

Commentary on the financial statements by the Honorary Treasurer

As always it is important to highlight the role played by Catherine Russell and Liam Murphy in supporting the Hon. Treasurer. The club completes many financial transactions during the year; both Catherine and Liam do a great job in processing and recording the details.

The purpose of this report is to provide the story behind the numbers, and it should be read in conjunction with the financial statements for the year ended 31 October 2021.

The results should also be reviewed in the context of the following strategy that has been pursued by the club over the last number of years:

- invest in the course, the machinery and the course team;
- this delivers a championship golf course in pristine condition for the Members to enjoy;
- in turn this makes the club an attractive proposition to new members at a price point that puts a premium value on becoming a Member of our great golf club;
- the golf club also attracts a premium green fee from visitors, and specifically the strategy the club has been pursuing is to ensure that the club generates more revenue from less visitors, ensuring the course is also available to Members during the summer.

When reviewing the financial statements, it must also be borne in mind that Government imposed lockdowns closed the golf course from 30 December 2020 until 26 April 2021, and the bar/indoor catering was closed from 24 December 2020 until 26 July 2021.

Profit and loss account

Income

- Subscription income is up on last year in light of new members, particularly in the Ordinary and 5 Day Member categories. See the last page of the accounts for the Membership numbers by category.
- Entrance fees were strong again during 2021 and this performance will not be repeated in 2022 as the club is closed to new Ordinary Member applications. The club however continues to accept new 5 Day Member applications. Under the Constitutional amendment passed at the 2019

AGM with effect from January 2019, all entrance fees are now ring fenced in a No. 2 account. This account is used to fund the irrigation project. See note 19 to the accounts for details.

- The green fee results exceeded expectations, especially considering how long the course was closed for. Of the 296k earned, €60k was in August, €100k was in September and €42k in October. Bookings in the system for 2022 are very strong but it is difficult to estimate how much will actually be earned due to the unpredictable Covid environment.
- Bar / restaurant franchise – no franchise fee is payable to the club during the year ended 31 October 2021. This was agreed in light of the limited trading opportunities available associated with the Government restrictions during the first 6 months of 2021. The Management Committee believes this is fair and reasonable in light of the loyal service provided by Michael Devine.
- Bar / restaurant forfeit – there is no forfeit this year given the announcement on 26 March 2021 that the €150 paid by Members in their 2020 and 2021 subscriptions is available for use by Members up until the extended deadline of 31 December 2022. You will see in note 20 to the accounts there is €124,585 on Members cards to spend.
- Grants – the club qualified for a Failte Ireland Grant of €52,635 as a Covid support measure, and a €4,000 grant towards the cost of outdoor furniture from Louth County Council.

Expenses

- Wages/salaries – just like 2020 there is a significant reduction in this cost centre from €659k in 2019, to €455k in 2020 and €430k in 2021. This is attributable to the Employment Wage Subsidy Scheme (EWSS) supports paid by the Government, and secondly a lower Employers PRSI charge (0.5% instead of the normal 11.05%) on the portion of the wages paid by the club. The club no longer qualified for EWSS with effect from 30 September in light of the unexpected green fee performance in September and October. As a result, there is an increase in this cost centre from 1 October 2021 back to pre-EWSS levels.
- Links maintenance – in October 2020 the Management Committee agreed a budget of €175k (actual result was €156k, see note 7 in the accounts) with Wayne Murray for this cost centre for the year ended 31 October

2021. This was agreed following the submission by Wayne of the detailed proposal for Winter works and also what is required from a spraying / seeding etc perspective to deliver a championship course to a very high standard to Members for their enjoyment. As mentioned in updates during the year, during the four-month lockdown we did try to limit expenditure to maintenance work only by following R&A guidelines very closely.

Many thanks to Wayne Murray (Course Manager) and Paul Reilly (Greens Convenor) for coming in under budget again this year.

- Rent – there were rents paid to the landlord during the year, €90k for the course and €15k for the practice ground. As mentioned extensively in previous updates on this area, the course lands are covered by a sports lease (following a court ruling in 2007) which contains a 5-year rent review clause. The rent from 2007 to 2012 was €125k p.a. A rental figure of €90k for the period from 2012 to 2017 was agreed by mutual consent following a negotiation between nominated agents for both parties. The context for the reduction was the economic difficulties in the country following the financial crash in late 2008. In November 2017, for the forthcoming period from 2017 to 2022, the landlord sought to increase the rent from €90k to €145k. The matter has been in dispute until very recently. The parties have recently agreed there will be no rental increase for the period from 2017 to 2022, and a rent of €125,000 p.a. for the course for the period from 2022 to 2032 is agreed. This amount will be indexed by the Consumer Price Index annually. There is an accrual on the balance sheet for €40k which is available for offset against this €35k cost increase in 2022.

