

The Link

MEMBER'S E-NEWSLETTER



The Membership Model Explained

In determining the membership model for The Golf Club St Andrews Beach, Golf Club Properties Limited ("GCPL") reviewed the membership structures of key competitors, including both traditional and equity based clubs. Key issues identified were:

- problems associated with high debt levels;
- increasing operational costs;
- a stagnant or declining revenue base;
- increasing member service demands;
- increasing financial pressures for members; and
- a need for greater flexibility in memberships.

To counter these issues GCPL has initiated a unique and innovative model that allows your club/company to:

- have zero debt;
- fund increases in operational costs;
- have an increasing and multi-faceted revenue stream;
- meet increasing member service demands;
- relieve financial pressures for members; and
- provide members with a fully flexible membership

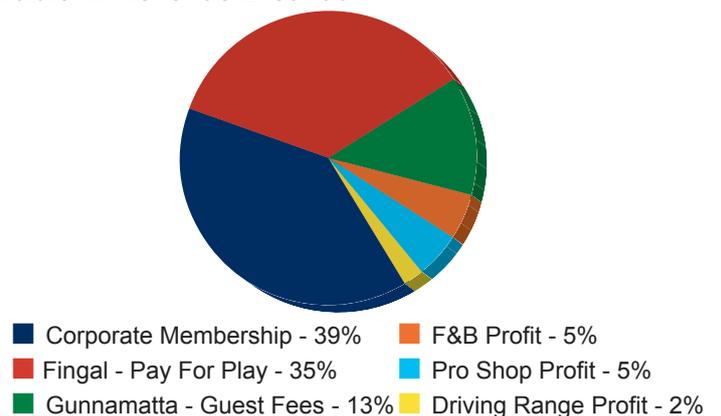
The Golf Club St Andrews Beach Inc. (the "Club") is an incorporated association which exists to provide mutual benefits to persons interested in playing golf on the Gunnamatta Course at St Andrews Beach. As a Member of the Club you are either a Shareholder in The Golf Club St Andrews Beach Limited (the "Company"), or have been nominated as a Member by a Shareholder. Therefore, your membership in the Club is inextricably linked to a shareholding in the Company. The Company's constitution provides for a maximum of 1200 shareholders and as such the Club will be limited to 1200 Members.

No Annual Fees

As a member you do not have to pay any annual fees for playing rights ever. We are able to deliver this remarkable benefit to members due to the fact that on completion St Andrews Beach will have two world class championship courses. As such we can deliver an exclusive members' only course that accommodates the pure golfing enthusiast who enjoys the club environment and a second member/corporate course that accommodates the corporate and pay for play markets which continue to grow in Australia. Essentially income from the Fingal course will fund the maintenance and operational expenses of both courses, together with supplementary income from revenue streams such as the driving range, cart hire, retail and food & beverage.

A breakdown of total income in Table 1 below shows that the model will on completion of the project provide a robust, multifaceted revenue stream to meet the operational and maintenance costs of the two courses.

Table 1: Revenue Breakdown



Funding Operating Costs

The Club has contracted GC Operations Pty Ltd (a subsidiary of GCPL) to manage the operational aspects of the Club. All the income of the Club will be to the account of GC Operations. Under a management agreement, GC Operations is obliged to meet all the expenses of the Club. In the event of a loss being incurred, **GC Operations is obliged to bear that loss. Conversely any profit will be to the benefit of GC Operations.** This structure relieves the Club of the financial pressures faced by traditional private or equity based golf clubs.

In today's dollars and based on GCPL's experience at The Golf Club Kennedy Bay (WA), it is estimated that to maintain and operate 2 world class championship golf courses will cost approximately \$1.6 million dollars. The budgeted profit & loss statement below indicates that based on conservative revenue estimates GC Operations will be able to successfully fund the operating and maintenance expenses of the Club.

GC Operations - St Andrews Beach	
Annual Budgeted Statement of Financial Performance	
Income	\$
Corp Membership	900,000
Green Fees	800,000
Members Guest Fees	300,000
Food & Bev Surplus	120,000
Pro-Shop Surplus	120,000
Driving Range Surplus	50,000
Total	<u>2,290,000</u>
Expenses	
Course Maintenance	900,000
Leasing Expenses	300,000
Operations & Admin	400,000
Rent	20,000
Total	<u>1,620,000</u>
Net Profit/(Loss)	<u>670,000</u>

It is forecast that over \$2 million or 85% of revenue will be derived from corporate membership fees and guest fees. This relies on having approximately 300 corporate members and 16,000 annual paid guest rounds. Our research confirms that this is extremely achievable. On average each member will introduce at least five guests per annum which equates to 6,000 rounds. A further 2,000 rounds will be pre-sold to villa owners as part of body corporate fees. Accordingly the Fingal Course only needs to turn over 8,000 pay for play rounds per annum to reach the 16,000 round quota. Industry research published in 2004 by the AGU and Ernst & Young found that clubs of similar quality to St Andrews Beach are turning over in excess of 20,000 rounds per annum. Accordingly 8,000 paid rounds each year is very feasible.

