

MINUTES OF THE SPECIAL GENERAL MEETING OF THE SOUTHBROOM GOLF CLUB
HELD AT SOUTHBROOM GOLF CLUB ON FRIDAY 08 MARCH 2019 AT 18h00

- ATTENDANCE:** Chairman, John Fox, and 49 members in good standing as per attendance register.
- WELCOME:** John Fox club chairman welcomed all to the special AGM especially the overseas members who are an integral part of the Southbroom family.
- APOLOGIES:** 4 APOLOGIES
- QUORUM:** There being sufficient members to constitute a Quorum, the Chairman declared the meeting open.
- ITEM 1:** Bob Thomas stood down from EXCO at the end of last year, however at the request of EXCO, he agreed to stand as Chair of Finance. He was asked to present the financial information to the meeting.
- ITEM 2:** Bob Thomas detailed the capital expenditure for the 2018 financial year and gave a review of the financials for the period ended of December 2018 (first 4 months of the financial year).

CAPITAL DONATION SPECIFIC EXPENDITURE DURING THE 2018 FINANCIAL YEAR (REFER BELOW)

The committee undertook at the AGM in December 2018 that the individual items of capital expenditure that made up the R347 293 and disclosed as capital specific donations and expenditure on those capital projects would be reported at a future Special General Meeting. On page 9 of the AFS for the year ended 31 August 2018 R347 293 was disclosed as "Capital donation specific expenditure" by the Auditors at the time of going to press and the golf club were unable to check this disclosure. There is a small discrepancy which will be pointed out during the report back. The detail of this capital expenditure is as follows:

- R135 671 was spent on Kitchen refurbishment, which included an oven, grill, hob, and new sink, ensuring the club was gas compliant, lighting and moving equipment around to allow for more efficient work flow in the kitchen.
- The bar counter was moved back at a cost of R81 450 to improve service efficiency.
- A loan of R238 000 was received from a member who wished to remain anonymous in respect of the enclosure of the patio. The club will repay R7 000 per month until the loan has been fully repaid. The lender has confirmed his intention to donate R250 000 to the club once the loan has been re-paid. The auditor disclosed these transactions in a note to the financials. The club's accounting policy on loans made to the club for capital expenditure where there is a likelihood of a donation at the end of the loan repayment is to show both the loan and the capital expenditure and not write this capital expenditure off until such time as the club is advised that the donation will not be forthcoming. When the donation is made the cost of the capital expenditure will then be written off against that donation. The patio enclosure expenditure exceeded the loan by R26 237.
- A decision was made by Exco to improve the coffee offering by the club and a Coffee machine was purchased for R49 500, which replaced the other machines the club had tried previously.

- The new coffee machine required the grinding of the coffee beans and a coffee bean grinder was purchased for R12 999.

- The improved coffee offering also resulted in Exco installing a coffee counter facility, which can also operate as a registration desk for large events, at a cost of R20 683.

- The discrepancy referred to earlier was the transfer of R20 753 to the building fund. The club had received donations amounting to R347 293, which amount the auditors reported as the amount spent on capital items. The R20 753 should not have been disclosed as a capital item. The total of the amounts disclosed here is R347 293 as reflected in the income statement.

INCLUSION OF THE 2018 CAPITAL EXPENDITURE IN THE CATEGORIES INCLUDED IN THE NOTE 2 TO THE 2018 AFS AS CAPITAL EXPENDITURE (REFER BELOW)

- A member of the club was of the view that the capital expenditure in the 2018 financial year should have been included in the categories listed in the existing Note 2 to the Annual Financial Statements so that members had a record of the total capital expenditure on each category of fixed asset.

- In reviewing the past years' AGM booklets it was noted that the annual expenditure had not been included in the individual fixed asset categories and it would therefore have been misleading to include the amounts in their individual categories only in the 2018 financial year.

- It was also noted that the capital expenditure in the previous years had been reflected as House and Course capital expenditure in the AGM booklets, but not specifically listed into individual items of expenditure apart from a few items separately explained.

