

## **FINANCIAL PRESENTATION – 2018 AGM**

Good evening ladies and gentlemen.

I would like to give this AGM a brief overview of the finances of our club and highlight some of the challenges that face the financial situation of the club on an everyday basis.

### **Financial Highlights**

Generally, a very good year financially for the club.

**Gross Revenue** has increased year-on-year, however, between 2017 and 2018, revenue has only increased by 3.9% which is well below the inflation rate. Overall, our revenue has not kept pace with inflation – as you can imagine, this could be a threat to the club.

**Gross Expenditure** has also increased, however, through effective cost control measures instituted by the Committee and the Club Manager, we have managed to control costs. Between 2017 and 2018, costs only increased by 1.38% which is well below inflation and revenue growth and includes the renovation of the bunkers and renovations to the club manager's house.

As a result of the above, we managed to produce a surplus of R586k.

**Capital Expenditure** : in 2017 we purchased new mowers and golf buggies totalling R1.8 million, however, in 2018 the only major purchases totalling R756k were golf buggies which we secured at a never to be repeated price.

Our mechanics do an amazing job in maintaining our machinery – most of our course machines are imported mainly from the USA and with the ZAR/US\$ exchange rate, the purchase of these types of machines will soon become out of reach.

**Fixed Assets** : have decreased due to accounting adjustments and the writing off of fully depreciated assets.

**Net Cash Position** – since 2013, we have been able to show a positive net cash position at the end of each financial year. It is critical that the club has cash reserves which may need to be called upon.

## **THE CHALLENGES OF REVENUE GENERATION**

Nearly 70% of our revenue is generated from subscriptions and playing fees – the vast majority of these relate to golf. Whilst golf is the major part of this club, it is essential that we continue to promote and maintain the other facilities offered by Plettenberg Bay Country Club, namely tennis, bowls and bridge.

### **Membership Subscriptions**

Membership of most golf clubs and country clubs around South Africa and the world is declining. There are a number of factors which are causing this – costs, time taken to play golf, cycling, etc.

In Plettenberg Bay, we have a reasonably small pool in terms of population from which to attract members. The demographics of this town also mean that the majority of the population using clubs is getting older, in general people are retiring a bit later – the norm used to be 60 and now it is more like 65 or later. Additionally, a number of our pensioner members are on fixed pensions which are being severally dented by inflation.

In order to ensure that the facilities of the club available to members are maintained to a good standard, the budgeting process has to take into account the membership numbers, future subscriptions, level of playing fees, inflation, etc and, where possible, the financial situation of our members.

During the past 5 years, membership subscriptions have increased by 28% - well below the rate of inflation.

### **Golf Rounds Played and Golf Playing Fees**

We exceeded 40,000 rounds during the year for the first time last year. This year we got reasonably close to 40k – 39,346 rounds.

It is significant to note that in the 2017 record year, visitor's rounds totalled 39% of the total whereas last year visitors rounds reduced to 37%. With a tougher economic climate in the country, visitors are typically staying in Plett for 10/14 days and not 3 to 4 weeks as previously.

In order to maintain the number of rounds, we need to provide an excellent golf course, and in this regard, we would like to commend the Greens Committee, the Club Manager, the Green Keeper and all of his staff.

The big conundrum – how do we maintain a top class facility with a declining membership ?

The answer to this is in the playing fees charged.

You will note from this slide that 60% of all playing fees received are from our visitors to Plett.

The financial viability of this club is almost totally dependent :-

- on Plett having good “seasons” at Christmas and Easter with plenty of good weather, plenty of golfing holidaymakers
- our Swallows and other visitors

These visitors also provide the club with other sources of income – namely golf cart rental, bar and catering.

The importance of the “season” and the visitors for the financial viability of the club is illustrated here

You will note the spikes during the season

On a month-to-month basis, excluding the “season”, the club operates at a loss. Our financial situation only returns to be positive after April each year.

As golfers, during the visitor season, we are often frustrated by slow play, pitch marks not being repaired, divots not being repaired, bunkers not being raked – please have patience – these visitors mean that we can enjoy this amazing facility for 12 months of the year and not for 3 or 4 months.

## **THE CHALLENGES OF CONTROLLING EXPENDITURE AND COSTS**

Maintaining an excellent facility costs money.

Naturally, the biggest expense item is the golf course – nearly 60% of the total costs.

Within all of these costs, as a service provider, we are affected by inflation, by the ZAR exchange rate, etc.

**Staff**

As per 30 June 2018, the staff complement of the club was 41 who are allocated as follows :-

Admin – 4 ; Bar & Catering – 8 ; Golf Course – 22 ; Cleaners – 3 ; Caddie Master – 1 ; Golf Carts & Marshall – 3

Staff costs in 2018 amounted to R6.1 million – 40.4% of our total costs.

The members will be well aware of the labour issues in the country – obligation of the club to provide a fair living wage, the unions, each employee normally means a family unit, etc.

### **Extra-ordinary Expenditure During 2018**

Three years ago a decision was made to make a monthly provision for asset replacement and/or major renovation expenses – this would lessen the expense effect when utilised.

During 2018, two major projects were undertaken :-

- Complete renovation of all of the bunkers at a cost of R1.1 million.
- Major renovation to the club manager's house at a total cost of R750k spread between 2018 and 2019.

Due to our provisioning, the effect of these major expenses on our P & L accounts and Balance Sheet have been minimal.

### **Inflation and the Value of the ZAR**

These graphs are self-explanatory. Since 2010, the value of the Rand vs US\$ has more than halved and the price of fuel has more than doubled.

A large number of our inputs in terms of costs are directly related to the value of the Rand – spares for machinery, chemicals, electricity, etc. Spares for the mowers have in some instances more than doubled in cost in 12 months.

The price of fuel – in 2004 unleaded fuel was R4 per litre – this input cost has increased by nearly 400% in 14 years.

### **CONCLUSION**

In these times of uncertainty, the committee has adopted a fairly conservative approach vis-à-vis the finances of the club, however, where necessary, expenditure has been made e.g. bunkers, manager's house.

In conclusion, I would like to thank :-

- the Club Manager, Greg Phillips, for his untiring commitment and efforts during the year. It is often a very thankless job.
- the Finance Committee for their time and efforts
- the Admin and accounting staff who perform their duties with diligence, honesty and a good heart
- our external auditors, Mazars, for their input and assistance.