

ITEM NUMBER: 17.2

CONFIDENTIAL

GLENELG FOOTBALL CLUB

Pursuant to Section 83 (5) of the Local Government Act 1999 the Report attached to this agenda and the accompanying documentation is delivered to the Council Members upon the basis that the Council consider the Report and the documents in confidence under Part 3 of the Act, specifically on the basis that Council will receive, discuss or consider:

- b. Information the disclosure of which –**
- (i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and**
 - (ii) would, on balance, be contrary to the public interest.**

Item No: **17.2**

Subject: **GLENELG FOOTBALL CLUB**

Date: 25 October 2016

Written By: Manager Finance

General Manager: Business Services, Mr I Walker

SUMMARY

At an Elected Members workshop on 20 October 2016 BRI Ferrier presented their independent investigative accountants report on the Glenelg Football Club and Glenelg Footballers Club. It is proposed to formally receive the report and release it in confidence in full to the Audit Committee and a redacted report to the working party for further consideration.

RECOMMENDATION

1. **That Council receives and notes in confidence the BRI Ferrier investigative accountants' report on the Glenelg Football Club and Glenelg Footballers Club.**
 2. **That Council provides direction at its next meeting (8 November 2016) in terms of recommendations for moving forward, following any advice provided by the Audit Committee on 31 October 2016 or the working party.**
 3. **That Council release in confidence the BRI Ferrier investigative accountants report on the Glenelg Football Club and Glenelg Footballers Club to the Audit committee for consideration.**
 4. **That Council release in confidence the BRI Ferrier investigative accountants' redacted report on the Glenelg Football Club and Glenelg Footballers Club to the joint working party for consideration.**
-

STRATEGIC PLAN

A Place that Provides Value for Money

COUNCIL POLICY

Not Applicable

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

At its meeting on 13 September Council resolved to engage BRI Ferrier as an investigative accountant into the financial status of the Glenelg Football Club (GFC). Council resolved that the report is to remain in confidence until Council considers what action to take. BRI Ferrier presented in confidence to the Elected Members the independent investigative accountants' report on the Glenelg Football Club and Glenelg Footballers Club at a workshop on 20 October 2016.

REPORT

The completed BRI Ferrier report was distributed at a confidential workshop on 20 October 2016. The report assists Council in understanding and assessing the club's financial position and obligations. The draft report and applicable annexures are provided at attachment 1.

Refer Attachment 1

It is necessary for Council to formally receive this report to continue working with the Club with the aim of restoring longer-term financial viability and sustainability. As per the Council letter to the club in April 2016 it is proposed that Council and the Club work with the ANZ and SANFL to secure a joint financial plan that enables the repayment of Council's loans.

It is also prudent for the Audit Committee to receive the BRI-Ferrier report. The Australian Accounting Standards require an annual assessment of loans that are owed to organisations and whether there is any objective evidence that they will not be fully repaid. The BRI Ferrier report provides information to the Audit Committee that will assist the Committee in considering if objective evidence exists in relation to the future repayment of the GFC loans. If Council agrees to release the confidential report to the Audit Committee, it will receive a report and discuss this matter at its next meeting scheduled for 31 October 2016. The committee will then make suitable recommendations for Council consideration to enable finalisation of Council's financial statements.

Council has established a joint working party that is working alongside the Club to monitor financial sustainability. BRI Ferrier have provided a redacted report that can be provided in confidence to the Club and the joint working party as attached.

Refer Attachment 2

The report excludes a number of items that have been provided for exclusive use by Council. In summary the redacted version excludes the executive summary, security position, Council's options and the risk matrix, and debt restructure options.

Council resolved at its meeting on 13 September 2016 that legal advice be sought on receipt of the BRI Ferrier report. In terms of confidentiality the report has been produced and provided to Council for the sole use of the Council. BRI Ferrier have stated that it is to be confidential and not

distributed to third parties unless consented to. BRI Ferrier have provided consent for the report to be used in its redacted version by the working party and in full by the Audit Committee.

Legal advice received to date indicates that Council give consideration to its security position generally and more specifically the security over the Venue and the Deed of Priority. These matters are currently being reviewed and Council will be advised of the outcome under separate cover.

BUDGET

This report does not have any direct implications for Council's budget however the outcomes of future negotiations and the ability for the club to make repayments of Council's loans and leases may have an impact on the 2016-17 or subsequent budgets.

LIFE CYCLE COSTS

This report does not have any full life cycle cost implications.

CONFIDENTIAL

Investigating Accountants' Report

Glenelg Football Club Inc and
Glenelg Footballers' Club Inc
("GFC")

6 October 2016

Andre Strazdins
Alan Scott
Principals

BRI Ferrier (SA) Pty Ltd
Level 4, 12 Pirie Street, Adelaide SA 5000
GPO Box 952, Adelaide SA 5001
Phone 08 8233 9900
Facsimile 08 8211 6644
Email: info@brifsa.com.au
Website: www.briferrier.com.au

BRI Ferrier

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1	Letter of Engagement
2	Estimated Statements of Financial Position
3	Business Plan
4	Financial Model

GLOSSARY

GFC	Means Glenelg Football Club Inc and Glenelg Footballers' Club Inc
The Club	Glenelg Football Club Inc
The Venue	Glenelg Footballers' Club Inc
Management	GFC and the Board
Council	City of Holdfast Bay
ANZ	ANZ Bank Limited
BRIF	BRI Ferrier SA
SANFL	South Australian National Football League
GCV	Going concern value
ARV	Auction realisation value
ATO	Australian Taxation Office
PPSR	Personal Property Security Register

1 EXECUTIVE SUMMARY

1.1 ESTIMATED FINANCIAL POSITION

- ▲ We summarise below the estimated outcome to Council on a GCV and ARV basis from Club and Venue should a formal appointment occur and accordingly no SANFL Land Divestment funds would be received.

	GCV \$ '000	ARV \$ '000
Estimated funds available to Council from Club	363	72
Estimated funds available to Council from Venue	0	0
Total funds available to Council	363	72
Less GFC Debt to Council	2,305	2,305
Estimated shortfall to Council	(1,942)	(2,233)

- ▲ As the table shows, in a formal appointment/enforcement process the physical assets of GFC provide minimal security for the Council's loan and a significant exposure.
- ▲ This reiterates the fact that the recovery of Council's loan is dependent upon the continuation of GFC and receipt of the SANFL Land Divestment fund instalments.

1.2 CREDITORS

- ▲ Club and Venue have ATO arrears with a repayment plan in place, however this is expected to be cleared from the 2016 SANFL Land Divestment Instalment, which we understand has been approved by the SANFL, ANZ and Council.
- ▲ We are advised that no statutory demands or legal notices have been received in relation to Club or Venue creditors.
- ▲ There are 3 creditors of Club and 1 creditor of Venue with debts 90 days+. Informal payment arrangements are in place or are currently being negotiated with each of these.
- ▲ Wages and superannuation are up to date, however, player payments of \$39,486 are outstanding and are anticipated to be paid by January 2017 unless an anticipated payroll tax refund allows the earlier payment of same.
- ▲ ANZ are a secured creditor of Club and Venue and are owed \$1.07m at August 2016 on facilities with limits totalling \$1.12m. The Business Loan facility of \$437,500 comes due at the end of November 2016.

- ▲ Council are a secured creditor of Club and hold a guarantee over Venue, which we understand is unsecured. Council's debt at August 2016 totals \$2.3m and is recorded in Venue's balance sheet despite the loan and security documentation being with Club. We note that this is consistent with the loan's treatment in the historical audited accounts. We have been unable to obtain an explanation of the reason for same.
- ▲ We recommend that Council obtain legal advice on their security position and subject to same, consider taking security over Venue.

1.3 DEBT RESTRUCTURE OPTIONS

- ▲ The remaining \$1.92m in Land Divestment Payments (after payment of the ATO arrears) will be insufficient to clear GFC's debts to the ANZ and Council in full.
- ▲ Whilst the Deed of Priority provides Council with the rights to the balance of Land Divestment Payments, the Club needs to be in existence for the next 7 years to receive same. Accordingly, ANZ's stance/position is critical to this future income stream, in particular given the expiry of the \$437,500 business loan at the end of November 2016.
- ▲ Council's options would appear to be as follows:
 1. Seek repayment of their debt from Land Divestment Payments in accordance with Deed of Priority.
 2. Payout the ANZ Commercial Bill (\$500,000) and Business Loan (\$437,500) and seek assignment of ANZ security over Venue or put in place its own security and enter into a Deed of Priority with ANZ.
 3. Agree a basis of sharing the SANFL payments with ANZ.
 4. Cease support and enforce security (not recommended).
- ▲ There are risks and exposures associated with each, which we address in more detail in the body of this report at 5.
- ▲ We recommend that Council agree a strategy to achieve their preferred outcome and engage with ANZ as appropriate.
- ▲ BRIF are able to provide further assistance to Council's Working Party in this regard, if required.

1.4 BUSINESS PLAN

- ▲ We have been provided with and reviewed GFC's Business Plan. We have no significant comments on same other than it is a high level document and we understand that the SANFL have approved it.

1.5 FINANCIAL PROJECTIONS

- ▲ The key drivers of the Club financial model are SANFL grant income and sponsorship and Venue's are kitchen/bar/gaming income.
- ▲ We summarise below the forecast combined net profit/(loss) and net profit/(loss) before the combined depreciation for the Club and Venue for 2017 to 2019 compared to historical actual results.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
GFC Net profit/(loss)	(172)	(209)	(28)	72	50	56
Addback Depreciation	144	152	111	132	121	107
GFC Net profit/(loss) before depreciation	(28)	(57)	83	204	171	163

- ▲ GFC projects a consolidated operating surplus before depreciation above the SANFL mandated \$100,000 for the next 3 years.
- ▲ The achievability of the forecast is highly dependent upon the profitability of the Venue and in particular Net Gaming Revenue.
- ▲ The key risk areas are sponsorship income in Club and Net Gaming Revenue in Venue.

1.6 OTHER MATTERS

- ▲ The insurance certificate of currency provided does not note any interested parties. We would normally expect to see secured creditors such as ANZ and the Council noted on the policy.
- ▲ The lease of the ground/precinct between Council and GFC provides that funds are paid by GFC to a rent maintenance fund. We understand that this is not happening. It is unclear if this is an agreed variation by Council.

1.7 SUMMARY

- ▲ We recommend that Council maintain their support of GFC and determine their preferred approach to debt reduction and agree a strategy to achieve same.

2 SCOPE OF ENGAGEMENT

2.1 INSTRUCTIONS

- ▲ This report has been prepared by BRI Ferrier in accordance with the terms of the letter of engagement dated 31 August 2016. A copy of the letter of engagement is attached as Annexure 1.

2.2 INFORMATION REVIEWED AND WORK UNDERTAKEN

- ▲ We held discussions with the Council and Management and have been provided the following information:
 - Financial Report for the Club and the Venue for the year ended 31 October 2015
 - 2015 Annual Report and Official Year Book for GFC
 - Balance sheet and profit and loss for the Club and the Venue July 2016 and August 2016
 - Aged payables as at 31 July 2016 and 31 August 2016 for the Club and the Venue
 - Aged receivables as at 31 July 2016 and 31 August 2016 for the Club and the Venue
 - Excel depreciation schedule for the Club and the Venue
 - ATO Running Balance Portal Extract for the Venue to 19 September 2016
 - ATO Business Portal Account List for the Club dated 19 September 2016
 - ATO repayment plans for the Venue and the Club dated 23 February 2016
 - Various correspondence from the SANFL to the Club regarding the Land Divestment instalments
 - Financial model for the period 1 November 2016 to 31 October 2019 (in Excel)
 - 2017 Budgets and notes (PDF document)
 - GFC 2016/17 Business plan
 - Organisational structure
 - Lease of ground and deed of assignment
 - Certificate of currency of insurance for the Club dated 30 August 2016
 - Agreement between the Club and the Council regarding the Council loan
 - Deed of Charge between the Club and Council
 - Deed of Guarantee between the Venue and Council
 - Agreement between the Council, the Club, the Venue and ANZ regarding a Right of Entry
 - Deed of Priority between the Council and ANZ
 - Letter of Offer from ANZ dated 2 August 2016
 - GFC Current Asset Finance Schedule
 - Entitlement balance summary for Club and Venue September 2016
- ▲ We have undertaken PPSR searches for Glenelg Football Club Inc and Glenelg Footballers' Club Inc.
- ▲ We have downloaded information from Consumer and Business Affairs website relating to Gaming Machine Entitlement Trading Rounds.
- ▲ Meeting with Glenn Elliott and Annemarie Cox on 27 September 2016.