FINANCIAL RESULTS FOR THE FIRST 4 MONTHS WERE DISPLAYED. (REFER BELOW)

- Total income to December 2017 was R3,819 Million, the budget to December 2018 R4,000 Million and Actual to December 2018 is R4,045 Million. Budget to August 2019 is a further R5,155 Million.

- F&B trading to December 2017 was R684 000, a budget to December 2018 of R730 000, but, due largely to gross margin problems we experienced in the 4 months, the club is R17 000 behind budgeted margin, but are still R230 000 ahead of the previous year.

- Green fees last year were R1,434 Million and actual to December 2018 R1,559 Million which is slightly ahead of budget.

- Subscriptions – there has been a drop in member numbers and this is a concern for the committee, even though the club is slightly above budget to date. Overseas and up-country members are very important and every effort should be made to keep them at Southbroom.

- Expenditure - employment costs to December 2017 were R1,791 Million and budget to December 2018 was R1,878 Million with actual to December 2018 R1,841 Million. This saving against budget is mainly due to a few staff members retiring; some of these posts have not been filled.

- Repairs & Maintenance to December 2017 was R448 000, the budget to December 2018 was R510 000 and this expense has been reduced by R60 000 from 2017 to R390 000, and a saving against budget of R120 000.

- Chemicals & Fuels are within our budget

- The club is R221 000 ahead of the budget, and R215 000 ahead of last year. Our budget for the remaining 8 months reflects a loss of R680 000, which is mainly due to fewer rounds. It will be a tough task to ensure we do not fall below budget in the coming months

- Capex that was budgeted was spent in the period, which is the dance floor in the lower bar.

- The forecast for the year, should result in a profit before capex of R338 000.

- Our major area of expense is the replacing of course equipment. We need to maintain and replace where necessary and this profit will go towards replacing certain course equipment in the next years.

- Cash Balance as at the end of December 2018 was R2,746 Million in the bank compared to R2,140 Million the previous year.

- The record of rounds have been adjusted to reflect 18-hole rounds. There were 7 986 rounds played to December 2017, whereas to December 2018 8 643 rounds have been played - an increase of 657 rounds.

- The club had 663 members at 31 December 2017 and at 31 December 2018 this has reduced to 627 members. A special effort is required at Southbroom to keep our members happy. On a positive note, we have had a number of Virtual social members joining and we hope this will translate into full members going forward.

ITEM 3:

OTHER MATTERS

John Fox confirmed that the club has changed its vision with increased emphasis on F&B during these challenging times which has assisted in the revenue growth. Members were thanked for their contributions to the well-being of the club. The following items were raised:

- Introduction of a new Staff Bonus Scheme - The committee is in the process of introducing a new Staff Bonus Scheme where staff members will be rewarded on personal performance – The committee is guided by Chris Ledden in drawing up the appropriate staff appraisal system. All employment contracts specify that a bonus is not guaranteed and members were asked to approve the proposed change to a performance based bonus scheme the introduction of which will be finalised with all staff - all agreed. The new Staff Bonus Scheme is 80 to 90 % complete subject to a few changes requested by the staff

- Capex approval of R43 000 was requested from the members for the installation of 2 of 7,5 Kva generators to run the bar and the TV's in the bar, fridges in the kitchen and halfway, the complete club computer system, the coffee machine, certain electrics in the club and lighting throughout the club - all agreed

- Capex approval for the upgrading of the Sound System has been put on hold

- We have received some comments from our overseas members regarding green fees rates at other clubs and a concern was raised that Southbroom may lose revenue to these clubs - This will be discussed at the committee meetings and the overseas members were thanked for their concerns.

- Any expense on Course equipment was not requested as this will come out of capex donations, if any, during the remainder of this year.

- A survey on trees was done by Howard Kelly's brother and we have started to add trees to certain areas of the course

- Members were asked for donations for course equipment and any form of donation would be greatly appreciated

- Gavin & Staff were thanked for all efforts in and around the club

- EXCO were also thanked for their passion in delivering in all areas

ITEM 4: GENERAL

- Richard Savage thanked John Fox and the committee for all their efforts

Eric Annegarn queried the nature of the capex budget from the December AGM which alluded to a figure of R8 Million. The committee looks like it is still doing the research on capex. The course equipment we have to buy is probably the biggest threat that the club faces to its long term continuance. He thought the club would, by now, have had more detail and that we would know now what specific items we need now and have a detailed plan of what we need to spend at any time in the future.

