

Member Update 20th September 2011

Background

The Board of The Grange Golf Club ('TGGC') has been considering options to secure our long term future for some time now. We must ensure that we do our utmost to protect the interests of both current and future members by ensuring that the best possible outcome is achieved.

In our previous update on 22nd June 2011 we advised you on the options that we were considering. Two of those options included a potential amalgamation with Manukau Golf Club ('MGC'), and having discussions with Royal Auckland Golf Club ('RAGC').

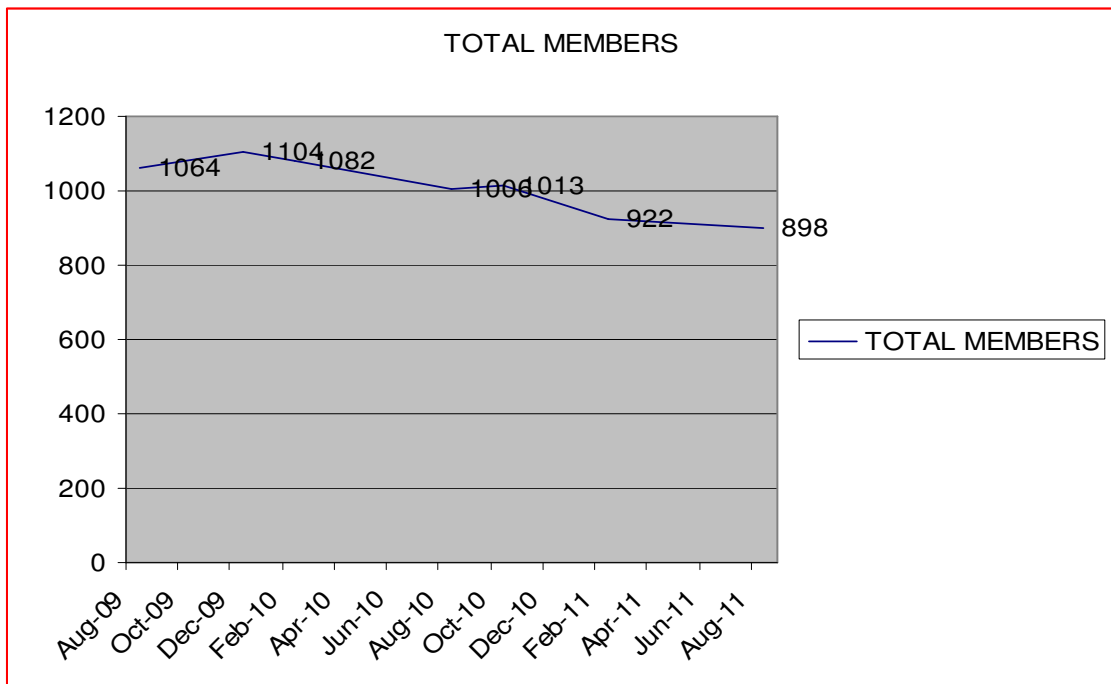
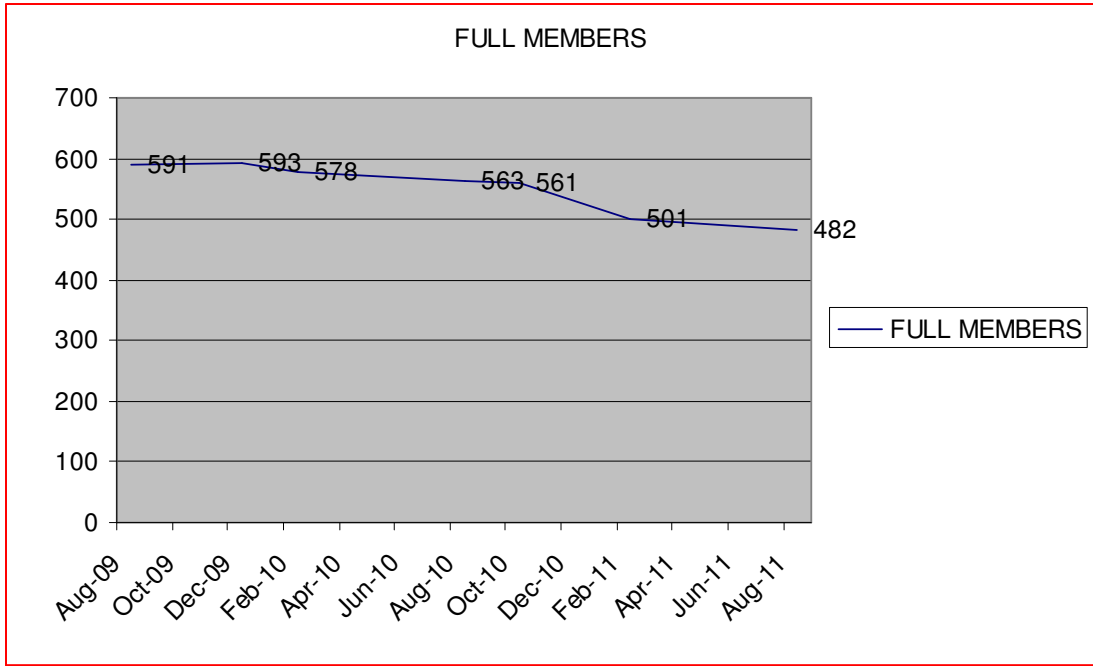
Financial Update