2.3 SCOPE OF WORK UNDERTAKEN

- ▶ Our investigations and work has been limited to the scope as set out in our engagement letter.
- ▶ We have not conducted an audit nor have we verified the information provided to us and so make no comment as to the accuracy or reliability of the information presented. We have relied upon assurances from Management as to the accuracy of the information provided.
- ▶ It should be noted that as the achievement of any prediction as to the results of future operations is dependent upon future events, the outcome of which cannot be assured. The actual results achieved may vary materially from the projections included in this report. In addition, please note that we have not audited the integrity of the financial model.
- ▶ Please also note that we are not valuers and accordingly any assumptions made by us as to estimated realisable value of assets are for analysis purposes only and cannot be relied upon.

2.4 LIMITATION ON THE USE OF THIS REPORT

- ▶ This report is provided to the Council on the understanding that is for the sole use of the Council. No other entity or person may rely on it for any purpose whatsoever.
- ▶ Our report is confidential and must not be distributed to any third parties without our express written consent.
- ▶ Neither BRIF nor any member or employee or related or associated entity of the firm undertakes responsibility in any way whatsoever, including by way of any errors arising through negligence or otherwise however caused to any persons other than the Council.

3 SECURITY POSITION

3.1 ESTIMATED STATEMENT OF POSITION

- ▲ We have prepared estimated statements of position for the Club and the Venue using the book value ("BV") from the unaudited management accounts as at 31 August 2016 and estimated the going concern values ("GCV") and auction realisation values ("ARV"), as summarised below:

	BV \$ '000	GCV \$ '000	ARV \$ '000
Estimated funds available to Council from Club	1,014	363	72
Estimated funds available to Council from Venue	6,142	0	0
Total funds available to Council	7,156	363	72
Less GFC Debt to Council	2,305	2,305	2,305
Estimated shortfall to Council	0	(1,942)	(2,233)

- ▲ As the table shows, in a formal appointment/enforcement process the physical assets of GFC provide minimal security for the Council's loan and a significant exposure.
- ▲ This reiterates the fact that the recovery of Council's loan is dependent upon the continuation of GFC and receipt of the SANFL Land Divestment fund instalments, which is discussed further at 5 below.
- ▲ We have attached as Annexure 2 more detailed schedules of the analysis for your information.
- ▲ Please note the following in relation to this analysis:
 - Appointees/administration costs and expenses are not allowed for;
 - The effects of GST have been excluded;
 - The effects of capital gains tax on the sale of fixed assets has been excluded;
 - Realisable values for plant and equipment under GCV and ARV scenarios have been estimated based on our review of the depreciation schedule. It should be noted that we are not valuers and it may be desirable for a valuation of plant and equipment be conducted;
 - It is assumed that the Council's guarantee from the Venue is unsecured. It may be desirable to obtain legal advice on the Council's security position.

4 CREDITORS

4.1 ATO

- ▲ The Club and the Venue have entered repayment arrangements with the ATO.
- ▲ Based on our review it appears these arrangements are being met, both in terms of the instalments and meeting current obligations.
- ▲ The ATO debt at 19 September 2016 for each entity per the ATO business portal information supplied by Management is \$26,607 for the Club and \$46,857, which is lower than expected given the repayment plan commencement debts.
- ▲ The remaining ATO arrears/repayment plan debt will be met from the 2016 SANFL Land Divestment Instalment, which we understand has been approved by the SANFL, ANZ and Council.

4.2 SUPPLIERS

- ▲ The Club's aged payables as at 31 August 2016, adjusted to exclude the ATO, is summarised below:

	<i>Current</i>	<i>30 days</i>	<i>60 days</i>	<i>90+ days</i>	<i>Total</i>
Total Debt (\$ '000)	29	15	21	42	107
Percentage	27%	14%	20%	39%	100%

- ▲ The debt 90+ days relates to \$19,190 due to SANFL Inc, which is being paid by instalments withheld from monthly distributions from the SANFL, a \$5,000 debt to Woodville West Torrens for transfer fees and \$17,381 due to World Rugby Specialists which is being paid by informal arrangement of \$3,000 per week.
- ▲ The Venue's aged payables as at 31 August 2016, adjusted to exclude the ATO and a minor contra credit, is summarised below:

	<i>Current</i>	<i>30 days</i>	<i>60 days</i>	<i>90+ days</i>	<i>Total</i>
Total Debt (\$ '000)	93	21	1	28	143
Percentage	65%	14%	1%	20%	100%

- ▲ The 90 days+ debt all relates to monies due to Aristocrat, which is in relation to the acquisition of a poker machine. Management are in discussions with Aristocrat in relation to a repayment arrangement.
- ▲ We are advised that no statutory demands or legal notices have been received in relation to Club or Venue creditors.

- ▲ In summary, GFC's supplier payments appear in order/appropriate.

4.3 EMPLOYEES

- ▲ Club has 6 full time employees and 33 casuals/contractors (including players and coaching staff). Venue has 5 full time employees and 32 casual staff. In addition there are 2 full time administration staff whose salaries and oncosts are shared 50/50 by Club and Venue.
- ▲ Management have advised that there is no unpaid superannuation or wages currently outstanding.
- ▲ The August 2016 balance sheets for the Club and the Venue reflect accrued superannuation payable of \$28,269 and \$18,898 respectively, which reflect 2 months accrual. Superannuation is paid quarterly and this along with September's amount will be due for payment in October.
- ▲ The August 2016 balance sheets for Club and Venue do not reflect any accrued/unpaid wages.
- ▲ The August 2016 balance sheets reflect provisions for annual leave/long service leave of \$29,889 and \$24,606 for the Club and the Venue respectively. The provisions are calculated and updated at year end. Based on Entitlement Balance Summary reports at September 2016 for Club and Venue, accrued annual leave totals some \$42,827 and \$12,449 respectively. No long service leave accrual is maintained by GFC's MYOB management accounting package and this is calculated and brought to account at year end.
- ▲ The August 2016 balance sheets reflect accrued player payments of \$39,486 which are anticipated to be paid by the end of January 2017.
- ▲ GFC has applied for a payroll tax refund of up to \$150,000 due to the grouping of employees across the two entities against one threshold, whereas other clubs have been allowed two thresholds. It is expected that the application will be determined by early November and if successful, part of the funds from same would be used to meet the accrued player payments.

4.4 SECURED FINANCIERS

- ▲ The Club has vehicle finance in place for 3 vehicles (2 Subaru vehicles via St George and a Hiace via Toyota Finance). These financiers have registered security interests on the PPSR for the Club and debt totalling \$59,112 per the July 2016 balance sheet for the Club.
- ▲ Capital Finance/QPF Finance provide equipment finance in relation to 6 of the Venue's poker machines and Ainsworth provide equipment finance in relation to 2 machines. We note that there is no PPSR registration to Capital Finance/QPF or Ainsworth under a search on Venue's ABN, however these items may be registered by serial number.

- ANZ have registered security interests on the PPSR for the Club and the Venue and provide the following facilities:

Facility	Entity	Balance per 31 August 2016 balance sheet (unaudited) \$	Limit \$	Expiry Date
Credit card	Club	2,087	20,000	N/A
Commercial Bills	Club	500,000	500,000	28/6/18
Overdraft	Venue	130,261	160,000	28/7/17
Business Loan	Venue	437,500	437,500	30/11/16

- The ANZ's letter of offer of 2 August 2016 shows the Business Loan facility expires in 2 months' time.
- The letter of offer shows the Commercial Bill being a facility to the Club however the liability is recorded in the Venue's balance sheet (both audited 31 October 2015 and unaudited July/August 2016). We raised this with Management however they were unable to provide a clear answer as to the historical treatment of this loan.
- The Council has a loan agreement with the Club and a registered security interest over same. However, the Council's debt and the asset relating to the development works undertaken from the loan are recorded in the Venue's balance sheet (both audited 31 October 2015 and unaudited July/Aug 2016). We raised this with Management however they were unable to provide a clear answer as to the historical treatment of this loan.
- The Council has a deed of priority with ANZ in relation to the Club, however, and as further illustrated in the estimated position outcomes at 3 above, this may be of limited relevance unless the Club survives for the 7 years for the Land Divestment payments.
- The Council has a deed of guarantee from Venue however no registered security interest on the PPSR. This may mean that the Council are in effect an unsecured creditor of Venue. We recommend the Council obtain legal advice on their security position and subject to same, consider taking security over Venue.

4.5 OTHER CREDITORS

- The Club's 31 August 2016 balance sheet shows a loan from the Venue of \$1,053,622 and brings to account liabilities reflecting SANFL income in advance of \$70,300 and a sponsorships provision of \$62,515. The interentity loan is an unsecured loan, the SANFL income in advance is an accounting treatment which we expect will reverse out over the remaining months as the income is deemed earned and the sponsorship provision relates to sponsorship deferred income relating to oval lighting which is being written off over 7 years, according to the audited accounts.
- The Venue's 31 August 2016 balance sheet shows an unsecured loan from Samlar Pty Ltd for \$200,000 which is an unsecured loan from a Club benefactor which we understand is not repayable in the short term. The balance sheet also brings to account accrued gaming tax liability of \$35,032 as well as deposits taken on functions of \$5,205. We note that gaming tax is payable monthly and is automatically deducted by the government.

5 DEBT RESTRUCTURE OPTIONS

5.1 SANFL FUNDS

- ▲ We have been provided with and reviewed correspondence from the SANFL in relation to Land Divestment Payments anticipated to be made to the SANFL clubs from the sale of West Lakes land.
- ▲ Based on the correspondence, subject to certain eligibility criteria and conditions, each club will receive \$2m over 7 years in varying instalments in October of each year until 2022.
- ▲ The SANFL requires that the funds must be applied in the following order:
 1. ATO on account of overdue superannuation
 2. ATO on account of overdue GST payments or other state taxing authority on account of overdue state taxes, where there is not an agreed payment plan
 3. Secured debt owed to the bank or other financial institution
 4. Unsecured debt
- ▲ The SANFL have set the following KPI's for the clubs:
 - Provision of quarterly accounts including profit & loss, balance sheet, cashflow forecast update, balance of debtors and creditors over 60 days and confirmation statutory liabilities are current.
 - Submission of a 3 year business plan with 3 year financial projection outline including assumptions and strategies to achieve plan.
 - Full year club budget, inclusive of cash flow forecast and assumptions.
 - Budget to and achieve a cash earnings surplus of \$100,000 per year.
- ▲ Some comfort is gained from the SANFL's mandated KPI's and their monitoring/oversight of same on a quarterly basis.
- ▲ It would appear the business plan and forecast per the second and third points above are what GFC have supplied to the SANFL and us. We would recommend that, if already not provided, Council require the quarterly accounts be provided to them at the same time GFC provide these to the SANFL.
- ▲ As referred to at 4.1 above, we understand that the SANFL, ANZ and Council have approved the payment of the ATO arrears from the 2016 Land Divestment instalment. The balance of the first instalment of some \$177k is available subject to agreement as to its use.
- ▲ We note that the remaining \$1.92m in Land Divestment Payments (ie the \$177k currently available and the remaining instalments totalling \$1.75m) will be insufficient to clear GFC's debts to the ANZ and Council in full.
- ▲ Whilst the deed of priority provides Council with the rights to the balance of Land Divestment Payments, the Club needs to be in existence for the next 7 years to receive same. Accordingly ANZ's stance/position is critical to this future income stream, in particular given the expiry of the \$437,500 business loan at the end of November 2016.

