



FIT FOR THE FUTURE

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Success isn't just about year-end finances and growing the bottom line. It's about building a team of people who work together, share ideas, listen, and work in harmony towards a defined end result...

Clubs are being forced to examine the way they do business as well as the manner in which they are financed. In doing so, clubs are striving to streamline the business, reduce costs, improve cash-flows, and secure much-needed financing from lenders to position themselves for growth. There are two interlinked components of any restructuring plan which include operational and financial.

To survive and succeed in the current economic climate where competition is intense and finance limited, there is a need to be far more creative, innovative, agile, and competitive in order to differentiate oneself. But can your club still be creative, innovative, agile, and competitive when your business is under threat? The simple answer is yes, for

without it, your club may not survive in today's current climate.

In last month's opening feature, *The Satisfaction of Survival & Success*, I highlighted that if clubs confront their problems directly and in a timely manner, they can put those issues behind them and move forward towards prosperity. It's unfortunate that many clubs spend far too much time avoiding the issues and not addressing the problems. Faced with this style of approach, clubs are simply denying themselves the opportunity of survival chiefly

through their own procrastination and avoiding the issues. Clubs can emerge from financial difficulties with a capacity to succeed and achieve good outcomes even if the amalgamation process isn't an option available to your venue. And if you need proof, you only have to take a closer look at the Kandos Return Services Community Club to know if can be done.

In January 2006, the Kandos RSL Sub Branch Club Limited entered Administration with myself being appointed the Administrator. The club

had been suffering from many years of losses and had become insolvent with a significant value of unpaid creditors. The board had struggled to attract members and there was tension within the club and the community about the affairs of the club.

The club was in a dire financial position and facing a bleak future indeed. We'd called for expressions of interest in amalgamation and as already highlighted last month, we were unable to find an amalgamation partner. The club had around \$300,000 owed to creditors including local suppliers, employees, and the credit union. It would have been possible for the creditors to be paid simply by winding up the club and selling off the assets, but that would have left the town without its RSL.

It was fortunate that the club had a group of people who were actively working with the Administrator to save the club; they were known as the *Kandos RSL Recovery Team*. The key focus was to save the club and pay its creditors. To do this, the club needed to realise some of its assets particularly its gaming entitlements, because we wanted to keep the real estate for the future club to occupy. In short, we had to find a way to "have the cake and eat it too."

The law in 2006 was different in that new clubs, if formed, were allocated 10 gaming entitlements from the pool of forfeited entitlements. We devised a scheme to have a new club formed that would allow the realisation of the club's gaming entitlements to pay creditors with the assets of the club largely preserved and with which a new club was formed to be known as the Kandos Returned Services Community Club. The path to allow the community to keep its club whilst also paying creditors was one which was creative but also which relied on a significant commitment by members of the community.

Initially through the work of the *Kandos RSL Recovery Team* working with the Administrator, a meeting with community members was held at which the idea of forming a new club was floated. The key reason to form a new club was to facilitate the sale of gaming entitlements

to provide the majority of funds to pay creditors, whilst recognising that 10 additional entitlements could have been obtained free from the pool to allow this to happen. This preserved the key assets for distribution either in the form of cash or by way of transfer to the new club.

Critically, to allow this to happen, the club's constitution needed to be changed to allow the surplus to be distributed in the manner contemplated. After many meetings and discussions with community members and members of the club, the path forward was understood and the community supported the project. But because members had to rejoin and subscribe to the new club, the challenge was ensuring ordinary people who were not experts in club law understood the process. Thankfully, due to the determined efforts of all involved, everyone was able to understand what was going on, and thus they supported it.

One of the key people driving the process to reform the new club was John Taylor who along with Chris Jenkins, Diane Monday, Jack Parnell, Ken Blewitt, Reg Taylor, and Scott Beckinsale used their own time and resources to form the new corporate club structure which would receive the assets that were able to become surplus as a result of the sale of gaming entitlements. Furthermore, they all comprised the original board of the new club with three of them still remaining on the board today.

