Accountants and CPA Australia
Experience	- 45 years experience in accounting and management; Director for various companies.
John Dicker	- Director
Qualifications	- Bch Business, Police Studies Certificate
Experience	- 43 years experience in law enforcement.
Gregory Saunders	- Director
Qualifications	- Work Educated
Experience	- General Manager - Parafield Gardens CC 6 years / managerial positions in various hotels 19 years

Meetings of Directors

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

Directors Meetings

	Number eligible to attend	Number attended
Robert Raphael	7	7
Cameron Taylor	11	10
David McLeod	11	10
Dwayne Jones	11	9
Andrew Clarke	11	10
Stanley Owens	11	11
John Dicker	11	10
Gregory Saunders	4	4

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ABN 51 113 107 994

Directors Report (continued)

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

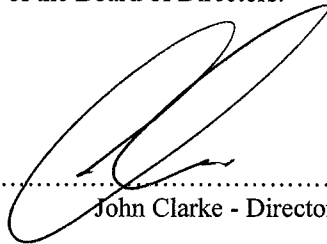
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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 2012 has been received and can be found within this report.

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



.....
John Clarke - Director

Dated this 26 day of September 2012

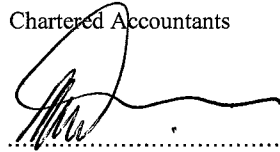
CLUB ONE (SA) LTD

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTOR OF CLUB ONE (SA) LTD**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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

MGI Assurance (SA)
Chartered Accountants



.....
P K Whitehead
Director

26 September 2012
Eastwood, SA

Club One (SA) Ltd
ABN 51 113 107 994
Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue		2,522,327	2,253,796
Administrative expenses		(83,736)	(32,775)
Professional fees		(80,885)	(100,282)
Marketing expenses		(262,776)	(254,925)
Occupancy expenses		(16,661)	(14,966)
Employee/director expenses		(298,170)	(293,675)
Other expenses from ordinary activities	2	(832,311)	(738,526)
Borrowing costs expense		<u>(480,734)</u>	<u>(435,331)</u>
Profit before income tax		467,054	383,316
Income tax expense	3	<u>(182,719)</u>	<u>(104,284)</u>
Profit after income tax		<u>284,335</u>	<u>279,032</u>
Other Comprehensive Income for the year		<u>5,042,574</u>	<u>371,826</u>
Total Comprehensive income attributable to the entity		<u><u>5,326,909</u></u>	<u><u>650,858</u></u>

Club One (SA) Ltd
ABN 51 113 107 994
Balance Sheet

for the year ended 30 June 2012

	Note	2012	2011
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	147,028	190,839
Trade and other receivables	5	853,938	537,901
TOTAL CURRENT ASSETS		<u>1,000,966</u>	<u>728,740</u>
NON-CURRENT ASSETS			
Property, plant and equipment	6	2,401	4,459
Intangible assets	7	15,346,839	10,064,850
Defered Tax Assets	10	15,206	21,465
TOTAL NON-CURRENT ASSETS		<u>15,364,446</u>	<u>10,090,774</u>
TOTAL ASSETS		<u>16,365,412</u>	<u>10,819,514</u>
CURRENT LIABILITIES			
Trade and other payables	8	194,127	515,415
Provisions	9	9,211	8,619
Interest bearing liabilities	10	262,721	117,411
Current Tax Liabilities	11	105,417	116,582
TOTAL CURRENT LIABILITIES		<u>571,476</u>	<u>758,027</u>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	10	5,779,425	5,375,324
Defered Tax Liabilities	11	10,606	9,167
TOTAL NON-CURRENT LIABILITIES		<u>5,790,031</u>	<u>5,384,491</u>
TOTAL LIABILITIES		<u>6,361,507</u>	<u>6,142,518</u>
NET ASSETS		<u>10,003,905</u>	<u>4,676,996</u>
EQUITY			
Reserves	12	9,754,392	4,711,818
Accumulated Gains/(Losses)	13	249,513	(34,822)
Total equity	14	<u>10,003,905</u>	<u>4,676,996</u>

Club One (SA) Ltd
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Statement of Changes in Equity
for the year ended 30 June 2012

	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2010	(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
Balance at 30 June 2011	(34,822)	4,711,818	4,676,996
Comprehensive income			
Profit attributable to the entity	284,335	-	284,335
Revaluation increment	-	5,042,574	5,042,574
Total comprehensive income	284,335	5,042,574	5,326,909
Balance at 30 June 2012	<u>249,513</u>	<u>9,754,392</u>	<u>10,003,905</u>

Club One (SA) Ltd
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Cash Flow Statement
for the year ended 30 June 2012

	Note	2012 \$	2011 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		2,679,431	1,976,432
Payments to suppliers and directors		(2,288,824)	(1,664,240)
Income Tax Paid		(186,185)	-
Interest received		4,228	5,460
Net cash (used in)/generated from operating activities	15	<u>208,650</u>	<u>317,652</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		<u>(608,912)</u>	<u>(804,032)</u>
Net cash used in investing activities		<u>(608,912)</u>	<u>(804,032)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		421,685	760,403
Decrease in borrowings		<u>(65,234)</u>	<u>(103,588)</u>
Net cash generated from financing activities		<u>356,451</u>	<u>656,815</u>
Net increase in cash held		(43,811)	170,435
Cash at the beginning of the financial year		<u>190,839</u>	<u>20,404</u>
Cash at the end of the financial year		<u><u>147,028</u></u>	<u><u>190,839</u></u>

Club One (SA) Ltd
ABN 51 113 107 994
Notes to the Financial Statements
For the year ended 30 June 2012

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.

