

# GROUP CHIEF EXECUTIVE OFFICER'S REPORT

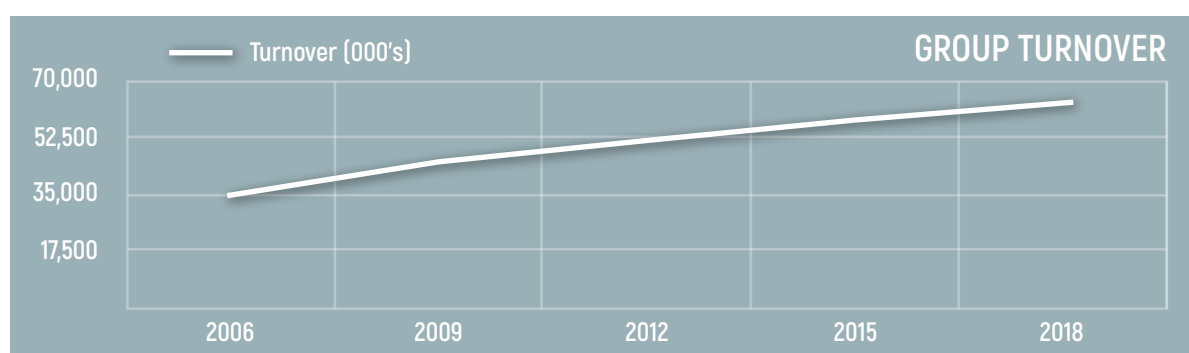
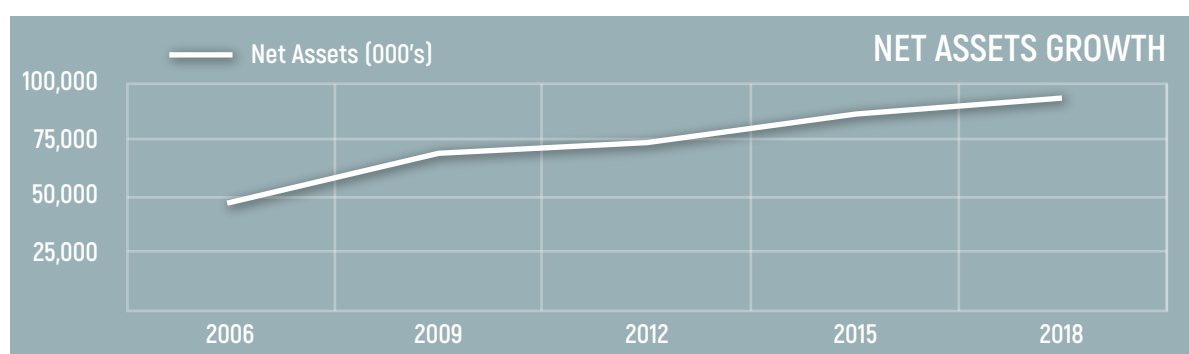


2018 was an extremely successful year for Castle Hill RSL Group, with all facets of our business performing to expectations and showing exceptionally positive signs for the future. Therefore, it is with great pleasure I present the Group Financial Report, for the period ending June 30, 2018.

With over 50,000 members across the Group, we recognise our role in the communities where we operate, and our responsibility to be a good neighbour and friend. Since the 1970s, the Club has continued to evolve and respond to the changing needs of our Members. As a result, the Board and Management team are committed to continually look at ways to grow our offering across the Group,

to ensure we remain relevant and of benefit to our Members and the broader community.

One area of focus is the investment we make into expanding the Group's asset base and facilities, which has continued to prove successful. This investment has seen major capital works programs undertaken at Lynwood Country Club, Castle Hill Fitness and Aquatic Centre, and Castle Hill RSL Club's Courtyard restaurant, café and al fresco areas, as well as the rejuvenation of the second floor of the Club.



Over the past decade, the Group has experienced significant growth – as illustrated in the graphs above. The refurbishment program perfectly positions the Group for its next stage of growth and evolution of the master plan.

As we head into 2019 and beyond, it's imperative that the Group, through Castle Hill RSL Club, Parramatta RSL Club and Lynwood Country Club, continues to provide a haven for its Members and visitors – somewhere to meet, eat and enjoy friendships.

