

# GOLF REPORT 2019

# FOREWORD

I'm pleased to announce the release of the 2019 annual Sydney Metropolitan Golf Survey published by HLB Mann Judd. This year we have been fortunate enough to collaborate with Golf NSW to bring you a more comprehensive report.

The main objectives of this report are to:

- Inform Clubs on the performance of the industry as a whole over the past 12 months;
- Serve as a benchmarking tool of useful information to compare the performance of your home Club against other Clubs in the Sydney Metropolitan area; and
- Present our opinions on the direction of the golf industry for the coming 12 months.

The information in this report is taken from our sample of the 92 courses classified as being part of the Sydney Metropolitan Area. We have limited the scope of our survey to this area as it is our intention to provide informative results to the Clubs in the areas in which we ourselves work and play. Expanding the survey outside of these boundaries would have reduced the applicability of the results across the group as a whole. We understand the challenges faced by Clubs in the metropolitan area may not be applicable to those in country and rural NSW. We have however included some competitive round information Australia wide and for Rural NSW sourced from Golf Australia data.

There are new accounting standards that will impact your Club's financial reporting. We have included some explanations at the back of this report as to what to expect. We have also included detail on tax and grant ideas that may be available to your Club.

During the production of this report we would like to thank Stuart Fraser, CEO of Golf NSW for his assistance in the collation of data and provision of information. ***Thanks Stuart, very much appreciated!!***

We hope that you enjoy the survey.

**Simon James | Partner**

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# SURVEY HIGHLIGHTS

↑ **67%** of Clubs experienced revenue growth, with an average revenue growth of 3.90%.



Across the Clubs surveyed 51.72% experienced growth in membership numbers, however the average was a membership decline of 1.14%.

Wages of administration staff fell by **0.47%** ↓ on average whereas wages of course staff increased by an average of 6.16%.



14% of Clubs spent over \$1m on capital expenditure in the last financial year. 62% spend less than \$500k.



Despite the drop in overall playing members, subscription revenue increased by **2.65%**



10.4m competition rounds of golf were played in Australia last year, 34.4% of them on a Saturday.

↓ Bar & Restaurant sales fell by **2.56%** on average.



The number of nine hole competition rounds increased by 20% in the year, however these still only account for 3% of total competition rounds played.



**53%** of Clubs have Poker Machines, which accounted for an average of 7.52% of total revenue for those Clubs.



The average bar spend per playing member is \$563. Top quartile Clubs are receiving \$676 per playing member behind the bar. The top prize for the highest spend per playing member in the bar in this year's survey is a whopping \$1,440.



More Clubs brought pro-shop operations under the control of the Club.



# REVENUE AND MEMBERSHIP

67% of Clubs experienced revenue growth, with average revenue growth of 3.90%. To be in the top quartile of all Clubs surveyed you need to have revenue growth of over 5.43%.

On average, revenue from member subscriptions makes up 41% of revenue. Total golf related revenue (including joining fees, competition fees, and visitor fees) equates to 64.6% of revenue. Subscription revenue increased on average by 2.65% during the year with 77% of Clubs experiencing an increase in subscription revenue.

Bar and Restaurant sales accounted for 22.14% of total revenue. The Clubs with 27.78% of revenue from Bar and Restaurant sales puts them in the top quartile. In total the revenue from Bar and Restaurant fell by 2.56% during the year.

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average spend per playing member in the bar is a whopping \$1,440.

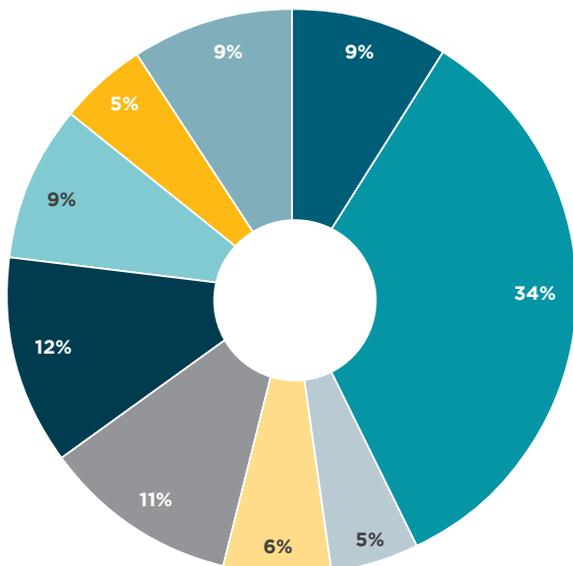
53% of Clubs surveyed received some income from gaming machines or other gambling revenue. Of the Clubs with revenue from gaming, the revenue accounted for 7.52% of total revenue from these Clubs.