▲ Council’s options would appear to be as follows:

1. Seek repayment of their debt from Land Divestment Payments in accordance with Deed of Priority.
2. Payout ANZ Commercial Bill and Business Loan and seek assignment of ANZ security over Venue or put in place own security and enter Deed of Priority with ANZ.
3. Agree a basis of sharing the SANFL payments with ANZ.
4. Cease support and enforce security (not recommended).

▲ We detail below a risk matrix summarising our view of Council’s options.

Option	Estimated SANFL funds received	Risk/Issues	Provision
1. Seek repayment of Council debt from SANFL instalments in accordance with deed of priority	\$1.92m	Any ANZ action and cessation of GFC would mean these future funds would not be received.	\$400,000 - \$2.3m
2. Payout ANZ Commercial Bill and Business Loan and seek assignment of ANZ security or put in place own security over Venue and enter Deed of Priority with ANZ	\$1.92m	Increased debt exposure but greater security and control. Would get all SANFL Land Divestment instalments and security over the gaming machine entitlements.	\$400,000
3. Negotiate/agree a share of SANFL payments with ANZ (say proportionate basis 2/3 Council to 1/3 ANZ)	\$1.28m	Reduces ANZ debt and may improve security position in Venue. Council could take security over Venue.	\$400,000 - \$1m
4. Cease support and enforce security	0	No likelihood of recovery of any of Council debt from SANFL funds and only likely recovery would be auction value of Club’s assets.	\$2.23m

5.2 ANZ

- ▲ As discussed above, ANZ's position/stance is critical to Council's debt reduction. Based on our estimated outcome analysis, we consider that ANZ face a deficiency on their security over GFC's physical assets.
- ▲ ANZ's business loan facility expires at the end of November 2016 (ie 2 months) and they have a meeting with Management planned for mid October.
- ▲ We also note that the recent Letter of Offer was signed by Julian Bone who is a Manager in their Credit Management Unit. Accordingly, the file is one we would consider to be actively monitored/managed by the ANZ.

5.3 STRATEGY

- ▲ We recommend that Council agree a strategy to achieve their preferred outcome and engage with ANZ as appropriate.
- ▲ BRIF are able to provide further assistance to Council's Working Party in this regard, if required.

6 BUSINESS PLAN

6.1 SUMMARY OF KEY POINTS

- ▲ Acknowledges the SANFL mandate that GFC record a minimum consolidated cash profit of \$100k per annum.
- ▲ Further acknowledges that many SANFL clubs introduced gaming operations to offset stagnating/declining traditional forms of income following the establishment of two AFL clubs in SA.
- ▲ Mission Statement is to be the most successful club in the SANFL through on-field performances by way of winning premierships and off-field by becoming a leader in financial sustainability and community engagement.
- ▲ 3 year business goals to reduce debt, achieve consolidated cash profit of \$100k per annum, finals every year, membership and home crowds exceeding 3,000 per game.
- ▲ KPIs are finals every year, membership and home crowds exceeding 3,000 per game and to be financially self-sufficient.

6.2 BRIF COMMENTS

- ▲ The Business Plan is a high level document largely focussed on GFC's on-field football success but also focussing on being the best gaming facility with the best bistro and staff.
- ▲ It acknowledges the SANFL mandated KPI's, in particular to record the \$100,000 consolidated profit before depreciation and reducing debt.
- ▲ We understand that the Business Plan has been provided to the SANFL who have approved it.

7 FINANCIAL PROJECTIONS

7.1 KEY DRIVERS & ASSUMPTIONS

CLUB

- ▲ The key drivers of the Club financial model are SANFL grant income and sponsorship.
- ▲ Key assumptions underpinning the model include:
 - SANFL grant income of \$673,000 for each of the next 3 years
 - Sponsorship income of \$485,000 for 2017 and projected to increase at 2% per annum
 - Retaining current membership levels which are just under 3,000.
 - Senior coach paid at higher end of market but assistant coaches paid at lower end of SANFL benchmarks and player payments budgeted at 100% of salary cap. The spend on senior and junior football is forecast to increase at 1% per annum.
- ▲ We note that the SANFL grant income accounts for around 40% of the Club's income. In addition, the SANFL grant income is fixed by the SANFL and we understand is unlikely to reduce.
- ▲ Sponsorship accounts for around 30% of the Club's income. The major/naming rights sponsor (who has 2 years remaining on their agreement) and the SANFL sponsorships of Lion and Coca Cola Amatil, account for some 37% of the forecast sponsorship. There are a further 16 corporate sponsors, 68 sign sponsors and 35 player sponsors. Sponsorship is a significant risk area and we note that Sturt's major/naming rights sponsor has just ended their agreement. However, we understand that GFC's major/naming rights sponsor (and the family behind same) has had an association with the Club for over 10 years and are expected to continue their support.
- ▲ Membership income only accounts for around 9% of the Club's income.

VENUE

- ▲ The key drivers of the Venue financial model are Net Gaming Revenue and kitchen/bar income.
- ▲ The assumptions underpinning the forecast are detailed in the 2017 Budget document. Key assumptions include:
 - Gaming income is based on Net Gaming Revenue of 9.25% on \$300k per week turnover for each of the next 3 years
 - Bar sales based on average weekly sales of \$19k per week with a gross profit margin of 65%
 - Food sales based on average weekly sales of \$17k per week with a gross profit margin of 65%
 - Debt reduction of ANZ debt over the 3 years resulting in reduced interest expense
- ▲ Total Net Gaming Revenue has been declining in the state of South Australia. In part this is due to a reduced number of venues and a reduction in machines following a machine entitlements trading scheme incepted by the government (whereby one machine entitlement is cancelled in every 4 traded) and in part due to fall off in gambling activity.
- ▲ In addition, we understand that there are less people per machine in the Glenelg/Holdfast region and Venue facing competition from upgraded facilities with jackpot clubs within their region.

Notwithstanding this, Management are confident of achieving \$1.3m Net Gaming Revenue and have initiated strategies focussing on their top end gamblers.

- ▲ The gross profit margins for bar and food are broadly in line with those historically achieved, based on our calculations from the audited 2014 and 2015 accounts.
- ▲ The model assumes the SANFL Land Divestment instalments are utilised to reduce the ANZ loans.

7.2 BUDGET

- ▲ The forecast includes 3 years projected profit and loss for the periods 1 November 2016 to 31 October 2017, 1 November 2017 to 31 October 2018 and 1 November 2018 to 31 October 2019. The model is a profit and loss forecast only and does not incorporate a cashflow or balance sheet budget.

CLUB

- ▲ We summarise below a comparison of the Club's audited accounts for the 2014 and 2015 years, the unaudited management accounts for the 10 months ended 31 August 2016 and the forecasts for 2017, 2018 and 2019. We have used the categories/format of the audited accounts.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
Football income	885	904	719	824	826	827
Membership income (net)	76	76	92	120	120	120
Sponsorship income (net)	432	442	413	400	409	419
Fundraising and Coterie (net)	106	113	64	109	108	107
Other income	166	81	78	0	0	0
Total income	1,665	1,616	1,366	1,453	1,463	1,473
Senior & Junior Football expenses	1,370	1,355	1,151	1,137	1,150	1,161
Administration expenses	296	268	283	266	276	283
Occupancy	127	88	78	97	99	101
Depreciation	73	76	51	60	56	52
Sundry expenses	43	105	35	39	39	39
Total expenses	1,909	1,892	1,598	1,599	1,620	1,636
Net profit/(loss)	(244)	(276)	(232)	(146)	(157)	(163)
Net profit/(loss) before depreciation	(171)	(200)	(181)	(86)	(101)	(111)

- As can be seen above, the Club is projected to make losses for 2017 to 2019, although these losses are lower than the recent historical actual results.
- Despite the SANFL grant income underpinning the Club, its ongoing viability is dependent on the profitability of the Venue.

VENUE

- We summarise below a comparison of the Venue's audited accounts for the 2014 and 2015 years, the unaudited management accounts for the 10 months ended 31 August 2016 and the forecasts for 2017, 2018 and 2019. We have used the categories/format of the audited accounts.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
Bar gross profit	586	782	721	771	787	803
Kitchen gross profit	540	719	727	794	786	801
Net Gaming Revenue	1,464	1,599	1,121	1,312	1,312	1,312
Other income	386	379	232	340	342	345
Total income	2,976	3,479	2,801	3,217	3,227	3,261
Bar expenses	26	23	22	24	24	25
Kitchen expenses	87	109	78	95	97	99
Gaming expenses	577	701	431	503	505	506
Wages and oncosts	1,232	1,433	1,261	1,494	1,528	1,559
Occupancy	230	237	214	225	230	234
Interest	218	220	166	224	202	190
Depreciation	71	76	60	72	65	55
Other expenses	464	612	365	362	369	374
Total expense	2,905	3,412	2,597	2,999	3,020	3,042
Net profit/(loss)	72	67	204	218	207	219
Net profit/(loss) before depreciation	143	143	264	290	272	274

- As can be seen above, the Venue is projected to make profits of over \$200,000 for 2017 to 2019. Whilst these profits are higher than the recent historical audited results, a profit has been achieved at around that level in the unaudited results for the 10 months to 31 August 2016.

CONSOLIDATED

- We summarise below the forecast combined net profit/(loss) and net profit/(loss) before combined depreciation for the Club and Venue for 2017 to 2019 compared to historical actual results.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
GFC Net profit/(loss)	(172)	(209)	(28)	72	50	56
Addback Depreciation	144	152	111	132	121	107
GFC Net profit/(loss) before depreciation	(28)	(57)	83	204	171	163

- ▲ GFC projects a consolidated operating surplus before depreciation above the SANFL mandated \$100,000 for the next 3 years.

7.3 BRIF COMMENTS AS TO REASONABLENESS/ACHIEVABILITY

- ▲ The achievability of the forecast is highly dependent upon the profitability of the Venue and in particular Net Gaming Revenue.
- ▲ The key risks areas are sponsorship income in Club and Net Gaming Revenue in Venue.

7.4 BRIF COMMENTS AS TO SENSITIVITY/STRESS ANALYSIS

- ▲ We have not sought to conduct any detailed sensitivity testing of the model due to the model being hard coded with numbers rather than driven by formula.
- ▲ However, given a large component of GFC's costs are fixed, in very broad terms if sponsorship income dropped by say \$100,000 this would have a \$100,000 impact on net profit. Further, we would expect a \$100,000 drop in Net Gaming Revenue would have a \$70,000 impact on net profit due to the gaming tax saving impact.

8 OTHER MATTERS

8.1 INSURANCE

- ▲ The certificate of currency provided does not note any interested parties. We would normally expect to see secured creditors such as ANZ and the Council noted on the policy.

8.2 MAINTENANCE

- ▲ The lease of the ground/precinct between Council and GFC provides that funds are paid by GFC to a rent maintenance fund. We understand that this is not happening.

8.3 OTHER MATTERS

- ▲ Whilst not within our scope, the CEO, Glenn Elliott impressed us with his understanding of the business, risk areas and his focus on GFC living within its means. He has demonstrated a focus on reducing cost where possible and elimination of unprofitable ventures. He appears to have the appropriate structure and people in place (in particular the Finance Manager) and has stated that he will be holding department heads accountable to their budgets. We consider that the CEO is a significant asset to the business and that he will recognise early if KPIs and budgets are not being achieved and be transparent to stakeholders.
- ▲ Further, whilst outside of scope and outside our expertise we note that there are social and economic benefits to the local community, of the existence of GFC. We understand that the SANFL are considering engaging an independent study into same.
- ▲ No other material matters of note came to our attention in the course of our review.

