

Chairman's Report to AGM - 2011

After another tough and challenging year I can say that we have finally started to show some positive results from our efforts. The 2010 result was not as good as we would have liked, but came in about where we expected, considering the actions that were taken by the Board and Management during the year.

As I reported last year, we knew we couldn't keep doing things the same way and hoping for a better result. We brought in management consultants - Peter R Breed and Partners, who had worked successfully with the Epping Club, to have a look at our operation and what we could do to turn things around. There were some hard pills to swallow, but Peter Breed did not hold back in being constructively critical of how the Club operated from the top (i.e. at Board level) right down through the management structure and work practices. The Board and Management met many times with Peter, with the process of change starting in late 2009 and going right through to June 2010. In that time there were a number of difficult decisions that had to be made to get us back on track as a business and as a viable community club. Whilst initially there was some disruption and I might say some resistance, the Board and the CEO stuck to the task and the results are now showing through.

2010 Results

Neel Chand will give a report to the meeting and I believe you will be pleased to see firstly, the results in the second half of the year and secondly, the first quarter results for this year (2011). I know the year has a way to go yet, but after seeing the interim April results I am pretty confident we have finally turned things around for the better. Neel will also elaborate on some major capital works to be carried out, during this year and beyond, which will improve the facilities for members and guests.

Board Structure

At the Board we welcomed three new directors during 2010, they being Diane Azzopardi, Jenni May and John Love. These people have brought a fresh approach and a different point of view to our Board. Diane Azzopardi is a Chartered Accountant by profession and operates a very successful accounting practice here in Penrith. Jenni May is a long time club member and heavily involved with NSW Netball. Jenni is the Business Integrity HR Manager of MAS National, a highly successful business specialising in apprenticeships and training. Not only have these two people brought a woman's perspective to the Board but they are highly experienced business people, who bring much needed corporate knowledge to the Board and management. John Love as an RSL Director is a retired banker and brings that experience to the Board.

I take this opportunity to thank the directors who left the Board during 2010, Phil Friend who served 8 years and Shane Plumridge on the Board for 7 years. Deputy Chairman, Bob Allen resigned in December 2010 due to other commitments and his experience will be greatly missed. However we were fortunate in being able to obtain the services of Bernie Atkinson as an RSL Director. Bernie is a qualified accountant, working in the corporate compliance area of the Australian Tax Office and will bring to the Board a lot of experience in the corporate governance and financial performance areas.

Executive Leadership Team

Neel Chand was employed by the Club early in February 2010, to bring some much needed corporate and financial expertise to the management team. Neel came to us with a reputation as a "change" manager after having been heavily involved with Rooty Hill RSL Club when they went through a major restructure of their business a few years ago. Neel has proven to be a valuable asset to the Club, and the Board had no hesitation in appointing him to the position of Chief Executive Officer on 1 July 2010. Since then Neel has restructured his Executive Leadership Team and brought highly experienced people to these positions. I am happy to say that I have noticed that Neel's team are very supportive of him and there is a positive attitude amongst his

managers and staff, which is reflected in the results they have started to achieve in the short time that Neel has been in the CEO role.

Resolutions

A Special Resolution will be put to the AGM relating to the mandatory education of directors. This resolution is designed to ensure that your directors are completely up to speed on the required education and qualifications that are now required to run a multimillion dollar business.

Your directors strongly endorse this requirement and urge members to support.

The issue of Honorariums has been discussed long and hard over the years and your Board has finally resolved to put forward a resolution to address this issue. It is well known that a number of registered clubs have used various means to remunerate their directors and some of these methods have come under close scrutiny from their members and the regulators. We have formed the opinion that we should be transparent about all directors' expenses and not hide any particular spending in the Profit & Loss Account under the catch-all of Director's Expenses. Your Board maintains a fairly tight reign on director's expenses and all expenditure is carefully monitored and approved at every Board meeting. Payment of honoraria is now well established in many registered clubs to recognise the efforts of directors in managing the business under more stringent corporate governance regulations. In our case we require our directors to serve on at least two Board sub-committees, most of which meet during normal business hours. This requires directors who also work to take time off from their normal duties to attend these meetings. As well, the attendance at training is now normally held during working hours – for example the basic ClubsNSW training requirement for directors is the Certificate IV in Governance, which entails 7 full days of study and workshops to achieve this qualification.

The Board recommends that members vote in favour of this resolution.

Poker Machine Legislation

Sadly, once again, clubs are under attack from the legislators, this time the Gillard Government and the desperate deal done with the Independent MP Andrew Wilkie. If this legislation goes through in its present proposed form it will decimate clubs, including ours. We estimate the capital cost of the proposed technology update to our Poker machines will be **\$1.5 Million** and the loss of gaming revenue to be

\$3.2 Million per year. That would put us in a perilous financial position. This piece of madness, purely designed to hang onto power, will make the smoking ban and NSW Pokie tax look like a walk in the park. Despite all the negatives about gambling and poker machines, the hard cold facts are that clubs cannot survive without gaming as its main source of revenue, which provides the venue, entertainment and support to members and our local community. We urge you as members to look at what this will mean to the Club – check the material available within the Club and on the Club's website and make your concerns known to our local member.

Conclusion

In closing, on behalf of the Board, I take this opportunity to thank all the staff who provide a wonderful service to our members. To the members thank you for your continuing support and especially to those of you who took the time and interest to attend this meeting.

Thank you.

Neville K Barnier CFP, Dip FP, MAICD
Chairman of the Board