We saw a 14.13% increase in pro-shop sales during the year, although this figure was inflated by a number of Clubs bringing the operation of the pro-shop back into the Club from previously out-sourced models.

Revenue from pro-shops, (for those Clubs that have one), equates to 8.09% of total revenue on average. Revenue of 11.66% is enough from the pro-shop for top quartile performance.

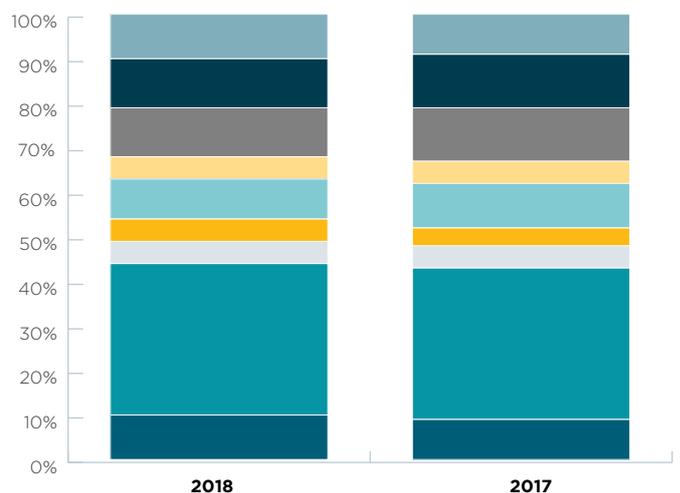
51.72% of Clubs surveyed showed growth in playing members. The average movement in member numbers was a decrease of 1.14%. Top quartile Clubs showed a 1.47% increase in member numbers, bottom quartile Clubs showed a 3.44% decline in members.

## 2018 REVENUE COMPOSITION



- One-off Green Fees
- Membership Subscriptions
- Joining Fees
- Poker Machines & Gambling
- Bar Sales
- Restaurant Sales
- Pro-shop Sales
- Competition Fees
- Other (i.e. room hire)

## SPEND PER MEMBER



- One-off Green Fees
- Membership Subscriptions
- Joining Fees
- Poker Machines & Gambling
- Bar Sales
- Restaurant Sales
- Pro-shop Sales
- Competition Fees
- Other (i.e. room hire)

# COMPETITION ROUNDS

SOURCE: GOLF AUSTRALIA - GOLF.ORG.AU



Australia wide, competition rounds played in 2018 were 10.4m. Female competition rounds accounted for 19.2%, which was a slight increase on the prior year.



63% of rounds were played by golfers over 60 years of age. At opposite ends of the age spectrum 41,933 rounds were played by juniors under 9 years of age and 136,285 by those over 84 years old. The median age bracket for both male and female golfers is 65-69.



- 34% of all rounds were played on Saturday - 91.4% by males.
- Female's most popular day of the week to play is on Tuesday with 24% of female games occurring.