Should you have any queries regarding this report, please contact either the writers or Stuart Starr of our Adelaide office on 08 8233 9900.

Dated this October 2016.

Andre Strazdins
Principal

Alan Scott
Principal

Business Plan



GLENELG FOOTBALL CLUB 2016/17

CONFIDENTIAL

Prepared by:

GLENN ELLIOTT

Updated:

SEPTEMBER 2016

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BUSINESS SUMMARY

About the Company

Glenelg Football Club was formed in 1920, it is an iconic SANFL club. We exist to provide the Glenelg community with a club which is all embracing and which instils a sense of pride through its work both on and off the field. Football operations are supported through membership, sponsorship, fundraising and licensed club operations. The business model for an SANFL club changed permanently with the establishment of two AFL Clubs in South Australia with many traditional forms of income stagnating or declining. In many Clubs the introduction of gaming operations has offset this loss.

From the outset it is important to accept the SANFL mandate that the Club record a minimum consolidated cash profit of \$100k per annum effective 2017. Accordingly, the Business Plan and its subsequent budgets must produce this outcome.

Your Products and Service

SANFL FOOTBALL

- Seniors
- Reserves
- U/18s
- Development Squads

COMMERCIAL OPERATIONS

- Sponsorship
- Membership
- Functions and Events

GLENELG CLUB

- Gaming Operations
- Bistro
- Functions

The Market and Business potential

Football

Sports entertainment

Membership

Community based

Commercial Operations

SANFL centralized sponsorships

Local businesses with an empathy for sport

Businesses seeking measurable returns on investment

Glenelg Club

Hospitality trade within 3kms of the venue including:

Gaming patrons

Bistro patrons

Function trade

Business Potential

Glenelg Club

We are prominently located on a main road with car parking, this however only provides the right to open the front door. Being recognized and accepted as a reliable brand requires consistent performance in all hospitality portfolios. The potential of the business rests with performance.

Glenelg Football Club

As a sporting body seeking commercial support, the potential of the football club relies on delivering measurable outcomes for business sponsors whether that be branding or sales. Membership and sponsorship outcomes rest heavily on 'winning'. Effective and consistent communication is critical to membership engagement.

Mission, Goals and Objectives

GLENELG FOOTBALL CLUB

Mission Statement:

To be the most successful Club in the SANFL through on field performances by way of winning premierships and off field by becoming a leader in financial sustainability and community engagement

Vision – what will it look like when we are there?

- We develop into a Club which finishes in the finals and is a title threat every year, a position from which we can win our next premiership
- We are seen as the benchmark for youth development, recruitment and coaching
- The community sees the Club as their Club through community engagement projects developed and carried out by the Club
- We are financially self-sufficient and invest all profit back into football and infrastructure projects which will build the long term future of the Club
- We are the sporting employer of choice due to our culture and all staff, players and volunteers feel privileged to work for the Club and to be part of its family

KPI's

The success of the above focus can be measured as follows:

- Finals every year
- Membership exceeding 3,000
- Home Crowds exceeding 3,000
- Financially self sufficient

GLENELG CLUB

To be the most successful bistro, gaming, function facility within 3 kilometers of our venue.

Strategies

GLENELG FOOTBALL

Three key pillars of ongoing football success

1. Appoint the best coaches
 - Appoint qualified coaches with ambition, a devotion to football and a record of achievement.
2. Establish the best player list
 - Lists always evolve. It will require a successful junior player development pathway. When required it also requires an affordable and effective recruitment structure.
3. Provide the best facilities

- First class facilities are a pre requisite for sustained player retention. Importantly they can also be a critical consideration in the recruitment process. The provision of first class facilities can also be a lasting legacy to the community.

GLENELG CLUB

- Best gaming facility:
 - Best machine range - secure finance to upgrade machines
 - Best customer service – requires ongoing staff training
 - Best safety for staff and patrons – improved security measures
 - Best signage – upgrade external signage on Brighton Road and the building itself
 - Maintain strict budget control especially in the areas of margins and wages
- Best bistro facility
 - Menu to reflect patrons who are traditionally time poor and want to access to good quality food at competitive prices
 - Beverages range to reflect patron demand
- Best staff
 - Outstanding staff service can be our point of difference in a competitive industry
 - Instill a sense of pride, autonomy and respect within all staff.

Business Structure

Refer the Club organisational structure.

The Organisational Structure of the Club is predicated on the following assumptions:

- Board sets policy and addresses strategic matters
- Management manages the Board approved direction and operational budgets
- Coaches 'coach'
- Players 'play'
- Members 'support'

Adherence to the Corporate governance is essential for the effective functioning of our football Club.

Finance

Budgets

Budgets for 2016/17 must reflect the market place, previous trends and the SANFL mandate to record a consolidated \$100k cash profit before depreciation.

Going forward the budget process will be as follows:

- August: Portfolio managers submit their budgets
- September: Draft Budget submitted for Board consideration

Financials

Finance Committee to approve monthly accounts prior to Board distribution each month

Board Meetings: 4th Wednesday of the month

Annual Report

Auditor report to be completed prior to December 15 each year.

AGM to be held no later than the last day of February each year.

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MARKETING PLAN

Your Customers

Football

Winning is our business

- The Club must achieve its vision of being a finalist every year, a position from which it can win a premiership

Our customers will require the following:

- Regular scheduling of games
- Effective 'Communication' as the major initiative focus through digital options
- Being valued and respected

Gaming

Gaming is our business.

- Gaming patrons play to win. The point of difference for our product must be machines, the sole reason the patrons are there in the first place. The decision to play machines is not time specific
- Patrons are not time specific

Bistro

- Bistro operations complement gaming.
- It is not absolutely clear that the provision of low cost bistro services has an irrefutable correlation to gaming turnover, but we are not going to pioneer another theory.
- Most patrons are looking for value, low to mid end prices supplemented by a salad and vegetable service.
- The market responds to regulated service hours for lunch and dinner.
- Our competitive advantage must be the Chef we appoint.

Relative importance of key selling factors to target market:

	GFC Member	Gaming/Bistro Patrons
Price	Medium - High	High
Service	High	High
Product / Services	High	High
Safety	Medium	High
Convenient location	Low	High

Strengths, Weaknesses, Opportunities, Threats

Outline the strengths of your business:

- OUR STAFF. All key staff appointments for GFC will be subject to review to ensure we are achieving maximum productivity. Personnel should have a high level of autonomy within their portfolios, but must accept the accountability associated with same.
- ORGANISATIONAL STRUCTURE. An effective structure which provides clarity for the effective operation of the business. It also ensures personnel development through an underlying assumption of providing autonomous roles which accept accountability
- BUDGETS. The process is thorough, the outcome must be acceptable to the Board and achievable for staff.
- BRAND. All in the community recognize and accept both the Glenelg Club and Football Club as a trusted brand.

Outline the weaknesses of your business:

- COMMUNICATION. Communication can rightly be regarded as a strength, weakness, opportunity and threat to our business. Clear direction to all staff regards policy, procedure and events is critical.
- CASH FLOW. Adequate cash flow must occur for us to maintain consistency in operations and to secure best credit terms.
- POOR GAMING MACHINE RANGE. Improved trading in other portfolios will not offset poor gaming figures.
- REPAIRS AND MAINTENANCE. Unforeseen issues can be avoided by effective maintenance schedules. However, it must be noted that facilities are ageing and in the medium to high risk area for repairs and maintenance
- POOR INTERNAL PROCEDURES. Again a strength or potential weakness. It has been an area of intense focus for the Club

Outline the opportunities of your business:

- FOOTBALL. The season schedule is arguably one of the best opportunities for our football operations. Programming select games on a Sunday may broaden the appeal for our home games. 'Winning' can provide the impetus for improved Club outcomes. Whilst it is not part of the budgeting process, the impacts are measurable
- GLENELG CLUB GAMING FACILITIES. Most venues are privately owned which often means that sound capital investment is deferred in lieu of current profit. The

opportunity for us is to allocate funds based on being the premier gaming venue in our immediate locality.

Outline the threats of your business:

- GAMING – COMPETITOR ACTIVITY /LEGISLATION CHANGE. Significant changes in either of the above would have a serious impact on the industry. As such we must support Industry Bodies regards Government lobbying. Monitoring local competitors such as the Holdfast and other is mandatory
- POOR CUSTOMER SERVICE. GFC cannot tolerate poor service in any port-folio. We must ensure staff process and procedures are in place
- LACK OF MARKETING FUNDS. If funds are not available we will rely on our location, past performance and 'word of mouth' for custom.
- NO INFRASTRUCTURE FUNDING. Venues must invest and/or refresh themselves in the current market.
- POOR ONFIELD FOOTBALL RESULTS. Impacts on membership, sponsorship, events and fundraising

Sales and Marketing Objectives

Football

- Finals every year from which we can become a title threat and win our next premierships

Gaming Patrons

- To achieve high turnover figures, we must learn more about the top 200 customers, bearing in mind it will change due to the nature of the business. It is important to note that many significant patrons will not register with a loyalty system and as such we cannot market any benefits to them. It is ironic that loyalty systems traditionally do not service the most important 'punters'
- Must improve direct marketing.
- We require improved external signage to better reflect business operations

Value Proposition

Football

Affordable, convenient, accessible entertainment

Food and Beverage Services

Patrons can expect quick service, quality food and beverages at competitive prices

Gaming Patrons.

Patrons can attend knowing that this will be the best gaming experience available to them - inviting, friendly yet discreet. Gaming made easy.

What are your brand values – what feelings and emotions will customers associate with your business, your products and your services?

- We shall create an environment where all are respected, welcomed and made to feel special. Hospitality, which applies to each category, is about being the same every day. We will create a sense of ownership.

From the above statements, summarize how your business will deliver value to the target customers you identified in Section 1 (above). This is your customer value proposition.

- GFC Incorporated will provide the ultimate leisure experience We must have products which create demand as our venue is in the discretionary market for spending.

Your Product or Service

- **Football** – play a 'winning' brand of football
- **Gaming** – best machines, best service, safe venue
- **Bistro / Bar** – best service, consistent price and range

Pricing

Outline the price structure for your product or service

- Football. Ticket prices must be affordable and geared to family entertainment and must be seen as real value.
- Glenelg Club. Pricing must reflect the characteristics of our patrons which seek real value bistro product.

How have you determined this price (market-based, cost-plus, value-based etc.)?

- Football: SANFL determines prices
- Glenelg Club: Strictly market based

How does your pricing strategy compare to the market, to your competitors?

- Football. Below AFL and above community football
- Glenelg Club. Equal or below competitors

Promotion

Given the mortgage the AFL now has on all forms of media the Club has identified 'Communication' as our major promotional strategy.

- Web Site. Web must be engaging, interactive and current at all times
- Email Service: Monday, Wednesday and Friday
- SMS for instant news and reminders

Bistro

- Signage
- Radio advertising
- Members
- Referrals

Functions

- Web site
- Signage
- Networking
- Referrals

Gaming

- Signage: Must maximize main road location with a clear message regards what we do and when we are open

- Quarterly mail out to all homes within 3km
- Install the state of art loyalty program 'Jackpot Club' – subject to finance

OPERATIONAL PLAN

2016/17 Budgets – Board approved

Approved by the Board – August 31,2016.

Premises, Plant and Equipment

As exists

FINANCE PLAN

Capital Requirements and Funding Proposal

SANFL annual distributions

SANFL AAMI Stadium distribution

Current Financial Position

Club carries a consolidated debt of \$3.4m

RISKS

Risk Identification and Mitigation

Outline the major risks to your business. What strategies will you employ to mitigate these risks?

