



The Chairman's Report

Quarter one | April 2022

Dear Members

I hope that this report finds you and your family safe and well. The purpose of this communication is to reflect on how far our Club has come over the past year, the present highlights and the Club's position, moving forward.

Firstly, I would like to thank you, the members, for your ongoing support, particularly through these challenging times. If it isn't the economy, load shedding or Covid-19, it is the record breaking levels of rainfall that has fallen and disrupted business, your golf and our hospitality. However, the Board and management have adjusted without compromise, continued to work hard, navigate the way and make the critical decisions at each point, without passing any of the burdens onto the members. We have remained focused on collaborative solutions to protect and grow the Club with further investment, whilst prudently managing our capital.

As we successfully emerge from the debilitating effects of Covid, we have been plunged into daily load shedding and unimaginable rainfall levels this season - to date we have received 1 320mm of rain vs 810mm last summer. It has been challenging to say the least and has had a seriously negative impact on rounds of golf, corporate days, food and beverage etc. We were well on track to deliver the best financial year in over a decade, however the extreme macro and micro effects have frustratingly impacted us and our ability to deliver on our desires. We are however, still cash neutral and management intend presenting break-even results for the financial year end, (30 June 2022, before capex), which is highly commendable considering the large investments that have had to be made. These include the start up costs of the new fitness club, family restaurant and of course generators for our pump stations. The increased running costs due to significant fuel escalations is felt throughout the Club's procurement. In this regard, our sincere appreciation is extended to our C.E.O. and management team, for their unwavering commitment and resolute leadership to swiftly adapt and absorb the challenges. We remain in control and poised to seize opportunities, whilst providing the necessary balance between member expectations and the Club's medium term financial health.

Our long serving management team's experience, knowledge, ability to adapt and complete understanding of the business remains a key aspect to not only overcoming the associated challenges, but also the push to deliver the new and exciting facilities at the Club. We continue to move into a very robust direction, operationally. All our staff, their passion to deliver, protect and continually enhance the Club, remain one of our greatest assets. This is again reflected in the annual member survey results for 2021/22, which closed on 15 April, and we thank the 283 members who took the time to provide us with their feedback. The survey and year on year comparisons provide member insight into the preferences and perceptions across the various Club topics and services, allowing the Club to continue with development and monitor a 'go forward' frame of reference on a broader basis. This assists us in paving future strategy, correcting shortfalls and ensuring we keep travelling the road set by the majority membership. 89% of the members who participated in the survey, still fully support the all-encompassing vision to become a Country Club and this year's survey produced the highest overall satisfaction level of 98%. The Board and management could not be more proud of this feedback and the Club will soon distribute all the results as well as those from previous years to compare.

The Club is currently finalising the membership renewal advice, which will be distributed in early May and as always, we have taken great care in considering future pricing, the impact on members' personal and disposable income and all the other factors, whilst still ensuring we raise enough capital to keep standards up and move the Club forward. We are also proud to continually be adding even more value to subscriptions namely the inclusion of the new fitness & wellness club, the opening of the incredible and much anticipated family restaurant and of course the West course which will be refurbished starting this winter. We are also pleased to advise that the full member discount of 10% pre - Covid in food & beverage will be reinstated from 7 May 2022. Prudent management has allowed us to adjust favorably for the new financial year with acceptable percentage increases to be expected alongside the overall and amplified value proposition.

At the time of writing this report, the Club has welcomed over 180 new members over the past eight months and our total membership stands at 1 420 members. It certainly seems that membership remains more or less stabilised around this number, which greatly assists with the overall subscription stability. There is no doubt that our focus on new members, retention, golf patronage and pragmatic marketing, remains a key driver for the management of the Club and we believe all of the wonderful new facilities will certainly be an attraction to many. We also look forward to the residential members coming on stream toward the end of the year and the culmination of the original '5 year plan' (which became 7 years due to the pandemic).

As at the end of March 2022, the Club has recorded 49 000 rounds played and has had to close the grounds for 29 days total in the 8 months of trade thus far. This represents a minimum of 5 400 potential lost rounds due to rain with at an estimated value of R2,71m in revenue. Our year end forecast is set to close at 60 000 rounds across both golf courses, weather permitting. Member participation currently sits at 52%, with visitors, corporates and other contributing the remaining 48%.

We believe the efforts of our maintenance teams have ensured the standards and condition of our golf courses have presented well, despite the very wet conditions albeit the challenge of old infrastructure like the West course bunkers which simply cannot handle the rainfall and remain out of play for several days post rainfall.

The Club's annual 'tournament stretch' passed in February and we once again successfully hosted the final SA Amateur Championships (year 3 of 3). We have again been proud of the brand value and to have been at the forefront of supporting both men's and ladies amateur golf over the past 3 years. We have now put our name in the hat with the respective tours, to be considered as a tournament host for an international professional event once again and we hope to see some options in the near future.