The practice ground is not part of the sports lease, and this lease is up for renewal in early 2022. As part of the agreement with the landlord, the practice area rent is set at €15,000 per annum for the period 2022 to 2032 (to be indexed by the Consumer Price Index annually).

- Rates – as a Covid measure the Government provided businesses with a reduction in rates for 2021 and the club has been one of the beneficiaries of this again in 2021 through a reduction of €10,185 in the rates bill. There was also a reduction last year in 2020. See note 9 in the accounts.
- Team expenses – there is a large increase in 2021 in comparison to 2020 reflecting that no inter-club matches were played in 2020.

- Functions and entertainment – within this cost centre of €7,478 there is annual functions of €5,690 (see note 11 to the accounts). This includes charges for annual functions such as Captains Drive In and for new TV in snack bar.
- Light, heat and power – despite the lockdown allowing for reduced energy consumption, a large increase in unit prices is responsible for inflated energy costs. This cost is net of the amount charged back to the caterer who bears the cost of the energy bills associated with the bar/restaurant area. See note 12 to the accounts.
- Sundry (see note 14 to the accounts), a few short comments on items in this area;
 - Advertising and promotion – out of a total of €7,975, €3,630 was paid for our marketing agreement with North and West Coast Links to whom we are affiliated, and who promote us both in the US and European markets.
 - Buggy repairs €15,210 – as announced on 8 September 2021 the club completed the installation of new lithium batteries on all 8 buggies. This upgrade delivers improved performance and allows the use of the buggies more than once in a day if required. This upgrade is more efficient than buying new or second-hand buggies.
 - Annual service contracts (€10,228) include €2,365 for annual software support and €3,569 for other annual service contracts associated with club systems, fire alarm etc.
- Repairs/maintenance €21,049 – there is a breakdown of this expense in note 15 to the accounts. The amounts involved all relate to routine repairs and maintenance.
- Bar/restaurant expenses €40,326 – this includes €6,211 for the purchase of outdoor furniture; €6,980 for painting the restaurant, snack bar area, and some outdoor areas; €2,322 for sanding and polishing the wooden floors in the snack bar and restaurant floors; €2,560 for the tables in the restaurant and snack bar to sanded, dipped, and polished; €13,356 for the installation of acoustic ceiling panels in the restaurant, snack bar and bar. See note 16 in the accounts.

Balance sheet

Fixed assets (balance sheet and note 17 to the accounts)

- Irrigation project – following the commencement of the irrigation project, the amount spent on the project before year end is €296,603 and a further €128,817 has spent since year end. This brings the total spend at the time of writing to €425,420 (inclusive of VAT). The €296,603 spent before year end is shown as a “Work in Progress” item on the balance sheet. When the project is completed, and the system commissioned this will transition into a Fixed Asset on the balance sheet that will be depreciated over the useful life of the asset.
- Machinery – during the year new course machinery totalling €174,864 was purchased (inclusive of non-recoverable VAT of €30,348). The items purchased were as follows:
 - John Deere Fairway Mower €63,163 – the old fairway mower was purchased in 2007 and before the purchase of the new one the club had a quoted repair bill of €7,388. The cost of these repairs would have exceeded the market value of the asset. The old fairway mower has been retained for use on the practice ground areas. Minimum repairs/parts were needed for the machine to work efficiently on those areas.
 - Toro Sprayer €42,956 – the old sprayer was purchased second-hand in 2008 and before the purchase of the new one the club had a quoted repair bill of €7,629. The cost of these repairs would have also exceeded the market value of the asset. The old sprayer has been scrapped. There are approx. 55 spraying days per year, so it is not feasible to rent a sprayer.
 - John Deere Greens Top Dresser €46,360 – the old top dresser was purchased in 2002 and needed repairs quoted of €3,229. Again, this would not have been an efficient repair and the machine has been scrapped.
 - Ultra Plant Fairway Top Dresser €22,385 – the club never had a dedicated fairway top dresser and always tried to utilise the old greens top dresser mentioned above. But this was not efficient as the old greens top dresser could only put out 1.5 tonnes, whereas this new machine puts out 5 tonnes, so it has better capacity and

shortens the number of trips.

While this was a lot of machinery to purchase in one year the logic underpinning these purchases was as follows:

1. Covid-19 has disrupted supply chains and when the orders were placed for the various machines there was some uncertainty when delivery would happen.
2. Ordering the machines early protected the club from future price increases.
3. The club is unable to recover VAT on the purchase of the machines. At the time the machines were ordered the VAT rate was 21% and it was due to increase to 23% from 1 March 2021. Hence the club managed to save 2% irrecoverable VAT on the purchase of all the machines.
4. As a Covid support measure AIB, backed by Government guarantee of 80%, loaned the club €63,163 towards the purchase of the fairway mower. This initiative is formally known as the Covid-19 Credit Guarantee Scheme. This loan is unsecured for a 5-year term at a fixed interest rate of 3.36%. From a cash flow perspective this was an attractive opportunity for the club to avail of. At 31 October 2021 the outstanding balance on this loan was €52,962.
5. The club was in urgent need of a new sprayer. There were significant labour inefficiencies with the old sprayer, as well as health and safety risks associated with the welded frame of the old sprayer meaning the machine would not pass certification requirements. The club cannot expose employees to health and safety risks associated with equipment that does not meet certification requirements.