Debt

Pent up pressure is the outcome of the Club's inability to service debt. Compounding losses have all but eliminated the Club's capacity to invest in its core business of football.

Sustained trading losses

Current year budgets have been reviewed and adjusted to ensure the Club is profitable

Football Coach Tenure

Club is committed to ensuring consistency in this key portfolio. Coach has since been appointed until 2018.

Key Personnel leave

Club has established a sound organizational structure based on autonomy and

accountability.

STRUCTURE AND MANAGEMENT

Organizational Structure: approved

Board Approved

FOOTBALL CLUB OPERATIONS

As distributed

Authority is vested in the Board

LICENSED OPERATIONS

We formally recognise the critical and specialised nature for the back of house role by creating the following structure for future operations.

- Finance Manager – accounts and compliance
- Glenelg Club Manager - essentially a Front of House Manager.

This structure provides an environment where 'Managers manage' and the support network ensures accurate financials and compliance.

Action Plan

3 YEAR BUSINESS GOALS

Action	November 2016	November 2017	November 2018	2018 Goal
Reduce Debt – currently \$3.4m	Debt \$3.1	Debt \$2.85	Debt \$2.7	Debt \$2.42m
Annual Consolidated Profit \$100k	\$100k	\$100k	\$100k	\$100k
Football Finals Every Year	Competitive 7 th – 6.5 wins	Top 5 10 wins	Top 3 13 wins	Top 3 13 wins
Membership	2,800	3,000	3,000	3,000
Home Crowds Average	3,000	3,000	3,000	3,000

Glenelg Football Club

Budget 2017-19

Account Name	2017 Budget	2018 Budget	2019 Budget
Income			
SANFL Income			
Club Development Grants	\$558,000.00	\$558,000.00	\$558,000.00
Development Managers Grant	\$25,000.00	\$25,000.00	\$25,000.00
Centre of Excellence Funding	\$40,000.00	\$40,000.00	\$40,000.00
Talent Fee	\$50,000.00	\$50,000.00	\$50,000.00
Total SANFL Income	\$673,000.00	\$673,000.00	\$673,000.00
Senior Football			
Transfer Fees Received	\$0.00	\$0.00	\$0.00
Match Day Gate Income	\$85,000.00	\$86,700.00	\$88,434.00
Seat Tickets Weekly	\$4,000.00	\$4,000.00	\$4,000.00
Game Day Car Park	\$2,000	\$2,000	\$2,000
Match Day Sundry Income	\$0	\$0	\$0
Total Senior Football	\$91,000	\$92,700	\$94,434
Junior Football			
Registrations and Apparel	\$60,000	\$60,000	\$60,000
Total Junior Football	\$60,000	\$60,000	\$60,000
Membership			
Membership General	\$140,000	\$140,000	\$140,000
VP Membership	\$10,000	\$10,000	\$10,000
Member's Donations	\$0	\$0	\$0
Total Membership	\$150,000	\$150,000	\$150,000
Sponsorship			
Major Sponsor/Namings Rights	\$100,000	\$100,000	\$100,000
SANFL Sponsors (Lion & CCA)	\$80,000	\$80,000	\$80,000
Other Sponsors	\$305,000	\$314,150	\$323,575
Total Sponsorship	\$485,000	\$494,150	\$503,575
Marketing & Fundraising			
Merchandise Sales			
Merchandise Sales	\$30,000	\$30,000	\$30,000
Total Merchandise Sales	\$30,000	\$30,000	\$30,000
Club Fundraising Events			
Season Launch/ Player Auction	\$2,000	\$2,000	\$2,000
Player Auction Proceeds	\$10,000	\$10,000	\$10,000
Family Fun Day	\$0	\$0	\$0
Pickets	\$5,000	\$5,000	\$5,000
Total Club Fundraising Events	\$17,000	\$17,000	\$17,000
Raffles			
Major Lottery Net	\$0	\$0	\$0
Home Match Raffle Net	\$10,000	\$10,000	\$10,000
Total Raffles	\$10,000	\$10,000	\$10,000
Past Players & Officials			
PP&O's Association Fee	\$0	\$0	\$0
PP&O's Match Day Events	\$4,000	\$4,000	\$4,000
PP&O Cash Raffle	\$6,000	\$6,000	\$6,000
Total Past Players & Officials	\$10,000	\$10,000	\$10,000
Functions/Lunches			
Tiger Lunch April		\$0	\$0
Tiger Lunch May		\$0	\$0
Tiger Lunch July		\$0	\$0
Tiger Lunch August		\$0	\$0
Tiger Lunch October		\$0	\$0
President Home Match Functions		\$0	\$0
Best and Fairest		\$0	\$0
Total Functions/Lunches	\$0	\$0	\$0
Vice Presidents			
VP's Gala Auction Net	\$40,000	\$40,000	\$40,000
VP's Raffle Income		\$0	\$0
VP's Race Day	\$5,000	\$5,000	\$5,000
VP's Golf Day	\$10,000	\$10,000	\$10,000
VP's Grant	\$10,000	\$10,000	\$10,000
Total Vice Presidents	\$65,000	\$65,000	\$65,000
Total Marketing & Fundraising	\$132,000	\$132,000	\$132,000

Glenelg Football Club

Budget 2017-19

Account Name	2017 Budget	2018 Budget	2019 Budget
Total Income	\$1,591,000	\$1,601,850	\$1,613,009
Cost Of Sales			
Senior Football			
Football Depart Personnel			
Senior Coach	\$113,000	\$115,260	\$117,565
Other Coaches	\$65,000	\$66,300	\$67,626
Football Depart (Salaries)	\$143,000	\$145,860	\$148,777
Support Staff Fees	\$30,000	\$30,600	\$31,212
Leadership Program	\$0	\$0	\$0
Club Doctor	\$10,000	\$10,200	\$10,404
Motor Vehicle Expenses	\$0	\$0	\$0
Total Football Depart Personnel	\$361,000	\$368,220	\$375,584
Player Payments			
Per League Game		\$0	\$0
Per Reserves Games		\$0	\$0
Per Injured Game		\$0	\$0
Rent & Board (Guranteed)		\$0	\$0
B&F Incentives		\$0	\$0
Other Benefits		\$0	\$0
Total Player Payments	\$438,000	\$440,000	\$440,000
Wages On-Costs			
Workcover	\$8,000	\$8,100	\$8,100
Payroll Tax	\$20,000	\$19,500	\$19,600
Total Wages On-Costs	\$28,000	\$27,600	\$27,700
Recruiting & Other Expenses			
Transfer Fees Paid	\$25,000	\$25,000	\$25,000
Recruiting Expenses	\$5,000	\$5,000	\$5,000
Player Relocation	\$0	\$0	\$0
Total Recruiting & Other Expenses	\$30,000	\$30,000	\$30,000
Equipment & Apparel			
Footballs	\$10,000	\$10,000	\$10,000
Boots	\$0	\$0	\$0
Shorts	\$0	\$0	\$0
Socks	\$0	\$0	\$0
Pre-season (singlets & shorts)	\$0	\$0	\$0
Guernseys & Jackets	\$0	\$0	\$0
Polo's	\$5,000	\$5,000	\$5,000
Tracksuits	\$5,000	\$5,000	\$5,000
Training Equipment	\$0	\$0	\$0
Gym Equipment	\$0	\$0	\$0
Total Equipment & Apparel	\$20,000	\$21,000	\$22,000
Match & Training Costs			
Football Dept Annual Trip	\$0	\$0	\$0
Pre-Season Venues	\$0	\$0	\$0
Other Training Venues	\$6,000	\$6,000	\$6,000
Courses	\$0	\$0	\$0
Players Insurance (SANFL)	\$35,000	\$35,000	\$35,000
Medical Supplies	\$20,000	\$20,000	\$20,000
Medical Expenses Players	\$10,000	\$10,000	\$10,000
Camps	\$0	\$0	\$0
Ice	\$0	\$0	\$0
Dinners (Match Committee)	\$2,000	\$2,000	\$2,000
Player Trophies/Awards	\$5,000	\$5,000	\$5,000
Volunteer Honorariums	\$6,000	\$6,000	\$6,000
Motor Vehicle	\$20,000	\$20,000	\$20,000
IT, Vision & Communications	\$20,000	\$20,000	\$20,000
Player Sustenance	\$0	\$0	\$0
Oval Requirements	\$5,000	\$5,000	\$5,000
Dry Cleaning	\$5,000	\$5,000	\$5,000
Trial Game Expenses	\$5,000	\$5,000	\$5,000
Sundry/General	\$3,000	\$3,000	\$3,000
Total Match & Training Costs	\$142,000	\$142,000	\$142,000

Glenelg Football Club

Budget 2017-19

Account Name	2017 Budget	2018 Budget	2019 Budget
Home Match/Game Day			
Home Match Staffing (SANFL)	\$25,000	\$25,500	\$26,010
Security (SANFL)	\$10,000	\$10,200	\$10,404
Sundry Costs (SANFL)	\$0	\$0	\$0
Car Park & Scoreboard Costs	\$5,000	\$5,100	\$5,202
Game Day Promotion	\$10,000	\$10,200	\$10,404
Game Day Entertainment	\$3,000	\$3,060	\$3,121
Game Day Set-up	\$2,000	\$2,040	\$2,081
St Johns Attendance	\$5,000	\$5,100	\$5,202
Total Home Match/Game Day	\$60,000	\$61,200	\$62,424
Total Senior Football	\$1,079,000	\$1,090,020	\$1,099,708
Junior Football (as per separate spreadsheet)			
U18's & U16's	\$18,000	\$20,000	\$22,000
Country Zone (Sth East)	\$10,000	\$10,000	\$10,000
Metro Zone	\$30,000	\$30,000	\$30,000
Total Junior Football	\$58,000	\$60,000	\$62,000
Membership			
Total as per separate spreadsheet	\$30,000	\$30,000	\$30,000
Total Membership	\$30,000	\$30,000	\$30,000
Sponsorship			
Total as per separate spreadsheet	\$85,000	\$85,000	\$85,000
Total Sponsorship	\$85,000	\$85,000	\$85,000
Marketing & Fundraising			
Merchandise			
Merchandise (COGS)	\$15,000	\$16,000	\$17,000
Total Merchandise	\$15,000	\$16,000	\$17,000
Club Fundraising Events			
Season Launch/ Player Auction	\$0	\$0	\$0
Family Fun Day	\$2,000	\$2,000	\$2,000
Advertising	\$6,000	\$6,000	\$6,000
Total Club Fundraising Events	\$8,000	\$8,000	\$8,000
Past Players & Officials Exp's			
PP&O's Expenses	\$0	\$0	\$0
Total Past Players & Officials Exp's	\$0	\$0	\$0
Function/Lunches Expenses			
Tiger Lunch April	\$0	\$0	\$0
Tiger Lunch May	\$0	\$0	\$0
Tiger Lunch July	\$0	\$0	\$0
Tiger Lunch August	\$0	\$0	\$0
Tiger Lunch October	\$0	\$0	\$0
Presidents Pre-Match Luncheons	\$0	\$0	\$0
B&F Dinner	\$0	\$0	\$0
Total Function/Lunches Expenses	\$0	\$0	\$0
Vice Presidents			
VP's Gala Auction	\$0	\$0	\$0
VP's Home Match Entertainment	\$0	\$0	\$0
VP's Raffles	\$0	\$0	\$0
VP's Races Day	\$0	\$0	\$0
Total Vice Presidents	\$0	\$0	\$0
Total Marketing & Fundraising	\$23,000	\$24,000	\$25,000
Total Cost Of Sales	\$1,275,000	\$1,289,020	\$1,301,708
Gross Profit	\$316,000	\$312,830	\$311,300

