

Commentary on the Financial Statements by the Honorary Treasurer

As always it is important to highlight the role played by Marie Tormey and Liam Murphy in supporting the Hon. Treasurer. The club completes many financial transactions during the year; both Marie 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 2020. This note also serves as a substitute for the traditional AGM presentation on the accounts.

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.

Summary

The worst case financial forecast issued to members on 31 May 2020 for the period to 31 October 2020 did not come to pass. As a result the club did not access any of the ring fenced funds in the period to 31 October. This happened because of the extension of wage subsidy support from the Government beyond 30 June, better than expected green fee results and lower costs due to the clubhouse being closed for longer than expected. There is no doubt that the lockdowns assisted with cost control and this is reflected in the results.

All things considered the golf club had a reasonable financial outcome and is in a strong position as we look forward to 2021. But like many businesses in the tourism/hospitality/leisure sector in Ireland, we are relying on the Government to provide ongoing financial support (e.g. restart grants, wage subsidies, discounts on commercial rates etc) to avoid large losses.

Profit and loss account

Income

- Subscription income is up on last year in light of new members in the Ordinary, Student and Intermediate categories. See page 19 of the accounts for the membership numbers.
- Entrance fees were strong last year and even stronger again this year. This is an endorsement of the strategy being pursued by the club over the last few years. 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. See note 19 to the accounts for details.
- Green fees – there was a very significant reduction from the levels the club has enjoyed over the last 10 years. Even if you go back as far as 2010 (a difficult year for the country economically) the green fees were €288k (€163k this year). While the club pursued various initiatives (e.g. the Autumn Series) to generate income from the home market, it was difficult to develop and roll out an offering that could gather steam in an environment where Government policies were constantly changing. Many thanks to the members who purchased green fees under the Member Guest offer. This raised €38k for the club of which €6k in value has been redeemed thus far and included in green fee sales. The value of unused vouchers, 32k, is reflected in Sundry income. The deadline for using the vouchers is 12 months from the date of purchase.

Great credit is due to Liam Murphy and Oonagh Purfield for their creative thinking which has resulted in a better than expected performance in this area.

- Bar / restaurant franchise – a reduction in the franchise fee payable to the club was agreed in light of the limited trading opportunities available during 2020. The Management Committee believes this is fair and reasonable in light of the loyal service provided by M. Devine.
- Bar / restaurant forfeit – this is the figure for the amount forfeited in the period to 31 January 2019. As announced the €150 paid by Members in their 2020 subscription is available for use by Members up until the extended deadline of 31 May 2021. You will see in note 20 to the accounts there is €75k on Members cards to spend.

- Competitions – see also in note 20 to the accounts, Members have €28,915 in their competition purse.
- Restart Grant – the club qualified for a Restart Grant of €13,300 as a Covid support measure. The funds were not received at year end, hence the debtor amount in note 18 to the accounts.
- In addition to proceeds from the member/guest offer, sundry income also includes other voucher sales, and proceeds from the sale of a digger (referred to in last year's accounts) for €13,250.

Expenses

- Wages/salaries – there was a significant reduction in this cost centre from €659k to €455k during the year. There are two key reasons for this. Firstly, the Government wage subsidy 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. Many of you will have read in the newspapers that the Revenue Commissioners are undertaking compliance checks to ensure those businesses that have claimed the scheme are in compliance with all of the rules/regulations. The club did have a compliance check by Revenue and we can confirm that all queries raised to date have been closed out satisfactorily.

The Government has extended the wage support scheme to 31 March 2021 and the club intends to apply for this measure. To qualify the clubs income for the first 6 months of 2021 must be forecasted to down by at least 30% in comparison to the first 6 months of 2019. Given the continued Covid related problems in the country it is not unreasonable to predict that lockdowns etc will mean limited or no green fee opportunities until after June.

- Links maintenance – in October 2019 the Management Committee agreed a budget of €175k (actual result was €159k, see note 7 in the accounts) with Course Manager Wayne Murray for this cost centre for the year ended 31 October 2020. 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 two lockdowns we did try to limit our expenditure to maintenance work only.

This is especially true during lockdown 1 when we followed R&A and GUI/ILGU guidelines very closely.

Many thanks to Wayne Murray (Course Manager) and Paul Reilly (Greens Convenor) in developing maintenance programs for the lockdown periods, and for all of their work during the year.

- Rent – there were rents paid to the landlord during the year, €90k for the course and €15k for the practice ground. As mentioned at the last two AGM’s 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 since then. In the accounts for 2018, 2019, and 2020 the club has accrued an extra €10k p.a. for rent (a figure which is regarded by our advisers as a reasonable assessment of what may be due given market value conditions). This accrual is under sundry expenses in note 14 to the accounts.

In recent weeks the Hon. Treasurer and the Hon. Secretary have participated in two meetings with representatives from the landlord. The landlord is now seeking rent of €125k p.a. in the period from 2017 to 2022, and a further increase for the period 2022 to 2027. Both meetings were very cordial and facilitated an open exchange of views. Subsequent to the meetings the Hon. Treasurer and the Hon. Secretary have written to the landlord outlining our assessment of what would represent a fair market value increase. In our closing remarks in the letter we have asked the landlord to reflect on our analysis and the letter ended by saying we are *“two parties with a mutual interest; determination of market value rent leading to closure which for you is certainty of your rental income and for the members of the golf club certainty of the club’s cost base.”*

In the end it may be necessary for both parties to go to Court in order to get an independent determination of what represents market value.