To achieve this, the Group recognises the need to stay relevant and sustainable, which is why we are pursuing a master plan that will support the long-term needs of our Members and long-term success of the Group.

Key to this is identifying financially viable, diversified income streams that enable the Group to provide a range of services, facilities and activities that meet the needs of the local communities in our three catchment areas. There is no doubt that this is a very exciting time for the Group and its Members, as we deliver innovative solutions.

### **Lynwood Country Club**

At Lynwood Country Club, the upgrade of the driving range and practice facility is underway, while the development strategy and master plan for the site is on track and progressing well – ensuring that Lynwood Country Club maintains its position as the premier hospitality venue in the Hawkesbury district.

### **Parramatta RSL**

At Parramatta RSL Club we are delivering a state-of-the-art \$40m modern hospitality and leisure venue, which is due to open in Q4, 2019. We are also exploring an opportunity to effectively use the car park and available airspace at Parramatta RSL Club, to derive alternative revenue streams and better integration of business opportunities.

The restructure and consolidation of activities at the Club will enable us to achieve operational efficiencies and provide services, facilities and activities not currently available in the area.

### **Castle Hill RSL**

Following our Members' unanimous endorsement of the proposal for independent living units at last year's AGM, we are very excited about progressing the development application for a lifestyle development for residents aged 55+. This proposed development will be the largest project that the Club has undertaken, with the long-term master plan supporting Castle Hill RSL Club's strategy to expand in a way that addresses the needs of the community, the Club and the surrounding environment.

We believe that a lifestyle development for residents aged 55+ is an ideal solution for our site, as the Club is in the perfect location to access existing infrastructure and amenities in the local government area, while also offering doorstep access to the facilities, programs and activities available at the Club. From entertainment, leisure and wellness programs to transport, medical, financial, retail and community support services, all located less than one kilometre away.

The proposed development will ensure effective and efficient use of our asset, site and airspace. The implementation of an articulated staged development will ultimately see the construction of a prestigious residential lifestyle development, a residential aged care facility, extensive green outdoor recreational spaces, community services, and facilities such as a wellness centre, pharmacy, café and 1,500-1,800 underground car parks servicing the whole site.

The intention is for the club to be the developer, owner and operator, with Members retaining the benefits through the realisation of this diversification strategy, which has the ability to alter traditional club revenue streams. This is an exciting option for all of our Members and the broader community – not just the 20,000+ Members over the age of 55.

Over the coming months, there will be extensive community engagement to discuss our vision with Members, stakeholders and interested community residents and business owners, as our goal is to keep the community informed and benefiting from the growth of the Club.

Each of the growth projects being undertaken across the Group's assets have not only been met with a great response from Members and advisors, but furthermore, supports the needs stemming from the forecast population explosion in each of our Local Government Areas, with the most significant growth being in Hawkesbury Valley and Castle Hill.

In fact, over the next 3-5 year period in Castle Hill alone, we will see several new, medium to high density residential apartment blocks, built within a 2km radius of the Castle Hill RSL Club. These residencies have the potential to house in excess of 10,000-15,000 people who will reside within walking distance from the Club. The new rail link will also make the Club more accessible.

Over the past year, our focus has been on ensuring that our Group master plan serves the growing needs of the region and addresses changing demographic needs – we want to be the community's dining room, TV room, lounge room and backyard!

The past year has seen some internal and external challenges that have impacted our business, including road works, internal renovations, delays in construction, organisational restructures and the drought – all of which contributed to the overall reduction in Group profitability over the past year. However, many of these challenges have put us in good stead for next year and we forecast a substantial increase in the Club's revenues for the 2018/19 period, as well as an increase in profitability.

Castle Hill RSL Group recorded a net trading profit of \$1,389,102 (2017: \$2,459,210). This is after attributing \$7,220,973 (2017: \$6,972,552) in depreciation and amortisation, \$379,637 in finance costs (2017: \$414,912) and \$2,147,158 in donations (2017: \$2,073,890). The EBITDAD for the reporting period is \$11.1 million (2017: \$11.9 million).

