

Finance Report

The main objective for the year is to ensure that the members can continue to enjoy subsidised prices for food & beverages whilst ensuring that the club does not dip into the fixed deposit income to subsidise operational losses. This is challenging given the price escalation costs across all areas, including wages, energy and food. The priority is to focus on cost reduction in the short term, through efficiency initiatives but aim to grow our income streams such as special events in the medium term. An internal audit function is being set up to ensure processes are followed. With these objectives in mind the following budget has been prepared.

Key highlights – Budget 2024

- Decided to reimburse staff income tax burden & hire a GM.
- Plan to grow by OVERALL income by 14%, mainly coming from a 46% increase in room income.
- Better F&B margins via menu rationalization, slick purchasing and other system led efficiencies.
- Solar expansion Phase 1
- Declining interest drives FD interest down by 15Ma
- Operating Loss narrows from 156m to 132m

CSC 2024 BUDGET				
	ACTUAL	BUDGET	PRIOR YEAR	
(000)'s	2023	2024	Variance	Growth
REVENUE				
Food	172,538	184,616	12,078	7%
Bar	76,872	84,559	7,687	10%
Rooms	54,847	80,000	25,153	46%
Other (Sports+Business centre+Other)	48,265	52,000	3,735	8%
Total Revenue from Operations	352,521	401,174	48,653	14%
Gross Margin - Food	36%	45%	9%	
Gross Margin - Bar	49%	51%	2%	
GROSS MARGIN				
Food	60,161	83,882	23,721	39%
Bar	40,043	43,485	3,443	9%
Rooms	52,204	76,145	23,941	46%
Other (Sports+Business centre+Other)	48,265	52,000	3,735	8%
Total Gross Margin	200,673	255,513	54,839	27%
OVERHEADS				
Salaries	148,578	168,728	20,150	14%
Other overheads	122,994	135,842	12,848	10%
Utilities	46,058	41,858	(4,200)	-9%
Depreciation & Amortisation	39,245	41,207	1,962	5%
Total Overheads	356,875	387,635	30,760	9%
	-	-		
OPERATING LOSS	(156,202)	(132,123)	24,079	15%
Operating Margin	-44%	-33%		
MEMBERSHIP INCOME				
Subscription	71,040	75,000	3,960	6%
Surcharge	22,066	20,000	(2,066)	-9%
Entrance fee	28,177	30,000	1,823	6%
FD Interest	74,064	58,549	(15,515)	-21%
TOTAL MEMBER INCOME	195,348	183,549	(11,799)	-6%
PROFIT BEFORE TAXES	39,146	51,426	12,280	14%

YTD Jan / Feb Results

- The performance is encouraging, despite the exodus of senior management team & GC, our sincere thanks to the new management and the untiring efforts of Mr. Namal Perera & the staff in achieving this result.
- Revenue / Margin shortfall to budget of (4.9M/2.8M) offset by surcharge income +2.2M and overheads to deliver profit before taxes of 34M in line with budget
- Compared to 2023 Revenue +15%, Margin +18% Overheads down 10% and Operating Loss declined by 55%
- Profit before taxes +257% from growth in revenue & margins with lower spend and to a large extent member entrance fees from clearing the backlog, new member entrance fees will slow down for the rest of the year

PROFIT AND LOSS STATEMENT YTD FEBRUARY					
(000)'s	YTD February				
	Actual 2024	Budget 2024	Variance	Actual 2023	YOY Growth %
REVENUE					
Revenue from Food	32,136	34,147	(2,011)	31,032	4%
Revenue from Bar	14,129	16,006	(1,878)	14,551	-3%
Revenue from Rooms	15,338	12,113	3,225	8,304	85%
Other (Sports+Business centre+Other)	3,970	8,222	(4,252)	3,301	20%
Total Revenue from Operations	65,573	70,488	(4,915)	57,189	15%
Gross Margin - Food	43%	44%	-1%	47%	-7%
Gross Margin - Bar	50%	50%	0%	60%	-16%
GROSS MARGIN					
Food	13,872	15,025	(1,153)	23,145	-40%
Bar	7,092	8,003	(911)		
Rooms	15,088	11,529	3,559	7,424	103%
Other (Sports+Business centre+Other)	3,960	8,222	(4,263)	3,297	20%
Total Gross Margin	40,012	42,779	(2,767)	33,866	18%
OVERHEADS					
Salaries	22,878	22,891	(13)	23,098	-1%
Other overheads	13,287	11,650	1,636	18,817	-29%
Utilities	7,237	7,200	37	7,076	2%
Depreciation & Amortisation	5,938	6,207	(269)	5,792	3%
Total Overheads	49,340	47,949	1,392	54,784	-10%
OPERATING LOSS	(9,328)	(5,169)	(4,159)	(20,918)	55%
Operating Margin	-14%			-37%	
MEMBERSHIP INCOME					
Subscription	11,908	12,105	(197)	11,466	4%
Surcharge	6,175	4,045	2,130	4,462	38%
Entrance fee	13,148	12,300	848	2,086	530%
FD Interest	12,039	11,726	313	12,405	-3%
TOTAL MEMBER INCOME	43,270	40,176	3,094	30,420	42%
PROFIT BEFORE TAXES	33,942	35,007	(1,065)	9,502	257%

Capital Expenditure Plan

We are requesting your approval for the projects listed below.