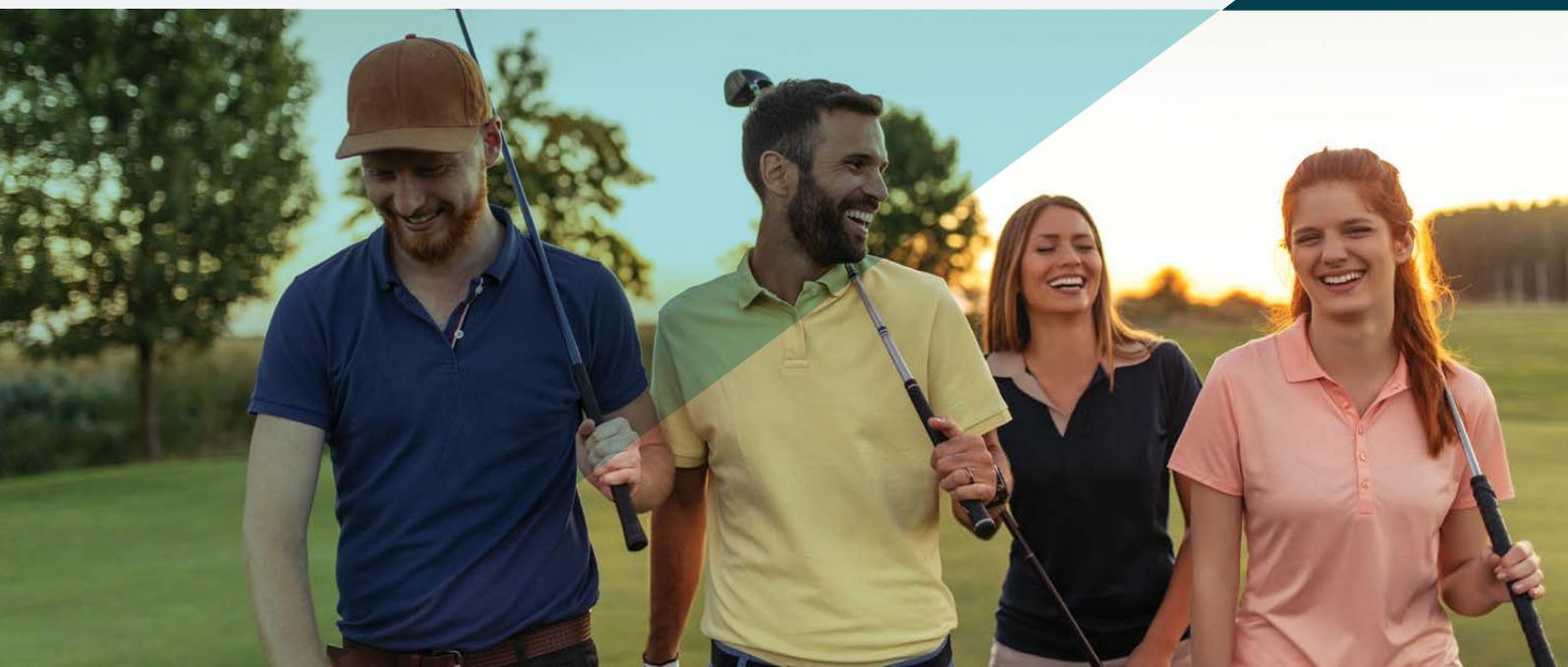
The number of competition rounds played in NSW during 2018 increased by 2.6% to 4,031,563. This is a substantial increase, given the total growth over 6 years is only 2%. Furthermore, despite the significant drought in regional NSW the growth in competition rounds was 3% higher at 2,417,075.



- 24.2% of male rounds were played on a handicap of 10 or less. 73% were played in the range of 11 to 30 handicaps.
- 5.7% of female competition rounds were played at a handicap of 10 or less and 60.3% were played in the range of 11 to 30 handicaps.



In NSW 119,884 competition rounds were played over 9 holes. This is only 3% of all competition rounds played, but the number of nine hole competition rounds increased by 20% from 2017.



## PROFITABILITY AND CASH

On the Clubs surveyed, 73% reported an operating surplus for their most recent financial year. This number is down on the prior reporting period by 4%.