Despite the reduction in trade, we have maintained commitment to our local communities donating in excess of \$2.1 million on worthwhile social, sporting and economic infrastructure programs. Whilst the Club's legislative commitment is only \$650,000, we believe it is a fundamental role of our organisation, and other Clubs, to continue to provide support to the community. The Club provides more direct and indirect funding to the Hills and Hawkesbury communities than any other business or organisation – spending millions of dollars each year on infrastructure and community support programs.

The results of the past year could not have been achieved without the help, support and professionalism of a very dedicated and conscientious management team and staff. I would especially like to thank my Executive Management team: Brett Crastin, Nadeem Ali, Allan DePaoli and Mark Lai for their support and dedication.

Thank you to President Warren Glenny and the Board of Directors for their continued encouragement, commitment and shared experience. It is a pleasure to work with such a professional and cohesive Board of Directors that genuinely have the best interests of the Club, and our Members, at the forefront of their decisions.

The size and diversity of our organisation keeps the Board extremely busy with Club-related matters, and I thank them for the numerous hours they spend at meetings, as well as Club and community events. I firmly believe they are the hardest working Board within the industry, and I truly appreciate their efforts.

Thank you for your support.

**David O'Neil A.C.C.M.**

GROUP CHIEF EXECUTIVE OFFICER

# YEAR IN REVIEW

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Castle Hill RSL Club recorded a net trading profit of \$2,579,336 (2017: \$3,432,037). The EBITDAD for the reporting period has been stable at \$9.4 million (2017: \$10 million). The trading result of Castle Hill was impacted this year by a number of key factors, including the disruption to operations caused by the five (5) month refurbishment of the Café and Courtyard Restaurant and the four (4) month transition from internal to external catering, resulting in an increase in wages and associated costs. These factors, together with disruption due to the upgrade of Showground Road, made it a challenging year however, these changes have laid a solid foundation for the 2018 / 19 period and we are excited about the opportunities that the next few years will bring to Castle Hill RSL Club.

These changes will be complemented by the redevelopment of the Cocktail Lounge and Rib Factory, with the introduction of the new **SPORTS AT 77** Sports Bar, and the new family-friendly **HILLS DINER**, which is due to open in November 2018. Early 2019 will see the complete refurbishment and upgrade of the Gaming Lounge, and these changes, along with the major refurbishment programs of 2018, will see the whole Club and Sports Centre rejuvenated and new.

Parramatta RSL Club recorded a net trading profit of \$346,475 (2017: \$490,509). The EBITDAD for the reporting period has been stable, despite the current capital works causing trade disruption at \$1.2m (2017: \$1.4m). The loss of the Bowling Greens resulted in a substantial decrease in Event revenues, which carried throughout the whole business. However, whilst we will see the impact of this change effect our operation throughout the 2018 / 19 financial year, the opening of the new \$40+ million-dollar modern hospitality, leisure and entertainment venue in late

2019 will make it well worth it. After five (5) years we appear to be building full steam ahead and the new Parramatta RSL Club will be a wonderful addition for the Parramatta market.

Lynwood Country Club recorded a trading loss for the period of \$1,536,709 (2017: \$1,463,336). The EBITDAD for the reporting period has been stable at \$551k (2017: \$409k) which resulted after providing community sporting facilities contributing in excess of \$1million towards our Club Grants program. This result was expected after extensive capital works programs and equipment replacement to the premises and golf course since amalgamation. Despite the trading loss, the acquisition of Lynwood has contributed to the asset value of the group and the long-term benefit of this asset is enormous.

As a result of the above-mentioned factors that impacted the Group, Clubs and Members, the Board of Directors decided not to increase prices and absorbed a number of increases in wages, cost of goods and Consumer Price Index increases, rather than pass costs onto Members and visitors. This decision obviously impacts on the trading result, however based on the level of disruption experienced throughout the Group, it was the correct decision.

2017/18 laid the foundation for the next few years and the opportunities will be enormous throughout the Group. I look forward to sharing our progress with you as we continue to grow and evolve to meet the changing demographics and increased population in our respective trade areas.

These are exciting times.