Glenelg Football Club

Budget 2017-19

Account Name	2017 Budget	2018 Budget	2019 Budget
Expenses			
Administration Staff Exp's			
Wages & Salaries Expenses	\$153,000	\$156,825	\$160,746
Superannuation (Admin)	\$14,000	\$15,000	\$16,000
Workcover (Admin)	\$4,000	\$5,200	\$5,400
Payroll Tax (Admin)	\$10,000	\$12,500	\$13,000
Staff Procurement			
Entertainment - Staff			
HR Consulting Fees			
Total Administration Staff Exp's	\$181,000	\$189,525	\$195,146
Office Expenses			
Computer Expenses	\$3,000	\$3,060	\$3,121
Postage	\$5,000	\$5,100	\$5,202
Printing & Stationery	\$25,000	\$25,500	\$26,010
Telephone	\$25,000	\$25,500	\$26,010
Internet & Email	\$5,000	\$5,100	\$5,202
Total Office Expenses	\$63,000	\$64,260	\$65,545
Finance Expenses			
Bank Charges	\$1,000	\$1,000	\$1,000
Merchant Fees	\$6,000	\$6,000	\$6,000
Audit	\$15,000	\$15,000	\$15,000
Legal Expenses			
Borrowing Costs			
Total Finance Expenses	\$22,000	\$22,000	\$22,000
Occupancy Expenses			
Gliderol Stadium Lease	\$80,000	\$81,600	\$83,232
Electricity & Gas	\$7,000	\$7,140	\$7,283
Insurance			
Repairs & Maintenance	\$10,000	\$10,000	\$10,000
Total Occupancy Expenses	\$97,000	\$98,740	\$100,515
Uncategorised Expenses			
Board Meeting Exp's	\$2,500	\$2,500	\$2,500
AGM & Annual Report	\$6,000	\$6,000	\$6,000
Honour Boards & Tributes	\$1,500	\$1,500	\$1,500
Entertainment	\$15,000	\$15,000	\$15,000
Guests to GFC Functions	\$5,000	\$5,000	\$5,000
Website	\$5,000	\$5,000	\$5,000
Sponsorship (other clubs)	\$4,000	\$4,000	\$4,000
Sundry/General			
Total Uncategorised Expenses	\$39,000	\$39,000	\$39,000
Total Expenses	\$402,000	\$413,525	\$422,206
Operating Profit	(\$86,000)	(\$100,695)	(\$110,906)
Other Income			
ASF Grants		\$0	\$0
Rental Income GPS		\$0	\$0
Sundry / One-off Income		\$0	\$0
Profit on Sale of Assets		\$0	\$0
Total Other Income	\$0	\$0	\$0
Other Expenses			
Depreciation & Amortisation		\$0	\$0
Plant, Equipment & M/V's	\$60,000	\$56,000	\$52,000
		\$0	\$0
Net Profit/(Loss)	(\$146,000)	(\$156,695)	(\$162,906)

Glenelg Footballer's Club (Venue)

2017-19 Budget

Account Name	2017 Budget	2018	2019
Income			
Bar Sales			
Bar & Bistro Beverages	\$900,000	\$918,000	\$936,360
Functions Beverages	\$287,000	\$292,740	\$298,595
Total Bar Sales	\$1,187,000	\$1,210,740	\$1,234,955
Kitchen Sales (2015 + 5%)			
Bar & Bistro Food	\$800,000	\$816,000	\$832,320
Functions Food	\$385,000	\$392,700	\$400,554
Total Kitchen Sales	\$1,185,000	\$1,208,700	\$1,232,874
Outdoor Sales (est based on game-days)			
Beer Booths	\$122,000	\$122,000	\$122,000
Canteens	\$92,000	\$92,000	\$92,000
External Vendors	\$1,000	\$1,000	\$1,000
Total Outdoor Sales	\$215,000	\$215,000	\$215,000
Gaming Income			
Net Gaming Revenue (NGR)	\$1,312,000	\$1,312,000	\$1,312,000
Total Gaming Income	\$1,312,000	\$1,312,000	\$1,312,000
Bingo & Keno			
Bingo Income	\$0	\$0	\$0
Keno	\$5,000	\$5,000	\$5,000
Total Bingo & Keno	\$5,000	\$5,000	\$5,000
Other Income			
Function Room Hire	\$42,000	\$42,840	\$43,697
Thur Night Raffle	\$15,000	\$15,300	\$15,606
Amusements, Bottles, Commiss.	\$8,000	\$8,160	\$8,323
ATM Commission	\$15,000	\$15,300	\$15,606
Litreage Bonus	\$40,000	\$40,800	\$41,616
Sundry Income			
Total Other Income	\$120,000	\$122,400	\$124,848
Total Income	\$4,024,000	\$4,073,840	\$4,124,677
COGS & Direct Expenses			
Bar COGS			
Total Bar COGS	\$416,000	\$423,759	\$432,234
Bar Direct Expenses			
Bar Expenses (\$650pm)	\$8,000	\$8,160	\$8,323
Equipment Hire BAR (\$100pm)			
Glassware (\$130pm)	\$1,000	\$1,020	\$1,040
Licences, Fees & Permits (\$200pm)	\$3,000	\$3,060	\$3,121
Repairs & Maintenance BAR (\$1,000pm)	\$12,000	\$12,240	\$12,485
Total Bar Direct Expenses	\$24,000	\$24,480	\$24,970
Kitchen COGS			
Total Kitchen COGS	\$391,000	\$423,045	\$431,506

Glenelg Footballer's Club (Venue)

2017-19 Budget

Account Name	2017 Budget	2018	2019
Kitchen Direct Expenses			
Clean/Maint Plant & Equip KIT	\$4,000	\$4,080	\$4,162
Cutlery, Plates,	\$10,000	\$10,200	\$10,404
Lease Equipment	\$12,000	\$12,240	\$12,485
Equipment Hire KIT	\$1,000	\$1,020	\$1,040
Gas	\$24,000	\$24,480	\$24,970
Kitchen Supplies	\$35,000	\$35,700	\$36,414
Repairs & Maintenance KIT	\$9,000	\$9,180	\$9,364
Total Kitchen Direct Expenses	\$95,000	\$96,900	\$98,838
Outdoor COGS			
Purchases Beer Booths	\$42,000	\$42,000	\$42,000
Purchases Canteens	\$30,000	\$32,200	\$32,200
Total Outdoor COGS	\$72,000	\$74,200	\$74,200
Wages & On-Costs			
Wages - Administration	\$137,000	\$140,000	\$143,000
Wages - Bar & Bistro	\$340,000	\$346,800	\$353,736
Wages - Kitchen	\$390,000	\$397,800	\$405,756
Wages - Functions/Set/Maint	\$215,000	\$219,300	\$223,686
Wages - Booth Contracts	\$15,000	\$19,000	\$20,000
Wages - Beer Booths/Canteens	\$18,000	\$18,360	\$18,727
Wages - Gaming	\$170,000	\$173,400	\$176,868
Superannuation	\$120,000	\$122,400	\$124,848
Workcover	\$32,000	\$32,640	\$33,293
Payroll Tax	\$57,000	\$58,140	\$59,303
Total Wages & On-Costs	\$1,494,000	\$1,527,840	\$1,559,217
Function Direct Expenses			
Equipment Hire Functions	\$10,000	\$10,200	\$10,404
Linen Hire	\$20,000	\$20,400	\$20,808
Function Purchases			
Total Function Direct Expenses	\$30,000	\$30,600	\$31,212
General Direct Expenses			
Advertising	\$36,000	\$36,720	\$37,454
Window Cleaning	\$5,000	\$5,100	\$5,202
Cleaning	\$58,000	\$59,160	\$60,343
Club Promotion			
Entertainment for Venue	\$15,000	\$15,300	\$15,606
Hygiene Services	\$5,000	\$5,100	\$5,202
Security	\$9,000	\$9,180	\$9,364
Subscriptions Assoc's	\$3,000	\$3,060	\$3,121
TV - Fox Sports Subs	\$12,000	\$12,240	\$12,485
Waste Disposal	\$15,000	\$15,300	\$15,606
Sundry/General	\$3,000	\$3,060	\$3,121
Total General Direct Expenses	\$161,000	\$164,220	\$167,504
Sales Reductions			
Bar Promotions	\$5,000	\$5,100	\$5,100
Staff Meals (on shift)	\$5,000	\$5,000	\$5,000
Staff Drinks (on shift)			
Staff Incentives			
MLS Point Redemptions	\$15,000	\$15,300	\$15,606
Vouchers Redeemed	\$30,000	\$30,600	\$30,600
Wastage	\$6,000	\$6,120	\$6,120
Total Sales Reductions	\$61,000	\$62,120	\$62,426

Glenelg Footballer's Club (Venue)

2017-19 Budget

Account Name	2017 Budget	2018	2019
Gaming - Tax & Monitoring			
Gaming Tax	\$375,000	\$375,000	\$375,000
Management & Licence Fees	\$9,000	\$9,000	\$9,000
Monitoring Fees	\$38,000	\$38,000	\$38,000
Total Gaming - Tax & Monitoring	\$422,000	\$422,000	\$422,000
Gaming - Other Direct Exp's			
Bar Promotions (Gaming)	\$25,000	\$25,500	\$26,010
Food Promotions (Gaming) -	\$9,000	\$9,180	\$9,364
Game Changes		\$0	
Cash Promotions & Prizes	\$25,000	\$25,500	\$26,010
Repairs & Maintenance (Gaming)	\$5,000	\$5,100	\$5,202
Service Contracts (Gaming)	\$15,000	\$15,300	\$15,606
Training	\$2,000	\$2,040	\$2,081
Sundry (Gaming)			
Total Gaming - Other Direct Exp's	\$81,000	\$82,620	\$84,272
Bingo & Keno Expenses			
General Bingo Expenses			
Total Bingo & Keno Expenses	\$0	\$0	\$0
Total COGS & Direct Expenses	\$3,247,000	\$3,331,784	\$3,388,379
Gross Profit	\$777,000	\$742,056	\$736,297
Expenses			
Office & Admin Expenses			
Audit Fees	\$6,000	\$6,000	\$6,000
Bank Charges	\$3,000	\$3,000	\$3,000
Compter Expenses	\$2,000	\$2,000	\$2,000
Merchant Fees	\$11,000	\$11,220	\$11,444
Postage, Printing & Stationery	\$2,000	\$2,000	\$2,000
Website & Social Media	\$1,000	\$1,000	\$1,000
Staff Amenities			
Telephone			
Training	\$2,000	\$2,000	\$2,000
Trade Fees	\$6,000	\$6,000	\$6,000
Uniforms	\$2,000	\$2,000	\$2,000
Couriers			
Total Office & Admin Expenses	\$35,000	\$35,220	\$35,444
Occupancy Costs			
Rates & Taxes	\$20,000	\$20,400	\$20,808
Electricity	\$145,000	\$147,900	\$150,858
Insurance	\$40,000	\$40,800	\$41,616
Rep & Maint (Building)	\$20,000	\$20,400	\$20,808
Total Occupancy Costs	\$225,000	\$229,500	\$234,090
Other Expenses			
Consultancy Fees			
Licencing Expenses	\$2,000	\$2,000	\$2,000
Staff Procurement	\$1,000	\$1,000	\$1,000
Total Other Expenses	\$3,000	\$3,000	\$3,000
Total Expenses	\$263,000	\$267,720	\$272,534
Operating Profit	\$514,000	\$474,336	\$463,763