Bob Thomas replied: R8 Million is the cost in replacing all the equipment. The trade-in value of our current equipment is R3 Million. The difference between those two is R5 Million rand. That equipment needs to be replaced over 10 years, which is R500 000 per annum. We also have Nic van Deventer in the workshop who has maintained and extended the life of each machine

The Meeting closed at 18:55

CHAIRMAN: _____

Southbroom Golf Club

Capital and related projects during the year ended 31 August 2018

<u>Capital Projects</u>	<u>Cost</u>
Kitchen refurbishment	R135 671
Bar alterations	81 450
Patio Enclosure - excess over loan	26 237
Nuova Simonella Coffee machine	49 500
Nuova Simonella Grinder	12 999
Coffee counter and location upgrade	20 683
Transferred to building reserve	20 753
	R347 293

Southbroom Golf Club

AGM Booklet fixed asset reporting since 2014 in notes to the Annual Financial Statements

PROPERTY PLANT AND EQUIPMENT - CARRYING VALUE

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Furniture, equipment and fittings	R232 951	R232 951	R232 951	R232 951	R232 951
Machinery, equipment and mowers	1 489 571	1 489 571	1 489 571	1 489 571	1 489 571
Staff furnishings and linen	-	-	-	-	-
Vehicles and tractors	222 612	222 612	222 612	222 612	222 612
Computer equipment	4 841	4 841	4 841	4 841	4 841
Transfer of assets to retained earnings	(1 949 974)	(1 949 974)	(1 949 974)	(1 949 974)	(1 949 974)
	R1	R1	R1	R1	R1
Capital spend during the year	R584 965	R364 014	R348 977	R174 230	R417 049
Spend detailed in booklet, excluding that detailed as "House" or "Course" capex	R25 000	R81 491	R Nil	R Nil	R Nil

SOUTHBROOM GOLF CLUB

Report to the members of the results to 31 December 2018
and the budget for the remaining year

	<u>Four months to 31 December 2017</u>	<u>Budget to 31 December 2018</u>	<u>Four months to 31 December 2018</u>	<u>Budget 1 January to 31 August 2019</u>	<u>Estimate year to 31 August 2019</u>
<u>INCOME</u>					
Green fees	R1 434 097	R1 547 965	R1 559 113	R2 797 850	R4 356 963
Food and Beverage trading	684 553	731 661	714 550	1 458 041	2 172 591
Subscriptions	1 480 346	1 476 217	1 525 278	-	1 525 278
Other income	219 542	244 028	246 043	898 788	1 144 831
	<u>3 818 538</u>	<u>3 999 871</u>	<u>4 044 985</u>	<u>5 154 679</u>	<u>9 199 664</u>
<u>EXPENDITURE</u>					
Employment costs	1 790 968	1 877 899	1 841 002	3 921 296	5 762 298
Repairs and Maintenance	448 276	510 020	389 625	659 143	1 048 768
Chemicals and fuels	187 516	201 497	185 610	328 269	513 879
Other costs	587 570	612 904	609 723	926 950	1 536 673
	<u>3 014 330</u>	<u>3 202 320</u>	<u>3 025 960</u>	<u>5 835 658</u>	<u>8 861 618</u>
<u>INCOME BEFORE CAPEX</u>	804 208	797 551	1 019 025	(680 979)	338 046
<u>CAPEX</u>	95 260	-	(13 255)	14 000	745
<u>INCOME AFTER CAPEX</u>	<u>R708 948</u>	<u>R797 551</u>	<u>R1 032 280</u>	<u>R(694 979)</u>	<u>R337 301</u>
<u>AGM BOOKLET INCOME BEFORE CAPEX - 31 AUGUST 2017</u>					R193 031
				<u>31 Dec 2017</u>	<u>31 Dec 2018</u>
<u>CASH AT 31 DECEMBER</u>				2 139 890	2 746 001
<u>18 HOLE GOLF ROUNDS TO 31</u>				7 986	8 643
<u>MEMBER NUMBERS AT 31 DECEMBER</u>				663	627