To facilitate the scheme we also needed to convince creditors that it was in their interest to do so and that they should vote in favour of a Deed of Company Arrangement which was promoted by the *Kandos RSL Recovery Team*. To assist in your understanding of the scheme, a summary of the key terms included:

- The Administrator to administer a Deed Fund;
- All creditors to participate except leasing companies, subject to their agreement;
- Control of the company to stay with Deed Administrator upon execution of the Deed of Company Arrangement but not to trade;
- Surplus or non-core real estate to be available for the Deed Fund;

- 16 poker machine entitlements to be available for Deed Fund;
- All other assets to be excluded - i.e. plant and equipment, core Dangar Street property;
- Excluded assets and surplus to be distributed to the new club on payment of creditors in full; ability of Deed Administrator to distribute assets and surplus to new club subject to members amending constitution and the consent of the RSL Sub Branch;
- Assets and surplus to be distributed on completion of Deed of Company Arrangement;
- Bank accounts of sub clubs to be excluded and distributed to the new club;
- A new club is to be formed and take an assignment of those excluded assets not available for the Deed Fund;
- The new club to apply for Certificate of Registration and 10 gaming machine entitlements;
- Members of old club subscribe to membership with new club and club to include payment of joining fee;

- Obtain \$100,000 for working capital into the new club;
- Source of working capital being donations from like clubs and joining fees from members and the surplus from the administrator; and,
- Constitution of new club to recognise Kandos RSL Sub Branch entitled to surplus as per existing constitution.

After reading this list of requirements, readers may think that the task was mission impossible. Well, it's fair to say that whilst the process took a little longer than anyone originally planned, creditors embraced and supported the scheme, and it was ultimately successful, with the new club commencing trade in November 2007 in a situation where it had cash at the bank, owned unencumbered assets, and had a team of volunteers behind it that would continue to work diligently to allow it to happen. Not only did the team of volunteers make the process work, they also relied on a local solicitor, Allan Hogan, who assisted in the formation of the new club.



John Taylor recounts that in the early days they held community meetings and canvassed members in streets of the town to obtain memberships and within a very short time after the scheme was devised it was clear the community was behind the project. The project wouldn't have proceeded if people weren't broad enough in their outlook to be prepared to change the way things were done and to accept the novel approach that had been formulated to clear the slate and to provide a new club with unencumbered assets without debt.

Since relaunching, the club has grown stronger and now has over 400 members which is a significant number in a small town with a population of less than 2,000. The club has achieved tremendous results in the years since it opened, with all years trading profitably. In fact, after only the first two months of trading in 2007 the club retained a \$20,000 surplus. Its profit to the year ended December 2008 was \$45,000, which grew to \$145,000 in the year ended December 2009. Following on in 2010, the club also traded with a profit of approximately \$100,000.

When the club reformed, the directors provided a significant amount of free labour to get things off the ground. They were only able to employ one part-time bar staff initially, so the directors also worked behind the bar, carried out the cleaning, and oversaw all the administration work. Today the directors still commit a large portion of their time to the club however the club's resources have grown and it now employs a part-time administration person, a cleaner, and an additional part-time bar staff.

We all recognise that the Federal Government under Prime Minister Julia Gillard has made life difficult for all clubs via the deal she struck with Tasmanian Independent MP Andrew Wilkie regarding the introduction of mandatory pre-commitment technology across every poker machine. In the case of the Kandos Return Services Community Club, the Federal Government's carbon tax has been a double whammy because as a result of that tax being imposed, one of the largest employers in Kandos has announced that as result of the carbon tax being introduced the plant will close this month. The Kandos

Cement Works has provided cement for the construction of many significant iconic buildings throughout Sydney.

It seems that no matter how hard clubs try, the Federal Government is doing its' very best to make life difficult. But John Taylor remains optimistic as usual, whilst recognising that the closure will affect the town he notes the club is in good shape and well placed to deal with this next challenge.

In the *2011 ClubsNSW Award for Excellence*, the Kandos Return Services Community Club was awarded the *Spirit of the Bush Award*. When you understand the origins of the club and the efforts individuals associated with it, that a can-do attitude is very evident. It's clear that the Kandos Return Services Community Club is a most appropriate winner of the award. Their attitude and resilience resonate with the Australian bush ethos of can-do, and we'll find a way, she'll be right mate! Fortunately for Kandos there was a group of people who were all working from the same hymn sheet with the same objective of doing the right thing and paying creditors in full whilst maintaining a club for the community. In short, they got to have their cake and eat it too! ■



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