

Message from the CEO

Summary

Significant improvement achieved in key financial and membership indicators for January and Year-to-Date. Very positive feed-back received for our caterers and much interest in functions for the auditorium. 2EC Juke Box Saturday Night Live at the bowlo is set for the first Saturday in each month starting 6 March. The amalgamation process is proceeding well and is detailed below. Volunteer members have signed up to improve in and around the club with particular emphasis on the greens and garden surrounds.

In the 3 months I have been involved in the management of the club, I have discovered many activities that would be best described as NOT 'industry best practice'. I believe this has arisen from a combination of poor judgement, incorrect decisions, inadequate management reporting and control mechanisms. This has made the effective management and governance of the club very difficult for the Board and management, and may well have been the significant contributing factor in the financial demise of the club. I want to make it openly clear that there is no evidence of any dishonesty by the staff. The amalgamation process has been particularly stressful for the bowling club staff as they face uncertainty and change. I wish to thank them for their support during this transition process and I look forward to working with them in the future as we all work hard to make the amalgamation of two great local sporting clubs a success.

Financial Position – I am pleased to report that the total revenue for the club for the Jan-10 period was up on the Jan-09 period by 16.7% on the back of bar sales growth of 26.9%, net gaming revenue 2.2% and bowls income 45.1%. The net loss for Jan-10 was -\$85,293 compared to -\$42,671 for Jan-09 however, \$72,808 was spent on one-off amalgamation costs that period that would have otherwise reduced the net loss down to -\$12,485. Similarly the net loss for the YTD is -\$340,990 compared to -\$206,287 at the same time last year and would otherwise reduce to -\$185,530 with the one-off amalgamation costs of \$155,500 to-date. The total liability to Catalina is \$235,000 that will be written off upon completion of the amalgamation. This amount is the main contributing factor in the clubs -4.06% EBITDA (measure of an organisations financial health). At the same time last year the EBITDA was 3.82% and without the \$235,000 Catalina liability it improves to 6.27%, up 65%. We are still a long way from the minimum industry standard of 15.0% but hopefully this is the beginning of a recovery trend. Bowling membership has increased by 395 to 416 from this time last year and social members 2,143 to 2,624. In summary, I am pleased with the progress being made particularly with the return to the club from sales through greater efficiency and management systems.

First Aid Response to Members – I am pleased to advise that with the support of our Fishing Club, we have purchased an oxyvivor that will assist in the first aid response to our members and guests. Staff training will complement this important life saving equipment.

Gaming – The installation of two Wheel of Fortune state-wide link jackpot machines are about to be installed into our gaming room. Being one club upon the formalisation of the amalgamation will allow the interchange of poker machines between the two premises.

Catering – Many improvements in the presentation of our dining room are underway that will support the excellent reviews being received for the food by our new caterers. A shade sail has been ordered to replace the one damaged which will not only provide shelter to a great outdoor dining area, but will also let the world know we are open for business. The restaurant entry (facing the swimming pool) will be reopened during restaurant hours for restaurant

patrons. The obsolete bistro bar has been removed to make way for additional tables. A new efficient bistro bar will be planned with any new clubhouse plans. In the meantime Coke has provided us with large glass door fridges that have been placed in the restaurant where our catering staff can continue with tray service to our diners.

Volunteers – A good meeting was held on 15 February with approx. 20 member volunteers and they started work on 1 March at 10am on activities around the clubhouse with particular emphasis on gardens, bowling greens and surrounds. All volunteers up to 85 years of age are covered by our club insurance and will be inducted prior to the commencement of work by our green keeper Mark Lyons. All volunteers will be provided with a hat and shirt, and rewarded with a complimentary drink at the end of their shift in thanks to their valuable contribution. We have a number of major bowls events and other social functions planned and the volunteer work will help polish up the club's appearance for our visitors. One of the first projects will be to work on the gardens around the restaurant and clubhouse generally. Any other members who wish to volunteer their time should register at Reception.

Member Promotions – Our proposed \$5,000 members badge draw on Thursday evenings has been put on hold while the existing members draw currently at \$4,400 is drawn.

Functions & Entertainment – On Saturday 6 March we will host a Jukebox Saturday Night Live in the auditorium where 2EC will broadcast live music from the 70's, 80's, 90's and today. This entertainment is great for the whole family and will continue on the first Saturday of each month. Entry is free and Coke are providing lots of give-away prizes including a bar fridge. The caterer will provide special menus for these evenings over and above their normal evening menu. We are also receiving many bookings for the auditorium that will bring much needed patronage through the club.

Amalgamation Process Update – I am pleased to advise we are making good progress towards formalising the amalgamation. Our application to the Casino, Liquor and Gaming Control Authority is about to be lodged seeking provisional approval to the amalgamation which will then allow the club license, assets, liabilities and employees etc to be transferred and settled upon final approval by the Authority in 3 – 4 months. All bowling club members will be written to and invited to become members of Catalina upon the settlement date. That effectively completes the amalgamation and the combined clubs can then commence trading as one entity with one Board of Directors and one Secretary Manager. A members meeting shall be called for the members to approve the voluntary liquidation and a liquidator will be employed to liquidate the 'shell' company. It is expected that the mail out notice for the members meeting will also seek suggestions from the members to a new club name for the venue. The members special general meeting can then be used to formally launch any new club name and celebrate the amalgamation. (Should the members not approve the resolution to voluntarily liquidate the company at this meeting, the company name would simply be deregistered the next business day. Liquidation is preferred to deregistration as it ceases any future action against the club and is strongly recommended by our solicitor.) Overall, I am pleased with the transition so far and I look forward to delivering further services and products to the members and their guests that will eventuate from the formalisation of the amalgamation. I also appreciate the support given to the Catalina management team working in and around the club.

I would welcome any feed-back or comment to any of the above matters or any other matter.

Richard Hogg
CEO
March 2010