Club One (SA) Ltd

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Notes to the Financial Statements (continued)

For the year ended 30 June 2012

(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.

Club One (SA) Ltd
ABN 51 113 107 994
Notes to the Financial Statements (continued)
for the year ended 30 June 2012

	2012	2011
	\$	\$
NOTE 2: PROFIT BEFORE INCOME TAX		
Expenses		
Depreciation and amortisation	2,278	2,489
Remuneration of auditor - audit or review	2,595	2,475
NOTE 3: INCOME TAX EXPENSE		
The components of tax expense comprise:		
Current tax	178,743	108,368
Deferred tax		
Recoupment of prior year tax losses	-	(4,084)
Under provision in respect of prior years	3,976	-
	182,719	104,284
Prima facie tax payable on profit from ordinary activities before income tax at 30%	140,116	114,995
Add:		
Tax effect of:		
Non Deductible Expenses	49,954	32,669
Accrued Income	-	9,597
Less:		
Tax effect of:		
Deductible Expenses	11,327	27,779
Provisions	-	2,248
Accruals	-	18,867
Recoupment of prior year tax losses not previously brought to	-	4,084
Income tax attributable to entity	178,743	104,284
NOTE4: CASH AND CASH EQUIVALENTS		
Cash at Bank	147,028	190,839
	147,028	190,839
Reconciliation of cash		
Cash at bank	147,028	190,839
	147,028	190,839

Club One (SA) Ltd
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Notes to the Financial Statements (continued)
for the year ended 30 June 2012

2012

2011

\$

\$

NOTE 5: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	795,244	507,344
Other debtors & accrued income	32,352	30,557
Prepayments	26,342	-
	<u>853,938</u>	<u>537,901</u>

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

PLANT & EQUIPMENT

At Cost	11,659	11,659
Less accumulated depreciation	(9,258)	(7,200)
Total plant & equipment	<u>2,401</u>	<u>4,459</u>
Total Property, plant & equipment	<u>2,401</u>	<u>4,459</u>

NOTE 7: INTANGIBLE ASSETS

Gaming machine entitlements	15,281,910	10,030,418
Special Clubs Licence	29,133	29,133
Capitalised Legal Fees	35,796	5,079
Borrowing costs	2,000	2,000
Less accumulated amortisation	(2,000)	(1,780)
	<u>15,346,839</u>	<u>10,064,850</u>

NOTE 8: TRADE AND OTHER PAYABLES

CURRENT

Trade creditors	42,802	409,414
Employee benefits	6,031	7,678
Director benefits	36,643	42,539
GST creditor	8,029	(15,289)
Accrued expenses	100,622	71,073
	<u>194,127</u>	<u>515,415</u>

NOTE 9: PROVISIONS

Provision for annual leave	<u>9,211</u>	<u>8,619</u>
	<u>9,211</u>	<u>8,619</u>

Club One (SA) Ltd
ABN 51 113 107 994
Notes to the Financial Statements (continued)
for the year ended 30 June 2012

	2012	2011
	\$	\$
NOTE 10: INTEREST BEARING LIABILITIES		
CURRENT		
Unsecured Loan - Other	<u>262,721</u>	<u>117,411</u>
	<u>262,721</u>	<u>117,411</u>
NON-CURRENT		
Unsecured Loan - CMS	5,233,834	4,684,864
Unsecured Loan - Other	<u>545,591</u>	<u>690,460</u>
	<u>5,779,425</u>	<u>5,375,324</u>
NOTE 11: TAX		
CURRENT		
Income tax payable	<u>105,417</u>	<u>116,582</u>
	<u>105,417</u>	<u>116,582</u>
NON-CURRENT		
Deferred tax liability		
Opening Balance	9,167	
Add		
Provisions	-	-
Accruals	<u>1,439</u>	<u>9,167</u>
Closing Balance	<u>10,606</u>	<u>9,167</u>
Deferred tax assets		
Opening Balance	21,465	
Add/(Less)		
Provisions	178	21,465
Accruals	<u>(6,437)</u>	<u>-</u>
Closing Balance	<u>15,206</u>	<u>21,465</u>
NOTE 12: RESERVES		
Asset revaluation reserve	<u>9,754,390</u>	<u>4,711,817</u>
Movements during the financial year:		
Opening balance	4,711,818	4,339,992
Revaluation of Lump Sum & Vesting GME's	<u>5,042,574</u>	<u>371,826</u>
Closing Balance	<u>9,754,392</u>	<u>4,711,818</u>

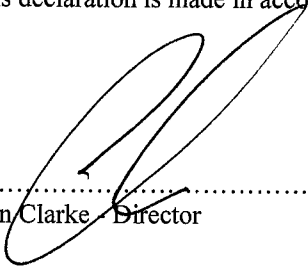
Club One (SA) Ltd
ABN 51 113 107 994

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 2012 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.


.....
John Clarke Director

Dated this 26 day of September 2012

CLUB ONE (SA) LTD

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CLUB ONE (SA) LTD

We have audited the accompanying financial report, being a special purpose financial report, of Club One (SA) Ltd, which comprises the balance sheet as at 30 June 2012 and income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the director's declaration.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the company's constitution and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors financial reporting responsibilities under the company's constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Club One (SA) Ltd as of 30 June 2012 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.

MGI Assurance (SA)
MGI Assurance (SA)
Chartered Accountants



P K Whitehead

Director

26 September 2012

Eastwood, SA