The practice ground is not part of the sports lease and this lease is up for renewal in early 2022.

- Rates – As a Covid measure the Government provided businesses with a reduction in rates for 2020 and the club has been one of the beneficiaries of this with a reduced rates bill for 2020. See note 9 in the accounts.
- Annual functions – within this cost centre of €22,156 there is annual functions of €16,698 (see note 11 to the accounts). This includes charges for annual functions in late 2019/early 2020, such as Captain and Lady Captain’s dinners, Past Captains dinners, Remembrance Service, Presidents Mixed, Management Committee Christmas dinner, staff Christmas lunch. There is also a cost of €3,000 for replacing delph etc in the dining room (something we are obliged to do under the bar/restaurant franchise contract every few years).
- Laundry – there is a small increase in the towels/soap area which is Covid related. See note 13 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 €11,823, €7,306 of this was committed to publications such as Golfers Digest before Covid.
 - Irish Times adverts (€1,639) was incurred trying to attract some premium green fee rates from the Dublin market. It was also spent to generate some voucher income for the club. See for example the adverts in the back of the Irish Times on the weekend of 17/18/19 December.
 - Annual service contracts (€12,725) has seen a big increase due an upgrade of the clubs point of sale systems (both hardware and software). There are also some new IT costs which were necessary to facilitate office staff to work from home during the lockdowns.

Balance sheet

Fixed assets (see note 17 to the accounts)

- Links – during the year we capitalised costs of €8,185 (all spent pre-Covid) on the proposed new irrigation system. This is consistent with last year’s treatment when €8,112 was also capitalised. These costs relate to reports on the existing system and consultants fees on the design of the proposed new system.

- Machinery – we purchased new course machinery for a total €68,775 during the year (inclusive of non-recoverable VAT of €12,860).

The main item purchased was a new John Deere greens mower for a price of €33,245 (excluding VAT). This was on favourable terms following tender prices received from Toro (€34,800) and Jacobsen (€34,700). The old greens mower was purchased in 2000, so an upgrade was overdue.

We also purchased three new tee hand mowers for €7,556 each. The existing tee mowers were purchased second-hand in 2004. Again this was on favourable terms in comparison to Toro (€10,000 each); Jacobsen do not manufacture tee hand mowers.

- Included in club house fixtures/fittings is the new golf shoe cleaner (€3,724) and new compressors for the refrigerated cold rooms (€5,658) attached to the kitchens. The latter item was long overdue an upgrade.

Debtors (see note 18 to the accounts)

- Ring fenced debtor - €70,819 – as mentioned earlier not all entrance fees in 2020 were paid before year end, hence this amount is shown in debtors.
- Employment subsidy payments - €14,390 represents payments due to the club from the Government (received post year end in November 2020).
- 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 on page 13 and note 19 to the accounts)

- Bank deposits - €143,149 reflects the free cash that was available to the club at 31 October 2020. At the time of writing this has almost reduced to zero, hence as mentioned below it will be necessary to access up to €150,000 of ring fenced funds between now and February 2020 (as approved in the SGM vote).
- Bank deposits ring fenced No. 1 account - €1.22m represents funds ring fenced under the Constitution for the purchase of course lands.

- Bank deposits ring fenced No. 2 account - €266,893 represents funds ring fenced under the Constitution for future capital projects in excess of €100k that are approved by Members at an AGM/EGM. This will increase when the ring-fenced debtor amounts mentioned earlier is collected post year end.

Creditors (see note 20 to the accounts)

- Trade creditors - €104,045 is an accrual for day to day expenses that are payable post year end (in November and December 2020).
- Green fees €9,040 relates to green fees that were paid in advance and are being refunded, as the visitors were unable to travel to the club to play.

Financial plan - 1 November 2020 to 31 October 2021

As permitted following the SGM vote, the golf club will need to access up to €150,000 between now and 31 January 2021 to assist with the funding of day to day expenditure. This will be repaid on receipt of funds from Members for the 2021 subscriptions.

2021 green fee bookings look very encouraging but it is very difficult to predict how the club will perform in this area next year.

We will then see how the year unfolds during the Spring and the early part of the summer, and manage our finances tightly as the situation evolves.

2021 Subscriptions - increase

During the year the Management Committee considered bringing a proposal to increase subscription prices at the forthcoming AGM. In light of the Covid environment there has been no opportunity for the Management Committee to engage in person with Members on this matter. Accordingly we felt it would not be fair or reasonable to try to get an increase approved through a virtual AGM process. So this is something we will have to revisit in 2021 when circumstances allow.

AGM / queries

We will record a summary of this report for inclusion on the website on 13 January 2021 to assist with the AGM process.

Should any members have queries they would like to see addressed in the recording please email them in advance to liam@countylouthgolfclub.com on or before Friday 8 January 2021.

2020 was a very intensive year for all of the staff and management at the golf club. The club was faced with a number of new challenges that required everyone to be agile and to think differently. Great credit is due to all involved.

Neil McMahon
Hon. Treasurer

19 December 2020