This year membership trends have continued to be disappointing and revenue generated by subscriptions has continued to come under pressure with the year end subscription forecast being in the vicinity of \$100,000 behind budget. (Please see below graphs with the comparative figures since August 2009)

However, the trading position is sound with the club forecasting a small operating surplus combined with positive cash flows. The financial performance has been aided by a one off rebate from Auckland Council for rates which has been back dated to July 2006. The rebate contributed \$89,000 inclusive of GST as a one off payment.

	Year End Forecast	Total Last Year	Budget
Subscriptions	\$912,000	\$1,011,575	\$1,011,740
Green Fees	\$220,000	\$125,740	\$151,500
Other Income	\$388,000	\$332,670	334,407
Total Income	\$1,520,000	\$1,469,985	\$1,497,647
EXPENSES:			
Course	\$692,000	\$744,615	\$709,864
House	\$115,000	\$133,974	\$115,159
Administration	\$492,000	\$569,126	\$508,150
Course Development		\$79,362	
Total Expenses	\$1,299,000	\$1,539,927	\$1,333,173
DEPRECIATION	\$178,392	\$199,761	\$173,504
NET PROFIT	\$42,608	(\$269,703)	(\$9,030)

The club has been active in attracting green fee players and also corporate golf days and this extra income has off set the loss in subscription revenue. This combined with strong cost management in course expenditure has meant that our half year financial result was much improved on the previous years, however the continued decline in membership numbers and revenue cannot be ignored.



Current Position

Since the last update we have had numerous informal meetings with representatives of MGC and RAGC, as well as considering other options. As a result your Board, the Board of MGC and the Committee of RAGC have a much clearer understanding of each clubs respective position.

The result of those discussions is that your Board considers that there are effectively 3 realistic options for us at this point:

- Merge with MGC at either MGC or TGGC
- Merge with RAGC
- Tough it out at TGGC

Naturally the 'Tough it out at TGGC' option has many risks, but it remains an option at this point. What we want to do in this update is to provide some more detail on the other 2 options.

A merger with MGC would involve one club relocating to the other site, and the disposal of the other club's land. Those proceeds would be used to substantially upgrade the facilities of the chosen site. We now have MGC's agreement to set up a formal working group that will work through all the details of that merger. This could be a very exciting opportunity for both clubs as it will address all of the issues both clubs face now, plus it can provide further member benefits thereby strengthening the value of being a member of a club.

We have also had refreshing discussions with RAGC, with the view to investigating the opportunities that might exist following a merger with RAGC. This is also a very interesting opportunity.

Both MGC and RAGC understandably preferred us to deal with them on an exclusive basis, and according we have advised both clubs that we see more merit in the MGC merger at this point, and to that end we will be evaluating this further with them over the next few months.

I want to reiterate that no decision has yet been made by the Board to sell/merge/amalgamate with anyone – we are still at the information gathering stage. When and if your Board does decide that either option one or two above is better than 'toughing it out at TGGC' we will make a recommendation to you which will be on the basis that it must result in a far superior facility, enhanced member benefits, substantial cash reserves and foundation member benefits.

These negotiations take time, so can I ask for your understanding during this next period whilst we continue to work on your clubs future. I remain very excited by what we might be able to achieve, and I look forward to being able to update you with further details in due course.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Murray Clark', with a stylized flourish at the end.

Murray Clark
Chairman