The SA Amateur Championships was followed by the annual Club Championships which took place on 26 & 27 February and despite the tournament having to be reduced to 18 holes due to inclement weather on the Sunday, it really was a fantastic weekend to be part of. We again attracted a record number of entries and we thank everyone who contributed to the amazing atmosphere and wonderful camaraderie. Our sincere appreciation and thanks to our outgoing Course Manager, our Club Operations Director, PGA Director of Golf and all their teams for the hard work, attention to detail and dedication to showcase our abundant facility. Congratulations to all this year's winners, but particularly to our Club Champion, Marc Kourie, our Ladies Club Champion, Eleonora Galletti (for an eighth time) and our Junior Champion, Jamie Senekal.

Towards the end of last year, we received the news about our Pro, Greg Jacobs, being diagnosed with leukemia and he has bravely tackled several courses of chemotherapy to date and now awaits his bone marrow transplant. Greg has been sorely missed at the Club since undergoing his treatments and our sincere gratitude to the members for all the support. We continue to pray for healing over him and wish Greg, Kim, Hannah and Ben much strength at this challenging time.

Shaun Carter was appointed as the assistant golf director in the absence of Greg and he hasn't only filled the requirements, but has added immense value to the golf department, helping to ensure our exceptional golf experience continues to thrive.

There have been a couple of other changes in management over the period and thanks to a strong leadership team and succession planning, it has allowed immediate continuity to important roles. Jenene Bernhardt was able to swiftly take over from Jayde Rademeyer, who moved to the driving range. Jenene has been remarkable in this role so far and has certainly embraced the challenge of the position of Operations Director. Jenene's work ethic, knowledge and extensive experience at the Club and within the golf industry has ensured the staff, members and guests have had a seamless transfer of responsibilities.

It was announced that Shaun Brits will be stepping down as the course manager/head greenkeeper, effective 30 June 2022. However, Shaun will still be at the Club until the contractual completion of the West course refurbishment, which will formally commence on 1 June 2022. We are thrilled to have secured a replacement for Shaun in Jerry Steyn. Jerry is passionate and very familiar with the property, staff and expected standards at Royal and we have no doubt that Jerry is the ideal candidate and will continue with the excellent maintenance regimes which we have become accustomed to. Jerry starts at the Club on 2 May 2022, when he will enter a handover process with Shaun.

We are pleased to provide the following status report on current projects, all of which have been previously approved. The Club embarked on the sale of 3 portions of peripheral 'out of play land' in 2016/17 to fund the refurbishment of the East Championship course, West course and the evolution of several other Club and lifestyle facilities. Additionally, this was done to replenish the capital fund and to generate the critical annuity income, in perpetuity, which in design, primarily funds capex requirements. The members approval remains well on track to deliver all objectives.

We forecast for the capital contributions (R50k per apartment from 2023) and the annuity income (R2.5m pa escalating), to start the inflow by the end of 2022. Two of the three property developments, Brookfield at Royal and Royal View, are well under way and the Club's property developer, Tricol, has remained fully committed and is meeting all obligations to the Club. To date, Brookfield at Royal, (right of holes 7 & 12, East), has successfully sold 80% of its phase one apartments, whilst Royal View, (the retirement village, behind hole 12, West by Auria), has launched and their plan is to be sold out this year. Despite some delays, both developments are set for residential occupancy toward the end of the year. The third property, being the current 6th hole of the West course, (Linksfield), has overcome its rezoning issues and now awaits the environmental clearance. The developers remain highly optimistic and still hope for this land to be released this year. In addition, they will soon be looking at launching some of the small home developments on the subsidiary stands, (right of holes 8 & 14 West), which if you recall, also form part of the property plan and annuity income model.

The Old Oak restaurant and family centre, funded by the developer and property deal, is finally near completion. The rain has unfortunately delayed this project several months but we are now very pleased to announce this grand opening on Friday, 6 May 2022. Members will soon receive the invitation to attend the grand opening with your family. It is looking fantastic and we are sure the experience and offering will be way above expectations. We really are aiming at exceeding the needs of families, children and member cost, whilst also offering fine dining at the other end of the spectrum.

The West Course refurbishment, also funded by the developer and property deal, will formally start on 1 June. The process, requirements and details have been well communicated and we remind members that the resurfacing of greens and surroundings is simply a resurface and not a complete rebuild. Our theme is "the same but better". The greens will be resurfaced to the same specifications (USGA) as the East Championship course. The bunkers are of course in desperate need of restoration and haven't been a reflection of the Royal offering for some years.

