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**Club One (SA) Ltd**

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**Key dates**

May 2003	Club One submission contained in Clubs SA submissions to Independent Gambling Authority (IGA) on the 'Inquiry into the Management of Gaming Machine Numbers'.
December 2003	IGA report recommends Club One.
March 2004	Clubs SA resolves to set up Club One.
February 2005	Club One registered as a company.
March 2005	First meeting of Club One Board.
September 2005	Special Meeting admits SANFL as Member.
14 October 2005	Club One Special License granted.
June 2006	Agreement signed with CMS submitted to Office of Liquor and Gambling.
July 2006	The Kadina Club has agrees to vest into Club One. The 'cocktail agreement' has been adopted (mixture of purchase and vest). 27 GMEs.
August 2006	Kadina Order - first Vesting (5) and first Sale Club (1).
September 2006	32 GMEs.
October 2006	One year of Club One license.
November 2006	Order authorising Club One and Club Management Services (CMS) Agreement which releases finances to Club One.
December 2006	The 'switch on' of Adelaide Soccer Club venue (Oakden Central).
January 2007	49 GMEs.
February 2007	Prime Minister Open ASC.
March 2007	Jones Group parking agreed. 74 GMEs.
April 2007	Trade round - no sales by Clubs to the trade.
May 2007	Increase in vesting fee to \$5,000 agreed.
June 2007	86 GMEs - 67 allocated.
July 2007	89 GMEs - 85 allocated.
August 2007	106 GMEs - 90 allocated - 1st Hybrid Club application (Hackham). Copyright granted to Club One.

**Meeting dates and locations**

August 2007	Kennedy and Co.	<i>Apologies: B Raphael</i>
July 2007	Kennedy and Co.	<i>Apologies: D Jones</i>
June 2007	Kennedy and Co.	
May 2007	Kennedy and Co.	
April 2007	Kennedy and Co.	<i>Apologies: J Dicker</i>
March 2007	Kennedy and Co.	
February 2007	Kennedy and Co.	
January 2007	Kennedy and Co.	
December 2006	Kennedy and Co.	
November 2006	Kennedy and Co.	<i>Apologies: D McLeod</i>
October 2006	Kennedy and Co.	<i>Apologies: C Taylor / J Dicker</i>
September 2006	Kennedy and Co.	
August 2006	Kennedy and Co.	
July 2006	Kennedy and Co.	<i>Apologies: A Clarke</i>
June 2006	Kennedy and Co.	

**Report of the Chair** *The consistent efforts of the Board of Club One and its staff throughout the reporting period has seen Club One maintain its steady and sure growth such that it has now been formally recognised by the Board's financial advisors as a viable and sustainable business operation. In particular, the second half of the 2005 - 2006 financial year saw a rapid growth of Club One as it secured and obtained a return for Gaming Machine Entitlements (GMEs) from participating clubs across the state.*

In October 2006 the Board responded to this increase in workload and the complexity and extent of Club One activities by appointing Michael Keenan as its full time Executive Officer.

Michael has astutely managed the affairs of the corporation including negotiations with clubs and other external bodies, while also developing and guiding the policy and processes of the Board and the overall activities of Club One.

The Board regards as fundamental to the operations of Club One the integrity of its contracts and the transparency of its processes. Underpinning these principles Club One has extensively consulted and worked closely with its legal advisors (Wallmans) and its financial advisors (Kennedy and Co.) in managing and documenting the processes.

With the encouragement of the Board, Michael, our advisors and the Office of the Liquor and Gambling Commissioner (OLGC) developed and instituted new and streamlined processes for securing, transferring and re-commissioning GMEs.

This has seen Club One assist the Adelaide Soccer Club (Juventus) set up its modern and popular gaming venue and assist in the development of two more proposed Club ventures - One at Roxby Downs and another with the Hackham Club, south of Adelaide. Proposals for other venues are being developed.

It is anticipated that the 106 GMEs that Club One currently holds (at the time of publication) will be relocated with participating Clubs by the end of the coming financial year. To expedite this process, Club One is working closely with the club community to identify venues and maximise the community's investment in Club One.

The year also saw the expiration of the term of the welfare sector representative on the Board of Club One. After consideration, Club One's member nominees determined to re-appoint Andrew Clarke to this important position. This choice ensures a continuation of the present Board configuration at a critical stage of Club One's development.

The next 18 months is anticipated to be one of the most challenging in the life of an already much tested organisation.