- The Solar investment will reduce energy costs by 15-20 %.
- Two projects (ERP replacement and Gym Equipment replacement) are due to poor management decisions which need to be corrected. The upgrade to the ERP & member facing activity will over time make a real difference to the member experience & financial stability.

CAPEX 2024						
DESCRIPTION	COST	IMPL. DATE	SAVINGS PER ANNUM	OBJECTIVE	PAYBACK	IRR
1 Solar power generation expansion PHASE 1 covering Restaurant Roof and Swimming Pool	25.0M	July 1 2024	5.4 M	COST SAVING	54 Months	24%
2 Replacement of current ERP (NAVISION) with SCIENTA. The choice of NAVISION was a strategic error. This has resulted in manual processes, many workarounds, lack of efficient management information and reporting systems and very frustrated staff. Further, the vendor will not support the system	7.5M	BEGIN APR 1 2024		PROFIT MAINTENANCE & STAFF MORALE	-	-
3 Gym Extension to increase space	6.5M	BEGIN APR. 1 2024		SAFETY	-	-
4 Pickleball Court	4.0M	BEGIN APR. 1 2024	1.0 M	REVENUE GENERATING	48 Months	25%
5 Gym Equipment Replacement. Previous Purchase made in 2021 was a mistake and the equipment is a major safety risk for members	4.0M	Apr-24		SAFETY	-	-
6 Kitchen equipment upgrade. Energy saving	5M	Jun-24	1.1M	COST SAVING	48 months	25%
NOTE: PLACEHOLDERS						
NOTE 1: We are reviewing options for the Solar covered Car Park. The design is critical to ensure the façade is maintained. We will update members to get your feedback and approval once high level designs are complete. Investment including car park improvement = 33M: IRR = 20%: Payback 5 years						
NOTE 2: We would like to add a placeholder = 13M for replacing gym equipment that was purchased which was essentially for home use. These are not suitable for repeated daily high intensity usage. We have 360 active members plus room guests using the gym. it is essential that we upgrade this equipment, if members approve the timing						

2023 Report

- The financial performance of 2023 was driven by the previous GC & Management Team. Our Income before tax increased from 20M in 2022 to 38M in 2023. This improvement was largely driven by Rooms +24M and Surcharge Income + 11M whilst F&B loss increased to (27M)
- The club continues to make an increasing operational loss, higher F&B revenue, has resulted in even higher losses! The reliance on new member subs and FD interest is not sustainable, best illustrated in significant reduction in FD interest of 15M in the current financial year.
- Capex of 11m in 2023 was actually spent in 2022 (without house approval).
- Even if the difficult years of 2019 to 2022 are excluded from the comparisons, as the club's operational model is not sustainable, for example F&B profit of 1.3M in 2018 has deteriorated to a 27M loss in 2022! And profit before taxes has declined by 55%.

PROFIT AND LOSS STATEMENT 2018 vs 2023			
	Actual	Actual	
(000)'s	2023	2018	Growth %
CONTRIBUTION TO OVERHEAD			
F&B	(26,796)	1,325	-2123%
Rooms	40,517	14,025	189%
Other (Sports+Business centre+Other)	4,799	1,728	178%
Total CONTRIBUTION TO OVERHEAD	18,520	17,078	8%
OVERHEADS			
Administrative Overheads	206,690	111,350	86%
OPERATING LOSS	(188,170)	(94,272)	100%
Member Fees	153,569	175,897	
Finance Income	74,063	5,214	
NET PROFIT BEFORE TAXES	39,463	86,840	-55%

Special Audit Findings for 2022 - Opinion

The input from the Finance member was to expand the scope i.e., to ascertain if 'due process' was followed, the report gives examples of where the capex expenditure violated the norms of prioritized, effective and efficient spend. Lack of due diligence, BOQ's, choice of vendors, no price negotiations and transparency to members was highlighted. In the commercial world those responsible for these types of decisions will be held accountable and likely to warrant a 'forensic type audit' to fully understand the violations. In my opinion there has been a fundamental breakdown in governance & transparency. Without wasting our time on the semantics of whether these were within the constitution or not future GC & members must ensure this never happens again!