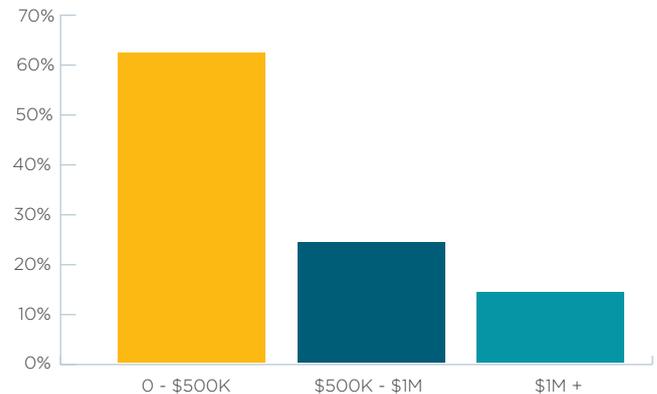
The average cash balance of Golf Clubs at year end was \$1.38m, this is \$50k lower than the average in the corresponding period. There are significant differences in cash balances per Club depending on the level of reserves of the Club, in addition to timing of the subscription year, relative to year end.

When assessing the liquidity of a Club I always look to see if they are spending the following year's subscription money. I do this by assessing the cash balance less income received in advance. We can see that 37% of Clubs have a cash balance lower than the income received in advance, hence highlighting potential liquidity issues going forward. In total, 67% of Clubs have a loan at year end (prior year 67%).

**The fact that Clubs are reporting operating surpluses and lower cash balances highlights the significant level of capital expenditure undertaken by the sector in the last year.**

Capital expenditure as a percentage of revenue of 11.48% is higher than the previous year of 10.37%.

### 2018 CAPITAL EXPENDITURE SPEND



There are Clubs that have committed to large capital projects during the year, with 14% of Clubs spending in excess of \$1m on course and clubhouse upgrades. However, 62% of Clubs spent less than \$500k on capital works in the period.

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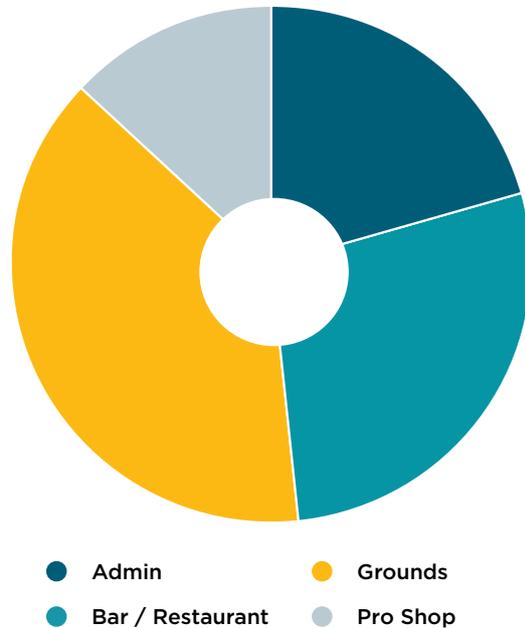
## WAGES

During the year we have seen a 6.01% increase in the total wages paid by Golf Clubs. As stated earlier, a number of Clubs have brought pro-shops in-house during the last two years, hence increasing wages paid directly by the Club.

Of interest however, where we have been able to ascertain the wages split between operations of the Club, we have seen a 0.47% decrease in administration wages and a 6.16% increase in ground staff wages. Although not directly observed through our financial analysis, I am aware that a number of Clubs are increasingly using their in-house ground staff to do more construction works themselves on the course, this is reflected in the wage increase.

Bar & Restaurant wages have increased by 6.13% (despite the 2.56% decline in sales as detailed earlier).

2018 WAGE ALLOCATION



**Does reviewing your financial future continually get pushed to the bottom of your to-do list?**

You need a personal wealth advisor who is focused on building your wealth. Talk to our team about how to secure your future.



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## OTHER INDUSTRY IMPACTS

### CHANGES IN ACCOUNTING STANDARDS – CHANGES TO REVENUE RECOGNITION FOR GOLF CLUBS

Under AASB 15 and AASB 1058 joining fees need to be recognised over ‘the expected life of a member’ and not when received. As a result Clubs will have an extra liability on their balance sheet for joining fees received and not yet brought to account, which may impact the P&L. From discussions with my clients, many are considering adopting a 10-year member life in the calculation.