While Club One expects that there will be a significant amount of building activity with at least two clubs being expanded to take Club One GMEs, at the same time the maturation of the gaming market coupled with the implementation of smoking bans will put pressure on the whole of the gaming and club industry.

In this environment Club One will be seeking to expand its number of GMEs. As with any organisation, strong and unified leadership will be needed as the challenges are faced and the management of change, the maintenance of transparency and the articulation of the purposes and aims of Club One are brought to the fore.

There is no doubt that Club One has had a good year. Its solid foundations can now be confidently built on and its promise fulfilled after almost three years of frustrations and delay. In the coming year, with current projections, club participation and the maintenance of the present directions and policy, Club One anticipates being in a position to commence the outlay grants to the community and the vision and hard work will start to bear fruit.



David McLeod  
Chair

A blue ink signature of David McLeod, written in a cursive style.

**Annual Report** *This is the third year of Club One. It has been a year of action, with intense activity over the past six months. At the close of the 2006 financial year Club One still had matters pending before the Office of the Liquor and Gambling Commissioner (OLGC). It was looking for approval of loans and other financial arrangements to permit Club One to begin its work. In November, Club One was given assent to access finance that would permit it to buy Gaming Machine Entitlements (GMEs) and start the path to generating money for Clubs, sport and recreation in South Australia. As a result, the first of the Club One ventures - the new Adelaide Soccer Club (Juventus at Northgate (ASC) was provided with 40 GMEs. The ASC helped provide finances to Club One to permit it to secure GMEs from Clubs and the resultant new venue is a benchmark as to how Club One can vitalise sport and clubs and provide a means of income to the community.*

It is important to remember that there are many beneficiaries of the ASC site. Club One purchased most of the GMEs and as a result almost \$900,000 was paid to Clubs that sold into Club One. This is independent of those clubs that vested and receive the annual income of \$5,000 pa without the impost of Gaming Tax, training and compliance costs. The clubs also regain a reborn club atmosphere as a bonus.

Naturally, the ASC has now a significant income stream and can support its junior teams and develop soccer in South Australia. ASC is the first soccer club to have a 40 GME venue.

Club One also has an income stream from the GMEs. These funds will be accumulated to provide grants to clubs. This will take careful management. In the short term, Club One has accessed its income stream to activate the finance to buy and have vested more GMEs.

As of August 2007, Club One had in excess of 100 GMEs - triple the number in December, 2006. Estimates have the sustainable level of GMEs (that is they generate enough to pay for the debts and costs) to be 90 GMEs. Now having past that number, Club One looks to getting on with generating funds for grants.

In the coming year, Club One will be participating with host clubs to establish more venues. This is because Club One is not in the business of building and running clubs but rather of securing and transferring and managing the income of GMEs. Club One has the approach of working in partnership with clubs to make sure the wealth is spread as much as possible and so that as much as possible, the club industry concentrates and maximises its income generating ability.

In obtaining 100 GMEs Club One has helped 12 clubs to end Gaming in their venues. The ASC has replaced them as a new club venue. In itself this reduction in available venues is a significant harm minimisation measure and when matched by the highly professional services to offer to players using a 40 GME venue, Club One believes its approach is dramatically helping reduce gaming harm in South Australia.

Those GMEs that Club One is holding in excess of those required by the ASC are presently put to work by parking them in gaming venues until permanent club arrangements can be negotiated.

It is to be borne in mind that in this process of rapid growth, Club One has had to invent, in partnership with the OLGC, the processes by which GMEs are secured, transferred, located and commissioned. This has seen a long lag time between acquisition and commission which has not helped Club One's financial position.

However practice has seen this lag time reduce as the contracts and applications become standardised and the OLGC can grapple with the new phenomena of Club One with greater confidence.

Club One has undertaken a review of its taxation and other contributions to the State and Federal governments. The stamp duty, GST and increased returns generated by the new Club and the careful location of available GMEs has seen Club One contribute over \$1 million to general revenue - which is anticipated as being used to fund important services such as roads, schools, hospitals etc. This is not a bad effort when Club One has only been operating for such a short time. Naturally, Club One would prefer to generate grant monies so it can directly help clubs, sport and recreation to self-sufficiency, but it will take some time to accumulate such funds.

Club One is finally underway and it is sustainable, the next step is growth and the delivery of funds and venues to the community. This depends on the willingness of clubs to participate by selling or vesting into Club One. The major constraint in these processes appears to be the unwillingness of many clubs to bring to account their true costs of running a Gaming venue. As a result such clubs over-inflate the income they receive from Gaming.