The upcoming refurbishment is not a redesign but merely an enhancement of the current facility and we have no doubt the members will truly enjoy the finished result. Our course architect has recently recommended two new fairway bunkers on the 2nd and 14th holes, which he believes would drastically enhance these holes and we are currently taking it under consideration. During the renovation, temporary greens will be established for play, and whilst we understand the inconvenience to golfers, it will be a short sacrifice of 5 or 6 months to enjoy a refurbished facility for many years to come. The drawings have been placed on the notice board. In order to alleviate temporary inconvenience, the Club's operational arrangements and details of our partner Clubs will soon be circulated to the members and we assure all members of our continued commitment to delivering service excellence over this period. At the same time, as part of the West course (BOQ), we will be refurbishing the driving range, its' greens, tee lines and bunkers, to bring them back in line with the Royal brand and standards expected. Thereafter, we will only have two other large outstanding projects on course and we will need to somehow get them done in the near future - namely the tee boxes across both courses and the long overdue clearing and repairs to the waterway. Our developers will also be rolling out the new cart paths in winter which will connect the residents to and from the Clubhouse and driving range facility. In addition, we will soon be implementing two electric car charging stations in the car park as demand for electric vehicles increases. We continue to plan and search for feasible solutions regarding permaculture farming, autonomous machinery and energy solutions. Plans for these projects will restart shortly with solar initiatives at the top of the list.

I'm sure by now many of you have heard the word 'Padel'. Padel tennis is one of the fastest growing sports in the world with demand in South Africa increasing every day. It's a game accessible to so many; all ages and abilities can play. Clubs who have adopted Padel have seen enormous success and are moving at pace. Some courts in Johannesburg are averaging 11 hours of utilisation per day with bookings required a week in advance. Typically, the game is played in groups of four (the same as playing golf) and the sport is fast-paced and easy to learn. Matches are either 60 minutes or 90 minutes and guests using the courts can access the clubhouse for F&B along with the locker rooms and facilities to prepare or freshen up and dine after a game. We are therefore in the midst of exploring the option for Royal, as it certainly seems exciting, profitable and would fit our Country Club offering. We will report back to members once the options have been completed.

Overall, investing in the golf courses has always been about member retention. This, about catering to our core business and membership, which appeals to the 50 years plus age groups that play the most golf. It is so important to do and is being done. But that's about perpetuating tradition and maintaining our historic business. The investments into lifestyle and family, is all about value proposition and growth for the Club.

The Club's strategy has remained unchanged and the Board has driven the enhancement of the Club through calculated studies, industry trends and collaborative planning. This has enabled members to decide on the best path forward to secure the all-encompassing future, with enough capital reserves, an incredible offering for the next generation and at the same time, eliminate the most severe risks facing the country and in turn, our business. The process for development is to innovate, grow and protect the Club's balance sheet with the focus to evolve the Club, its' security, financial health and sustainability whilst creating amenities beyond golf for the entire family to enjoy. We are well on track and have a clear view to a remarkable scorecard.

The Club has created and distributed a 'Royal Master Plan' - a conceptual snapshot which allows members to view the current projects, property developments, proposed projects, future projects and further potential opportunities identified (e.g. night golf, additional dams, lodge accommodation, more peripheral land etc). We believe the Master Plan approach encapsulates and provides a full view of approved projects being rolled out and future opportunities within the property for member consideration in the future.

Your Board has taken serious cognisance of the voices of our members in terms of rerouting holes in order to sell off more land to finance the last leg of the full Country Club vision. The opinion seems to be that we should not be selling any further land despite the members clearly supporting the evolution to a Country Club. Therefore, the Board have listened and will at this stage not be presenting any proposals to reroute holes and sell off more land.

There is however, overwhelming support, to move and implement further family friendly facilities, but the challenge is how to do this. We are working with our developer and other service providers to find alternate ways. The Board is equally committed to finding a working solution that meets member needs, overcomes any concerns and still reaches the state of the art Country Club with exceptional spaces aimed at enhancing the family-friendly and safe environment on and off the golf course. What also accompanies this progression, is the consolidating of our brand (logo) and the potential to move the Royal name and its' facilities from the past to the future whilst still honouring all history and traditions. Your Board is investigating and studying this emotive matter and will revert to the members for approval should we believe in the future value. As always, there are things to be done, challenges to address and improvements to be made. However, we strongly believe that the Club is in good shape to deliver, handle and deal with the challenges.

The enhanced size of the Board which was approved at last year's AGM, alongside the office bearer's term of service, has been successfully adopted and ensures the makeup of our organisation includes requirements to efficiently govern the Club with good succession, encouraging diversity, balance and immense strategic value to the future (Board's) of our Club.

I take this opportunity to thank my fellow Board members for their immense efforts thus far. The time spent on support, planning, good governance and scrutinising aspects of the Club's health and strategy is considerable and all have been most diligent in their efforts. I am also proud of the efforts to continually uphold the Club's standards and decorum to our charter. It continues to be a great honour and privilege to serve as your Chairman and I would like to conclude this report by reminding members that this is your Club and your Club will continue to grow and flourish with support, constructive and positive input, whilst at the same time upholding the approved structures.

The Board, management and staff strive to keep all members happy but sometimes you may not agree with decisions made. Decisions are made to ensure the continued and holistic success of our Club and that success comes down to your patronage and use of all facilities. The strategic focus of evolving the Club and amenities for future generations remains priority one and we thank you for you continued trust and support to deliver an even better future.

Sincerely,

Gordon

Gordon Odgers
Chairman