Glenelg Footballer's Club (Venue)**2017-19 Budget**

Account Name	2017 Budget	2018	2019
Other Income			
Total Other Income		\$0	\$0
Other Expenses			
Interest Expense			
Interest - ANZ (Loan)	\$50,000	\$28,125	\$15,625
Interest - ANZ (Overdraft) - est \$1kpm	\$12,000	\$12,000	\$12,000
City of Holdfast Bay	\$150,000	\$150,000	\$150,000
Finance Charges P&E	\$12,000	\$12,000	\$12,000
Total Interest Expense	\$224,000	\$202,125	\$189,625
Depreciation & Amortisation			
Plant & Equipment	\$72,000	\$65,000	\$55,000
Prior Year Expenses			
Total Prior Year Expenses			
Total Other Expenses	\$296,000	\$267,125	\$244,625
Net Profit/(Loss)	\$218,000	\$207,211	\$219,138
Combined Clubs Net Profit	\$72,000.00	\$50,516.00	\$56,232.00
Combined Clubs Depreciation	\$132,000.00	\$121,000.00	\$107,000.00
Profit with Depreciation Add Back	\$204,000.00	\$171,516.00	\$163,232.00

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Investigating Accountants' Report

Glenelg Football Club Inc and
Glenelg Footballers' Club Inc
("GFC")

13 October 2016

Andre Strazdins
Alan Scott
Principals

BRI Ferrier (SA) Pty Ltd
Level 4, 12 Pirie Street, Adelaide SA 5000
GPO Box 952, Adelaide SA 5001
Phone 08 8233 9900
Facsimile 08 8211 6644
Email: info@brifsa.com.au
Website: www.briferrier.com.au

BRI Ferrier

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ANNEXURES

1	Letter of Engagement
2	Estimated Statements of Financial Position
3	Business Plan
4	Financial Model

GLOSSARY

GFC	Means Glenelg Football Club Inc and Glenelg Footballers' Club Inc
The Club	Glenelg Football Club Inc
The Venue	Glenelg Footballers' Club Inc
Management	GFC and the Board
Council	City of Holdfast Bay
ANZ	ANZ Bank Limited
BRIF	BRI Ferrier SA
SANFL	South Australian National Football League
GCV	Going concern value
ARV	Auction realisation value
ATO	Australian Taxation Office
PPSR	Personal Property Security Register

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1 EXECUTIVE SUMMARY

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2 SCOPE OF ENGAGEMENT

2.1 INSTRUCTIONS

- ▲ This report has been prepared by BRI Ferrier in accordance with the terms of the letter of engagement dated 31 August 2016. A copy of the letter of engagement is attached as Annexure 1.

2.2 INFORMATION REVIEWED AND WORK UNDERTAKEN

- ▲ We held discussions with the Council and Management and have been provided the following information:
 - Financial Report for the Club and the Venue for the year ended 31 October 2015
 - 2015 Annual Report and Official Year Book for GFC
 - Balance sheet and profit and loss for the Club and the Venue July 2016 and August 2016
 - Aged payables as at 31 July 2016 and 31 August 2016 for the Club and the Venue
 - Aged receivables as at 31 July 2016 and 31 August 2016 for the Club and the Venue
 - Excel depreciation schedule for the Club and the Venue
 - ATO Running Balance Portal Extract for the Venue to 19 September 2016
 - ATO Business Portal Account List for the Club dated 19 September 2016
 - ATO repayment plans for the Venue and the Club dated 23 February 2016
 - Various correspondence from the SANFL to the Club regarding the Land Divestment instalments
 - Financial model for the period 1 November 2016 to 31 October 2019 (in Excel)
 - 2017 Budgets and notes (PDF document)
 - GFC 2016/17 Business plan
 - Organisational structure
 - Lease of ground and deed of assignment
 - Certificate of currency of insurance for the Club dated 30 August 2016
 - Agreement between the Club and the Council regarding the Council loan
 - Deed of Charge between the Club and Council
 - Deed of Guarantee between the Venue and Council
 - Agreement between the Council, the Club, the Venue and ANZ regarding a Right of Entry
 - Deed of Priority between the Council and ANZ
 - Letter of Offer from ANZ dated 2 August 2016
 - GFC Current Asset Finance Schedule
 - Entitlement balance summary for Club and Venue September 2016
- ▲ We have undertaken PPSR searches for Glenelg Football Club Inc and Glenelg Footballers' Club Inc.
- ▲ We have downloaded information from Consumer and Business Affairs website relating to Gaming Machine Entitlement Trading Rounds.
- ▲ Meeting with Glenn Elliott and Annemarie Cox on 27 September 2016.

2.3 SCOPE OF WORK UNDERTAKEN

- ▲ Our investigations and work has been limited to the scope as set out in our engagement letter.
- ▲ We have not conducted an audit nor have we verified the information provided to us and so make no comment as to the accuracy or reliability of the information presented. We have relied upon assurances from Management as to the accuracy of the information provided.
- ▲ It should be noted that as the achievement of any prediction as to the results of future operations is dependent upon future events, the outcome of which cannot be assured. The actual results achieved may vary materially from the projections included in this report. In addition, please note that we have not audited the integrity of the financial model.
- ▲ Please also note that we are not valuers and accordingly any assumptions made by us as to estimated realisable value of assets are for analysis purposes only and cannot be relied upon.

2.4 LIMITATION ON THE USE OF THIS REPORT

- ▲ This report is provided to the Council on the understanding that is for the sole use of the Council. No other entity or person may rely on it for any purpose whatsoever.
- ▲ Our report is confidential and must not be distributed to any third parties without our express written consent.
- ▲ Neither BRIF nor any member or employee or related or associated entity of the firm undertakes responsibility in any way whatsoever, including by way of any errors arising through negligence or otherwise however caused to any persons other than the Council.

3 SECURITY POSITION

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4 CREDITORS

4.1 ATO

- ▲ The Club and the Venue have entered repayment arrangements with the ATO.
- ▲ Based on our review it appears these arrangements are being met, both in terms of the instalments and meeting current obligations.
- ▲ The ATO debt at 19 September 2016 for each entity per the ATO business portal information supplied by Management is \$26,607 for the Club and \$46,857, which is lower than expected given the repayment plan commencement debts.
- ▲ The remaining ATO arrears/repayment plan debt will be met from the 2016 SANFL Land Divestment Instalment, which we understand has been approved by the SANFL, ANZ and Council.

4.2 SUPPLIERS

- ▲ The Club's aged payables as at 31 August 2016, adjusted to exclude the ATO, is summarised below:

	<i>Current</i>	<i>30 days</i>	<i>60 days</i>	<i>90+ days</i>	<i>Total</i>
Total Debt (\$ '000)	29	15	21	42	107
Percentage	27%	14%	20%	39%	100%

- ▲ The debt 90+ days relates to \$19,190 due to SANFL Inc, which is being paid by instalments withheld from monthly distributions from the SANFL, a \$5,000 debt to Woodville West Torrens for transfer fees and \$17,381 due to World Rugby Specialists which is being paid by informal arrangement of \$3,000 per week.
- ▲ The Venue's aged payables as at 31 August 2016, adjusted to exclude the ATO and a minor contra credit, is summarised below:

	<i>Current</i>	<i>30 days</i>	<i>60 days</i>	<i>90+ days</i>	<i>Total</i>
Total Debt (\$ '000)	93	21	1	28	143
Percentage	65%	14%	1%	20%	100%

- ▲ The 90 days+ debt all relates to monies due to Aristocrat, which is in relation to the acquisition of a poker machine. Management are in discussions with Aristocrat in relation to a repayment arrangement.
- ▲ We are advised that no statutory demands or legal notices have been received in relation to Club or Venue creditors.

- ▲ In summary, GFC's supplier payments appear in order/appropriate.

4.3 EMPLOYEES

- ▲ Club has 6 full time employees and 33 casuals/contractors (including players and coaching staff). Venue has 5 full time employees and 32 casual staff. In addition there are 2 full time administration staff whose salaries and oncosts are shared 50/50 by Club and Venue.
- ▲ Management have advised that there is no unpaid superannuation or wages currently outstanding.
- ▲ The August 2016 balance sheets for the Club and the Venue reflect accrued superannuation payable of \$28,269 and \$18,898 respectively, which reflect 2 months accrual. Superannuation is paid quarterly and this along with September's amount will be due for payment in October.
- ▲ The August 2016 balance sheets for Club and Venue do not reflect any accrued/unpaid wages.
- ▲ The August 2016 balance sheets reflect provisions for annual leave/long service leave of \$29,889 and \$24,606 for the Club and the Venue respectively. The provisions are calculated and updated at year end. Based on Entitlement Balance Summary reports at September 2016 for Club and Venue, accrued annual leave totals some \$42,827 and \$12,449 respectively. No long service leave accrual is maintained by GFC's MYOB management accounting package and this is calculated and brought to account at year end.
- ▲ The August 2016 balance sheets reflect accrued player payments of \$39,486 which are anticipated to be paid by the end of January 2017.
- ▲ GFC has applied for a payroll tax refund of up to \$150,000 due to the grouping of employees across the two entities against one threshold, whereas other clubs have been allowed two thresholds. It is expected that the application will be determined by early November and if successful, part of the funds from same would be used to meet the accrued player payments.

4.4 SECURED FINANCIERS

- ▲ The Club has vehicle finance in place for 3 vehicles (2 Subaru vehicles via St George and a Hiace via Toyota Finance). These financiers have registered security interests on the PPSR for the Club and debt totalling \$59,112 per the July 2016 balance sheet for the Club.
- ▲ Capital Finance/QPF Finance provide equipment finance in relation to 6 of the Venue's poker machines and Ainsworth provide equipment finance in relation to 2 machines. We note that there is no PPSR registration to Capital Finance/QPF or Ainsworth under a search on Venue's ABN, however these items may be registered by serial number.

- ANZ have registered security interests on the PPSR for the Club and the Venue and provide the following facilities:

Facility	Entity	Balance per 31 August 2016 balance sheet (unaudited) \$	Limit \$	Expiry Date
Credit card	Club	2,087	20,000	N/A
Commercial Bills	Club	500,000	500,000	28/6/18
Overdraft	Venue	130,261	160,000	28/7/17
Business Loan	Venue	437,500	437,500	30/11/16

- The ANZ's letter of offer of 2 August 2016 shows the Business Loan facility expires in 2 months' time.
- The letter of offer shows the Commercial Bill being a facility to the Club however the liability is recorded in the Venue's balance sheet (both audited 31 October 2015 and unaudited July/August 2016). We raised this with Management however they were unable to provide a clear answer as to the historical treatment of this loan.
- The Council has a loan agreement with the Club and a registered security interest over same. However, the Council's debt and the asset relating to the development works undertaken from the loan are recorded in the Venue's balance sheet (both audited 31 October 2015 and unaudited July/Aug 2016). We raised this with Management however they were unable to provide a clear answer as to the historical treatment of this loan.
- The Council has a deed of priority with ANZ in relation to the Club.
- The Council has a deed of guarantee from Venue however no registered security interest on the PPSR. This may mean that the Council are in effect an unsecured creditor of Venue. We recommend the Council obtain legal advice on their security position and subject to same, consider taking security over Venue.

4.5 OTHER CREDITORS

- The Club's 31 August 2016 balance sheet shows a loan from the Venue of \$1,053,622 and brings to account liabilities reflecting SANFL income in advance of \$70,300 and a sponsorships provision of \$62,515. The interentity loan is an unsecured loan, the SANFL income in advance is an accounting treatment which we expect will reverse out over the remaining months as the income is deemed earned and the sponsorship provision relates to sponsorship deferred income relating to oval lighting which is being written off over 7 years, according to the audited accounts.
- The Venue's 31 August 2016 balance sheet shows an unsecured loan from Samlar Pty Ltd for \$200,000 which is an unsecured loan from a Club benefactor which we understand is not repayable in the short term. The balance sheet also brings to account accrued gaming tax liability of \$35,032 as well as deposits taken on functions of \$5,205. We note that gaming tax is payable monthly and is automatically deducted by the government.