There is also there is a tendency to believe that gaming machines automatically bring customers into a club. When the machine numbers are low and the venue is poorly sited and 'old' this hope is not the case. In many ways, in such circumstances, the few users are being subsidised by the rest of the club who are thereby missing out on having a regular income and thus better club facilities or/ and activities.

Some clubs also have a pride in the gaming. Many committees and their managers see gaming machines as a form of status symbol. It somehow makes them more important. Again, the reality is that the club is about all the members and their collective needs. A committee's self view is not always the best when it means holding onto outdated technology that absorbs money. The fact is with the Club One offers, a small gaming club could be debt free and providing better services and concentrating on the club's objectives, rather than trying to manage gaming machines and meet compliance costs.

Club One anticipates the next year to be one of growth and consolidation. The development of the new clubs to house the available GMEs will take significant time and money. A club built from the ground up, meeting all club-safe and legislative requirements, can take over a year to get approved and cost over \$4 million.

As said, Club One also needs more clubs to participate, and this will take time to gain the trust of the members and to deal with the many questions and public processes. Club One is always willing to meet with clubs and to explain the offers. In the end it up to the Club Board members to realise the vision and opportunity to develop the club sector and to make the most of Club One.

Importantly, the community will need to heed that fact that it is the participation by clubs in Club One by sale and vesting that will determine the timing and amount of grants that can be made available to the community.



*Michael Keenan  
Executive Officer*

A handwritten signature in blue ink that reads "Michael Keenan". The signature is fluid and cursive, with a long horizontal stroke at the end.

## Case study of how Club One can help: Adelaide Soccer Club (ASC)

*From Club One's inception, the Adelaide Soccer Club (ASC) was an enthusiastic supporter. It was a strong believer in the notion of Club One being the conduit to establish new styles club venues that would provide financial support to South Australia's sport and recreation sectors.*

Through the enthusiasm of its patron and benefactor, Bob D'Ottavi, ASC participated in the first Expression of Interest posted by Club One. Its proposal had two immediate attractions - it provided the finances necessary to establish Club One and gave ASC a venue that has become the model representing the potential of Club One as a club supporter.

Club One and ASC entered a contract by which Club One would provide 40 GMEs to establish a new venue and ASC would provide a loan to secure the GMEs.

Club One secured GMEs from a collection of small clubs where gaming was no longer viable and packaged them so that this could be effectively managed at the ASC venue - Oakden Central on Fosters Road, Oakden.

ASC in turn built its new state of the art venue, won its licenses, implemented a commitment to best practice safe gaming (Club Safe) and secured its many new employees.

Oakden Central opened for business in December, 2006, and 2 months later it was formally opened by the Prime Minister, Mr John Howard.

From day one, Oakden Central has surpassed expectations. It is a significant building with spacious dining and recreation facilities, and, importantly, it has enabled ASC to be a major contributor to all soccer in South Australia.

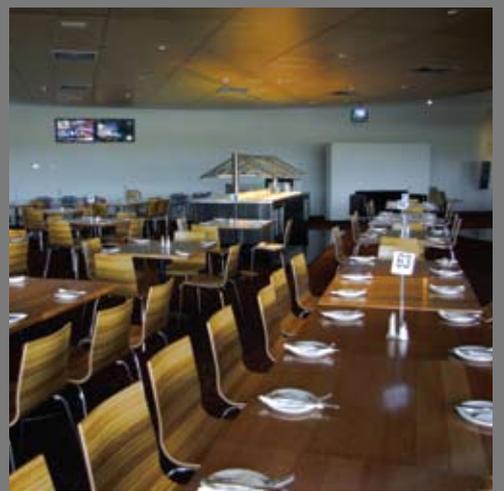
And Club One, via payments from ASC, has been able to provide even more much needed financial support to clubs and recreational facilities throughout the State.

The new venue reveals what can be achieved by clubs choosing to have a strategic partnership with Club One.

Small, under-resourced and/or debt ridden gaming clubs can maximise their income or rid debt by entering vesting or sale arrangements with Club One. Other clubs can obtain grants and support from Club One through the income Club One receives from its new venues.

The total investment in Oakden Central is more than \$6 million. This is new money and new jobs for the South Australian community. But it also means a more independent, viable and varied sport and recreation sector in South Australia. And the beneficiaries are our young people, the non elite sporting disciplines and the community at large.





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