

**26 May 2020****COVID 19 – LOCKDOWN UPDATE (Week 9)**

Dear Member,

We hope you and those around you remain in good spirits and keeping safe during these very difficult times. Sunday's announcement by the President did not provide the clarity we were all hoping for (unless you are desperate for alcohol) and for which our golf bodies, seemingly unsuccessfully, lobbied with the Minister of Sport over the past few months. The official regulations have not been published but are expected to be promulgated shortly. Until such time as the official regulations become available, we cannot comment with certainty about what we can or cannot do. As soon as the regulations in respect of level 3 are published, we will communicate accordingly to the members.

Insofar, the President's speech, it is not insignificant that "all retail" is permitted and that there seems to be no restriction on "exercise" that is not done in groups or in confined spaces. We assume the President's speech is generic and there must be special dispensation for golf within the detail? We are now officially the only country in the world not allowing golf to be played. However, the actual regulations will be telling in this regard and our hope is that golf as a 'non-contact' sport is regarded as 'exercise' which would mean; clubhouse closed but fairways open. So for now we continue in limbo, but we also remain hopeful that the details will be forthcoming this week. Members may be assured that club management continue to refine our critical path to mobilization and we are in close contact with Golf RSA.

Our club continues to face the significant challenges of the pandemic, now and will do in the months and years ahead. However, with deep care and consideration as to what the future of Royal will look like, careful planning and the help and support of our membership, we are confident we will weather the storm. To date our club has lost R3.5m in revenue from the start of the regulations (15 March) and this will continue to worsen. Striking an appropriate balance between our responsibility/obligations to staff and our fiduciary responsibilities to members is always going to be difficult, but we have had to make the critical decisions for the longer term benefit of the club. The Board has started the restructuring of operations to align with a 'new' operational model for re-opening, this with an initial execution of 22 retrenchments and expenditure cuts of 30% across the club. Senior Management continue on a 30% pay cut and the CEO at 40% (voluntarily loans) and all incentive structures have been cancelled. The Temporary Employment Relief Subsidy through the UIF has greatly assisted in meeting our obligations to staff until the end of May and further rightsizing will commence once we re-open our facility.



The Club is only going to be able to afford a smaller and more efficient staff compliment with multiskilling required, until it can be determined what the new normal is and the operational expense budget. Some of the services that we have come to take for granted are going to be severely curtailed, if we are to meet our Medium term plan (12 Months).

Constraining our expectations of the minimal income we will receive from members, presents a significant challenge to the board, but we cannot simply assume that the entire membership is going to be prepared to accept subscription payments for the new financial year when access to the courses and the club have been so severely restricted. However, the long term survival of our club will be dependent upon the support of members in this time of crisis. With non-member income expected to be minimal in our cashflow scenario and subscription income being conservative, it is critical that the existing cash resources be prudently managed. Clearly, there is much work still to be done to ensure the rightsizing of the club's operations going forward, but the actions we have taken already have created some time to consider all aspects of the business carefully. This work will be informed by the on-going financial analysis and the refinement of our assumptions and scenario plans.

In a virtual Board meeting held on 19 May, it was once again confirmed that our property developer is still fully committed to delivering our approved plans, albeit slower. However, due to the pandemic and the extreme deterioration of our capital fund, it has become clear that our 5 year long-term sustainability plan is now unsustainable! The club will also continue to loose revenue in the months ahead, with no functions or events, no corporate income, less visitors and larger gaps in tee times, to name just a few changes. In this regard, the Board are looking for alternate options with our property developers in the hope of finding a "new" long term sustainability solution that would radically restore the long term survival and success of our club. This will require a virtual special general meeting within the next two months alongside planning of a virtual annual general meeting in September. The Board & management continue to work hard and will continue to do everything possible to navigate our club through these difficult times. It is our foremost responsibility to ensure we protect and maintain what we have. We are facing a lot of uncertainty and will continue to peruse all solutions and adapt where necessary.

The custodian team, under the leadership of Head Superintendent Shaun Brits, continue to over achieve on the minimum maintenance levels. The golf courses have officially received the 'first frost' and winter is here. They do however remain in superb condition and we can't say thank you enough for everything the team are doing to protect our wonderful facilities.



As communicated, our Food & Beverage department, operated by Erik Brakhoven has suffered some of the worst effects of the COVID-19 regulations, like many other 'restaurants' in the country. We believe the restrictions will still be in place for many months to come and we have made the critical decision to bring the Food & Beverage operation 'in house'. Subject to the clarity of regulations, our grocery and pre made meal delivery service will commence on 1 June 2020, in the hope of covering costs and salaries. Grocery options as well as menus will be launched this week.

Management have completed the COVID -19 Health & Safety manual alongside the guidelines for golf at Royal. The blueprint will guide golfers and staff to operate in a 'safe as possible' environment. This document will be shared with the membership shortly and will align with government and WHO prescripts. We also remind members that before re opening, a full day will be dedicated to staff training.

We welcome members' feedback and constructive suggestions on our approach. We hope to provide some good news on the re-opening of our courses and services soon. We wish you good health and strength as we all do our part to remain 'together apart' in the fight against COVID-19.

Thank you for your support, trust and loyalty to our wonderful club.

From our homes to yours

Christopher Bentley
Chief Executive Officer

Alan Field
Chairman

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