5 DEBT RESTRUCTURE OPTIONS

5.1 SANFL FUNDS

- ▲ We have been provided with and reviewed correspondence from the SANFL in relation to Land Divestment Payments anticipated to be made to the SANFL clubs from the sale of West Lakes land.
- ▲ Based on the correspondence, subject to certain eligibility criteria and conditions, each club will receive \$2m over 7 years in varying instalments in October of each year until 2022.
- ▲ The SANFL requires that the funds must be applied in the following order:
 1. ATO on account of overdue superannuation
 2. ATO on account of overdue GST payments or other state taxing authority on account of overdue state taxes, where there is not an agreed payment plan
 3. Secured debt owed to the bank or other financial institution
 4. Unsecured debt
- ▲ The SANFL have set the following KPI's for the clubs:
 - Provision of quarterly accounts including profit & loss, balance sheet, cashflow forecast update, balance of debtors and creditors over 60 days and confirmation statutory liabilities are current.
 - Submission of a 3 year business plan with 3 year financial projection outline including assumptions and strategies to achieve plan.
 - Full year club budget, inclusive of cash flow forecast and assumptions.
 - Budget to and achieve a cash earnings surplus of \$100,000 per year.
- ▲ Some comfort is gained from the SANFL's mandated KPI's and their monitoring/oversight of same on a quarterly basis.
- ▲ It would appear the business plan and forecast per the second and third points above are what GFC have supplied to the SANFL and us. We would recommend that, if already not provided, Council require the quarterly accounts be provided to them at the same time GFC provide these to the SANFL.
- ▲ As referred to at 4.1 above, we understand that the SANFL, ANZ and Council have approved the payment of the ATO arrears from the 2016 Land Divestment instalment. The balance of the first instalment of some \$177k is available subject to agreement as to its use.
- ▲ We note that the remaining \$1.92m in Land Divestment Payments (ie the \$177k currently available and the remaining instalments totalling \$1.75m) will be insufficient to clear GFC's debts to the ANZ and Council in full.
- ▲ Whilst the deed of priority provides Council with the rights to the balance of Land Divestment Payments, the Club needs to be in existence for the next 7 years to receive same. Accordingly ANZ's stance/position is critical to this future income stream, in particular given the expiry of the \$437,500 business loan at the end of November 2016.

6 BUSINESS PLAN

6.1 SUMMARY OF KEY POINTS

- ▲ Acknowledges the SANFL mandate that GFC record a minimum consolidated cash profit of \$100k per annum.
- ▲ Further acknowledges that many SANFL clubs introduced gaming operations to offset stagnating/declining traditional forms of income following the establishment of two AFL clubs in SA.
- ▲ Mission Statement is to be the most successful club in the SANFL through on-field performances by way of winning premierships and off-field by becoming a leader in financial sustainability and community engagement.
- ▲ 3 year business goals to reduce debt, achieve consolidated cash profit of \$100k per annum, finals every year, membership and home crowds exceeding 3,000 per game.
- ▲ KPIs are finals every year, membership and home crowds exceeding 3,000 per game and to be financially self-sufficient.

6.2 BRIF COMMENTS

- ▲ The Business Plan is a high level document largely focussed on GFC's on-field football success but also focussing on being the best gaming facility with the best bistro and staff.
- ▲ It acknowledges the SANFL mandated KPI's, in particular to record the \$100,000 consolidated profit before depreciation and reducing debt.
- ▲ We understand that the Business Plan has been provided to the SANFL who have approved it.

7 FINANCIAL PROJECTIONS

7.1 KEY DRIVERS & ASSUMPTIONS

CLUB

- ▲ The key drivers of the Club financial model are SANFL grant income and sponsorship.
- ▲ Key assumptions underpinning the model include:
 - SANFL grant income of \$673,000 for each of the next 3 years
 - Sponsorship income of \$485,000 for 2017 and projected to increase at 2% per annum
 - Retaining current membership levels which are just under 3,000.
 - Senior coach paid at higher end of market but assistant coaches paid at lower end of SANFL benchmarks and player payments budgeted at 100% of salary cap. The spend on senior and junior football is forecast to increase at 1% per annum.
- ▲ We note that the SANFL grant income accounts for around 40% of the Club's income. In addition, the SANFL grant income is fixed by the SANFL and we understand is unlikely to reduce.
- ▲ Sponsorship accounts for around 30% of the Club's income. The major/naming rights sponsor (who has 2 years remaining on their agreement) and the SANFL sponsorships of Lion and Coca Cola Amatil, account for some 37% of the forecast sponsorship. There are a further 16 corporate sponsors, 68 sign sponsors and 35 player sponsors. Sponsorship is a significant risk area and we note that Sturt's major/naming rights sponsor has just ended their agreement. However, we understand that GFC's major/naming rights sponsor (and the family behind same) has had an association with the Club for over 10 years and are expected to continue their support.
- ▲ Membership income only accounts for around 9% of the Club's income.

VENUE

- ▲ The key drivers of the Venue financial model are Net Gaming Revenue and kitchen/bar income.
- ▲ The assumptions underpinning the forecast are detailed in the 2017 Budget document. Key assumptions include:
 - Gaming income is based on Net Gaming Revenue of 9.25% on \$300k per week turnover for each of the next 3 years
 - Bar sales based on average weekly sales of \$19k per week with a gross profit margin of 65%
 - Food sales based on average weekly sales of \$17k per week with a gross profit margin of 65%
 - Debt reduction of ANZ debt over the 3 years resulting in reduced interest expense
- ▲ Total Net Gaming Revenue has been declining in the state of South Australia. In part this is due to a reduced number of venues and a reduction in machines following a machine entitlements trading scheme incepted by the government (whereby one machine entitlement is cancelled in every 4 traded) and in part due to fall off in gambling activity.
- ▲ In addition, we understand that there are less people per machine in the Glenelg/Holdfast region and Venue facing competition from upgraded facilities with jackpot clubs within their region.

Notwithstanding this, Management are confident of achieving \$1.3m Net Gaming Revenue and have initiated strategies focussing on their top end gamblers.

- ▲ The gross profit margins for bar and food are broadly in line with those historically achieved, based on our calculations from the audited 2014 and 2015 accounts.
- ▲ The model assumes the SANFL Land Divestment instalments are utilised to reduce the ANZ loans.

7.2 BUDGET

- ▲ The forecast includes 3 years projected profit and loss for the periods 1 November 2016 to 31 October 2017, 1 November 2017 to 31 October 2018 and 1 November 2018 to 31 October 2019. The model is a profit and loss forecast only and does not incorporate a cashflow or balance sheet budget.

CLUB

- ▲ We summarise below a comparison of the Club's audited accounts for the 2014 and 2015 years, the unaudited management accounts for the 10 months ended 31 August 2016 and the forecasts for 2017, 2018 and 2019. We have used the categories/format of the audited accounts.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
Football income	885	904	719	824	826	827
Membership income (net)	76	76	92	120	120	120
Sponsorship income (net)	432	442	413	400	409	419
Fundraising and Coterie (net)	106	113	64	109	108	107
Other income	166	81	78	0	0	0
Total income	1,665	1,616	1,366	1,453	1,463	1,473
Senior & Junior Football expenses	1,370	1,355	1,151	1,137	1,150	1,161
Administration expenses	296	268	283	266	276	283
Occupancy	127	88	78	97	99	101
Depreciation	73	76	51	60	56	52
Sundry expenses	43	105	35	39	39	39
Total expenses	1,909	1,892	1,598	1,599	1,620	1,636
Net profit/(loss)	(244)	(276)	(232)	(146)	(157)	(163)
Net profit/(loss) before depreciation	(171)	(200)	(181)	(86)	(101)	(111)

- As can be seen above, the Club is projected to make losses for 2017 to 2019, although these losses are lower than the recent historical actual results.
- Despite the SANFL grant income underpinning the Club, its ongoing viability is dependent on the profitability of the Venue.

VENUE

- We summarise below a comparison of the Venue's audited accounts for the 2014 and 2015 years, the unaudited management accounts for the 10 months ended 31 August 2016 and the forecasts for 2017, 2018 and 2019. We have used the categories/format of the audited accounts.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
Bar gross profit	586	782	721	771	787	803
Kitchen gross profit	540	719	727	794	786	801
Net Gaming Revenue	1,464	1,599	1,121	1,312	1,312	1,312
Other income	386	379	232	340	342	345
Total income	2,976	3,479	2,801	3,217	3,227	3,261
Bar expenses	26	23	22	24	24	25
Kitchen expenses	87	109	78	95	97	99
Gaming expenses	577	701	431	503	505	506
Wages and oncosts	1,232	1,433	1,261	1,494	1,528	1,559
Occupancy	230	237	214	225	230	234
Interest	218	220	166	224	202	190
Depreciation	71	76	60	72	65	55
Other expenses	464	612	365	362	369	374
Total expense	2,905	3,412	2,597	2,999	3,020	3,042
Net profit/(loss)	72	67	204	218	207	219
Net profit/(loss) before depreciation	143	143	264	290	272	274

- As can be seen above, the Venue is projected to make profits of over \$200,000 for 2017 to 2019. Whilst these profits are higher than the recent historical audited results, a profit has been achieved at around that level in the unaudited results for the 10 months to 31 August 2016.

CONSOLIDATED

- We summarise below the forecast combined net profit/(loss) and net profit/(loss) before combined depreciation for the Club and Venue for 2017 to 2019 compared to historical actual results.

DESCRIPTION	AUDITED 2014 \$ '000	AUDITED 2015 \$ '000	UNAUDITED 10 MONTHS 2016 \$ '000	FORECAST 2017 \$ '000	FORECAST 2018 \$ '000	FORECAST 2019 \$ '000
GFC Net profit/(loss)	(172)	(209)	(28)	72	50	56
Addback Depreciation	144	152	111	132	121	107
GFC Net profit/(loss) before depreciation	(28)	(57)	83	204	171	163

- ▲ GFC projects a consolidated operating surplus before depreciation above the SANFL mandated \$100,000 for the next 3 years.

7.3 BRIF COMMENTS AS TO REASONABLENESS/ACHIEVABILITY

- ▲ The achievability of the forecast is highly dependent upon the profitability of the Venue and in particular Net Gaming Revenue.
- ▲ The key risks areas are sponsorship income in Club and Net Gaming Revenue in Venue.

7.4 BRIF COMMENTS AS TO SENSITIVITY/STRESS ANALYSIS

- ▲ We have not sought to conduct any detailed sensitivity testing of the model due to the model being hard coded with numbers rather than driven by formula.
- ▲ However, given a large component of GFC's costs are fixed, in very broad terms if sponsorship income dropped by say \$100,000 this would have a \$100,000 impact on net profit. Further, we would expect a \$100,000 drop in Net Gaming Revenue would have a \$70,000 impact on net profit due to the gaming tax saving impact.

8 OTHER MATTERS

8.1 INSURANCE

- ▲ The certificate of currency provided does not note any interested parties. We would normally expect to see secured creditors such as ANZ and the Council noted on the policy.

8.2 MAINTENANCE

- ▲ The lease of the ground/precinct between Council and GFC provides that funds are paid by GFC to a rent maintenance fund. We understand that this is not happening.

8.3 OTHER MATTERS

- ▲ Whilst not within our scope, the CEO, Glenn Elliott impressed us with his understanding of the business, risk areas and his focus on GFC living within its means. He has demonstrated a focus on reducing cost where possible and elimination of unprofitable ventures. He appears to have the appropriate structure and people in place (in particular the Finance Manager) and has stated that he will be holding department heads accountable to their budgets. We consider that the CEO is a significant asset to the business and that he will recognise early if KPIs and budgets are not being achieved and be transparent to stakeholders.
- ▲ Further, whilst outside of scope and outside our expertise we note that there are social and economic benefits to the local community, of the existence of GFC. We understand that the SANFL are considering engaging an independent study into same.
- ▲ No other material matters of note came to our attention in the course of our review.

Should you have any queries regarding this report, please contact either the writers or Stuart Starr of our Adelaide office on 08 8233 9900.

Dated this October 2016.

Andre Strazdins
Principal

Alan Scott
Principal