Whether you are ‘For Profit’ or ‘Not-for-profit’ will affect the date your Club will need to adopt the new standards. ‘For profit’ Clubs the changes for accounting periods started 1 January 2018. Not for Profits are provided an extension of one year with changes coming into effect for accounting periods starting after 1 January 2019.

### IS YOUR CLUB MISSING OUT ON FUEL TAX CREDIT REBATES?

A Fuel Tax Credit (FTC) is a federal government rebate available to GST registered ABN holders who use fuel in their business which satisfies certain criteria.

The FTC provides Clubs with a credit for fuel tax that’s included in the price of fuel used in machinery, plant & equipment, heavy vehicles and light vehicles travelling on private roads.

The credits are claimed through the BAS lodgement program. For those Clubs which have not claimed FTC before they can potentially make claims as far back as four years.

Golf Clubs are required to provide fuel purchase invoices to substantiate claims to the ATO.

If you have any questions or need help applying for these grants please contact us.

### GRANTS AVAILABLE TO GOLF CLUBS

There are a number of different Grants available to Golf Clubs from NSW Office of Sport, local communities and councils.

The Golf NSW website has links to a number of Grant Resources available to clubs.

Office of Sport Grants in NSW are advertised on their website.

The grants can be used to help nurture sporting talent, help build sporting facilities and develop the industry as a whole, or can be community based for various projects.

If you have any questions or need help applying for these grants please contact HLB Man Judd or Golf NSW.



## WAGES

Clubs Australia Industrial is seeking to pursue the 'merging' of the Registered and Licensed Club Award 2010 and Hospitality Industry (General) Award 2010.

The Professional Golfers Association of Australia has made a submission outlining their opposition to the merge outlining the differences between Golf Clubs and the hospitality industry more generally and can be found on the fair work website.

Minimum wages under the Hospitality Industry Award have increased by 3.5%, the increase applied to the first full pay period from 1 July 2018. The full time weekly rate increased by \$26 per week.

These changes may place additional stress on Clubs who have already experienced an increase in wages of 6.01% as reported earlier.

## MEMBERS

All Clubs are actively involved in pursuing additional membership, with many Clubs implementing strategies such as member satisfaction surveys. This allows them to gauge the satisfaction of their members, and consequently provides an opportunity to assess improvements that need to be made.