Company Profit & Dividends

Revenue of the Company comprises members' guest fees from rounds in excess of 6,000 on the Gunnamatta Course and a 10% administration fee on transfers of shares in the Company. As the Company has no operating expenses, these monies net of tax will be available for distribution as a dividend or may be held as retained earnings to be put towards future redevelopment of the Gunnamatta Course or Clubhouse as desired.

Leasehold - 199 Year Membership

As a member, you have exclusive access to the Gunnamatta Course at all times and will have priority access to the Fingal Course. You will also have exclusive access to the Members' Clubhouse, due to be completed in late 2007. Due to council regulations preventing GCPL from subdividing the land, the Gunnamatta Course and Clubhouse have been leased to the Company via a 199 year leasehold. The Company has licensed the use of the Course and the Clubhouse to the Club for the benefit of members. The management agreement between the Club and GC Operations provides Members with priority access to the Fingal Course.

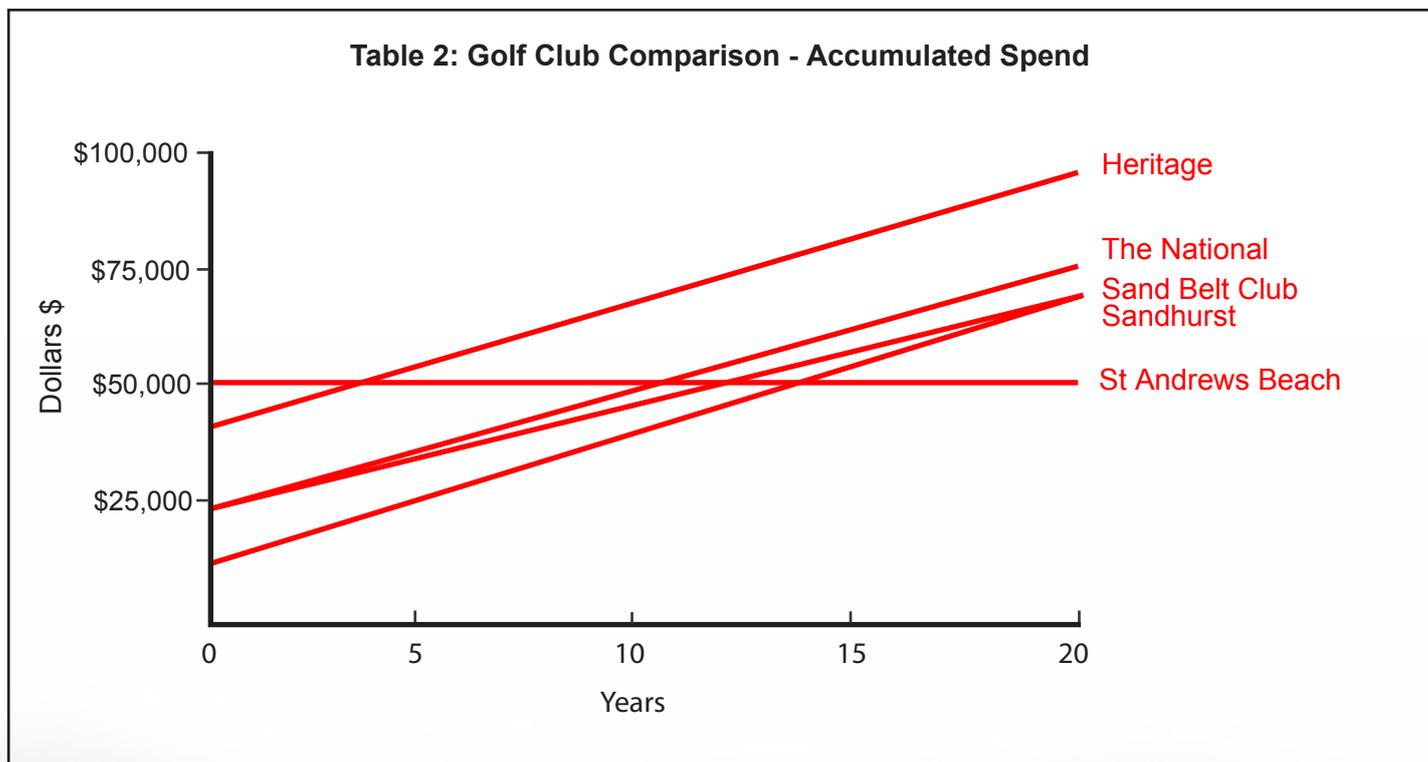


It should be noted that should an equity interest in the land have been able to be granted, GCPL would have done so. The Golf Club St Andrews Beach lies on 175 hectares of land aggregated from five separate vendors. There are currently four separate titles of differing sizes. Unfortunately these titles do not individually correspond to any distinct element of the development. For example the Gunnamatta Course is sited over two titles and the Fingal course is sited over three titles. The whole site is contained in the Melbourne 2030 Zone and the minimum land size permitted for subdivision is 80 hectares. Accordingly the 199 year leasehold arrangement is the best way that GCPL can deliver value and security to shareholders as well as exclusive world class golf for members. In fact, even with a leasehold, the E Class Share with no annual fees for playing rights still represents better value over time than any traditional private golf club membership available.

Membership Comparison

If you purchased a share for \$50,000 on 1 January 2006, the club comparison in Table 2 below shows you will have spent \$50,000 in fees in 14 years at a sand belt club and in less than just 5 years at The Heritage. The cost of your share for \$50,000 is effectively the same as no more than 14 years of share prices/joining fees and annual fees at any of the clubs listed and at the end of 14 years you still have 185 years of fee free golf ahead of you and a share you can sell on the secondary market or transfer to your children. Your membership is truly the most valuable membership in Australia.

Table 2: Golf Club Comparison - Accumulated Spend



A Secure Investment

Like other existing clubs and new projects under construction, St Andrews Beach and GCPL are subject to certain risks. For this reason your investment is secured via several means:

- To secure GC Operations' obligations under the management agreement to provide services expectant of a premier golf course in Melbourne commensurate for a world class golf course, GCPL has granted a mortgage over 250 shares in the Company in favour of the Club.
- GCPL shall ensure the premises are free from any encumbrances including any mortgage once GCPL has sold 50% of its shares. Until such time the lease is subordinate to any encumbrance over the premises.
- A fixed charge over the Fingal Course including the maintenance facilities will be granted in favour of the Club after the last of GCPL's 250 shares are sold.

Flexible & Transferable Membership

Your share in the Company entitles you to nominate one person as a member of the Club. This nomination can be changed on an annual basis thus giving you far greater flexibility than any traditional private club membership. For example, should you foresee that work, travel or health will affect your ability to utilise your membership, you have the flexibility to nominate your spouse or child for membership or you could choose to lease the membership and derive an income until such time as you are ready to start playing again.

In addition to this flexibility, the benefit of being able to transfer your share means that you could pass the share onto your son or daughter or sell the share on the secondary market. All this makes your share in The Golf Club St Andrews Beach an extremely sound investment.

Gunnamatta Debutes in Top 10 Australian Courses

The 2006 Golf Australia Ratings have ranked the Gunnamatta Course the 9th best course in Australia in its first year. Only three courses have ever debuted inside the top 10 since rankings commenced. This is a remarkable achievement for The Golf Club St Andrews Beach and confirms that the decision to appoint internationally acclaimed architect Tom Doak was a good one. As you may know Tom Doak also designed Barnbougle Dunes in Tasmania which also ranks in the top 10. When we asked Tom which one he'd rather play he said "St Andrews Beach every time as it's just so fun and enjoyable to play time and time again." As members you have exclusive access to this very special golf course which is of a World class standard. In fact of the 8 courses built in the last 50 years ranked in the world's top 100 courses, Tom Doak has designed 3 of them. Once Gunnamatta is more established and grown in, we hope it will be his 4th.

While good design is integral to a great golf course so is the way it's maintained. Some of you may have already met our Course Superintendent John Geary. John has been with us since the early days of construction of the Gunnamatta Course after serving 18 years as the Superintendent at the Frankston Golf Club. John was delighted with the course's debut ranking and said "it should only climb up the list as the Course develops."



St Andrews Beach Touring Pro Geoff Ogilvy tees off