Debtors / prepayments (balance sheet and note 18 to the accounts)

- Ring fenced debtor No. 2 account - €106,490 – not all entrance fees in 2021 invoiced before year end were paid, hence this amount in debtors. When the invoices are paid this cash will be added to the bank deposits ring fenced No. 2 account.
- Insurance / course and practice ground rents prepaid – the invoices paid for these items relate to a period, a portion of which straddles the club's year end, so this debtor just reflects that this will be charged to the profit and loss account post year-end.

Cash (see the balance sheet and note 19 to the accounts)

- Bank deposits - €513,381 reflects the free cash that was available to the club at 31 October 2021 to pay day to day expenses, which has reduced since year end with the payment of trade creditors.
- Bank deposits ring fenced No. 1 account €926,084 – this account used to contain the €1.22m funds ring fenced under the Constitution for the purchase of course lands. Following the SGM vote in July, this account has reduced by €296,603 for the irrigation project spend before year end. Under the terms of the SGM approval this account can only be reduced to €840,000 to ensure the club retains this sum as a ring-fenced amount for the purchase of the course lands. See note 19 to the accounts for more details.
- Bank deposits ring fenced No. 2 account - €567,407 represents funds that are ring fenced and approved following the SGM in July 2021 for expenditure on the irrigation project. See note 19 to the accounts for more details.

Creditors (see note 20 to the accounts)

- Trade creditors €194,903 – this relates to trade creditors accrued at year end with the largest accrual being €128,817 for an invoice that was paid on the irrigation project post year end (as referenced in the commentary earlier in the fixed assets section).
- Golf Ireland member levy €15,902 – this is the levy collected by the club from members on behalf of Golf Ireland.
- Competition purse €29,553 – this is the total amount Members have in their competition purse as at 31 October 2021.
- Bar/restaurant credit funds €124,835 - this is the total amount Members have on their swipe cards as at 31 October 2021. As mentioned on page 2, Members have until 31 December 2022 to spend these funds on their swipe card in the bar/restaurant.
- Accruals €132,613 - €32,612 of this relates to further accruals for day-to-day expenses that are payable post year end (in November and December 2021). As mentioned in the “expenses” section earlier, also included in

this amount is the 2022 rental accrual of €40,000.

Creditors (see note 21 to the accounts)

- Loan €52,962 – as mentioned under fixed assets above, this is the balance on the loan for the purchase of the fairway mower. This loan (initial borrowing amount was €63,163) is unsecured for a 5-year term at a fixed interest rate of 3.36%. See note 21 to the accounts.

Irrigation Project

This project was approved by the Members at an SGM in July 2021. The budget approved at the SGM is €1,276,818. The amount spent on the project before year end is €296,603 and a further €128,817 has spent since year end. This brings the total spend at the time of writing to €425,420 (inclusive of VAT).

As a reminder, the sources of the €1.277m funding for this project are as follows:

- €383k to be funded from the No. 1 account;
- €446k to be funded from the No. 2 account;
- €448k to be borrowed via a bank loan and to be repaid using cash in the No. 2 account.

Loan approval for the €448k is in place and the offer letter from BOI has been signed by the Trustees. The term of the loan is for 10 years at an interest rate of 3.5% plus the cost of funds (that will be set and fixed at the time of drawdown). The club will only commence drawdown once all of the approved ring-fenced funds of €829k have been spent.

At this point in time the project remains on track and within budget.

2022 Subscriptions Motion

A surplus of €373,852 for the year ended 31 October 2021 represents a financial performance that is very much flattered as a result of the following one-off exceptional items:

- various one-off grants received during 2021 (Failte Ireland €52,635 and Louth County Council €4,000 for outdoor furniture);
- wage subsidies that were available from 1 November 2020 until they ended on 30 September 2021;

- entrance fees of €336,185 that will not be repeated in 2022, especially as the club is currently closed for new Ordinary Members.

So even though the bottom line shows a very strong performance, the need for the subscription increase remains.

Furthermore, the club is exposed to cost increases across the board, especially in wages, rent, energy, and more generally across all cost centres.

All Members are asked to support the subscriptions motion to facilitate the club paying all expenses as they fall due.

If the motion is not passed it is highly likely that the golf club will have to access funds in the Ring-Fenced No. 1 account (ring fenced for the purchase of course lands) to pay day to day expenses at some point during 2022.

Neil McMahon
Hon. Treasurer

22 December 2021