## CHANGING RULES

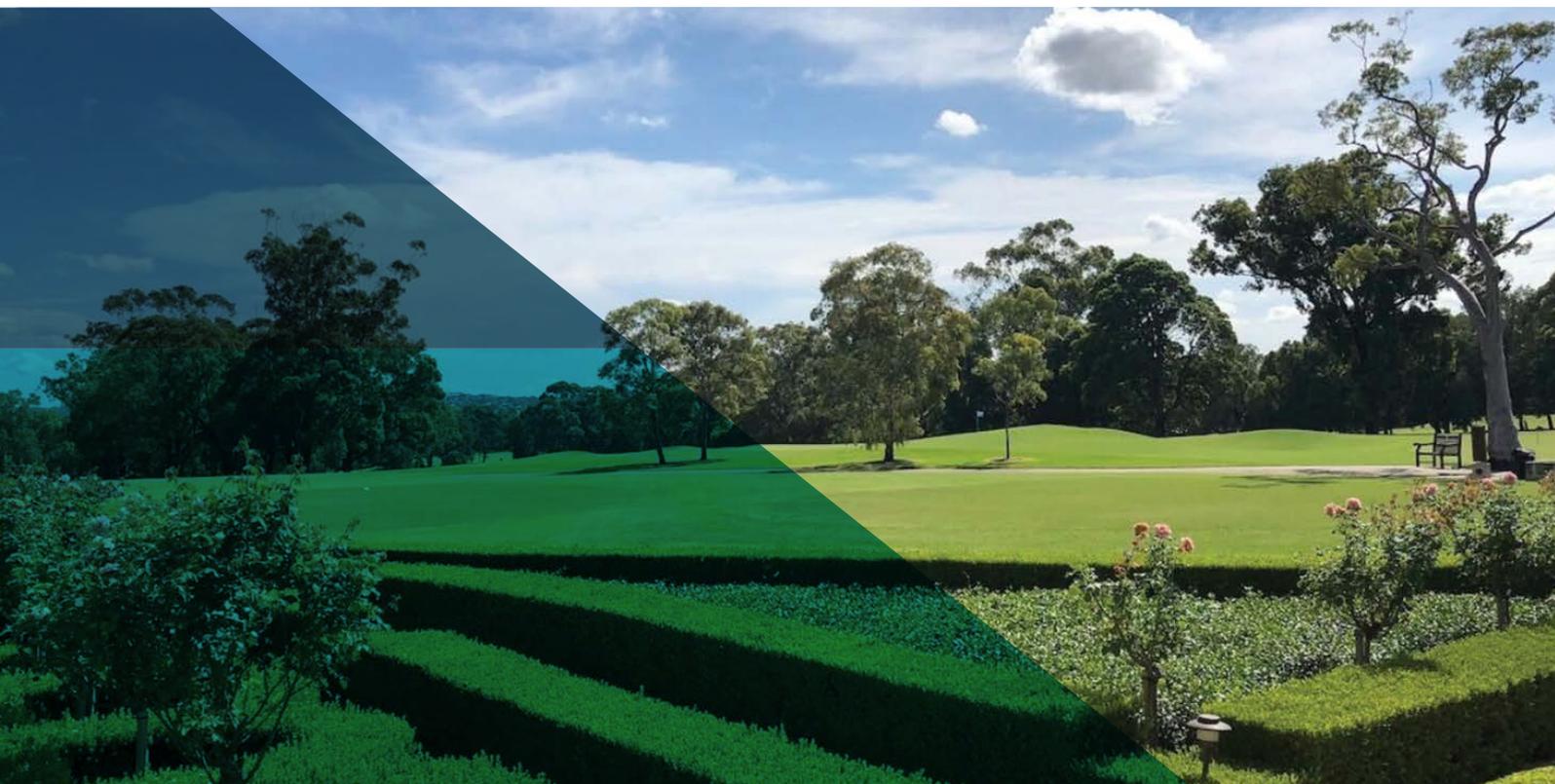
The change of rules effective 1 January 2019 should improve the speed of play and reduce course time, which we would expect to help Clubs increase rounds played going forward. Clubs have had some administrative costs relating to the update in the new rules during the year.

## LADIES & JUNIOR MEMBERS

A strong trend across the board is the focus on increasing junior and ladies membership numbers. The Clubs have implemented a wide range of strategies with the aim of encouraging new members to join. Strategies include programs or initiatives to teach cadets, with coaching and mentoring opportunities.

## LEGACY

With an ageing membership and staff, Clubs are starting to see a loss of knowledge and history as they are losing more prominent members (45+ years). Some Clubs have started recording the Club's history through interviews with these members to document historically significant events, stories and anecdotes regarding the Clubs history.





# ABOUT HLB MANN JUDD

**HLB Mann Judd is a leading award-winning chartered accounting and advisory firm. Mann Judd was formed in 1970 and through natural growth the business has become one of Sydney's highly regarded "people-sized" accounting practices and the hub of the Australasian network. In 1998 Mann Judd firms were re-badged as HLB Mann Judd in recognition of our affiliation with the HLB International global network.**

The Australasian network has 85 Partners with offices in all major Australian business centres. Through our membership of HLB International (a global network of accounting firms with 700 offices in 150 countries), our clients also have access to worldwide expertise.

The Sydney firm has over 25 Partners and Directors and over 160 staff members and is located in the Symantec Towers at 207 Kent Street, Sydney.

We are a viable alternative to the larger accounting firms with parallel expertise, but still with Partners' individual involvement... and a more cost-effective fee structure. The bottom line always matters and so does the service.

Whether you are a Corporate, Private or Family Business or an Individual, HLB Mann Judd Sydney can provide you with a comprehensive range of advisory and financial services in addition to the audit, accounting and taxation services that are central to our practice.

**Our core services are:**

- Audit and Assurance
- Business Advisory
- Corporate Advisory
- Restructuring & Risk Advisory
- Tax Consultancy & Compliance
- Wealth Management



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