



The Country Club
Johannesburg

**MINUTES OF THE 102nd ANNUAL GENERAL MEETING
held at Auckland Park on Monday 7th July 2008 at 17h30.**

The Chairman, Mr Tim Fearnhead welcomed all present to the 102nd AGM of the Club, and thanked them for attending the meeting.

Mr. Fearnhead noted that a quorum is present and declared the meeting duly constituted.
Apologies were noted from the following members:

Judge Jerry Shongwe
Alecia and Christopher Gordon- Finlayson.
Lynn Haken.
David and Kate Curry.
Tony and Veronica Boniface.

It was noted that the minutes of the 101st meeting held on 2 July 2007 had been posted on the board and these were adopted by proposer Mr. Judd Babb (012076) and seconded by Mr. Cecil Irvine (180599).

Mr. Fearnhead gave a presentation of which the following were the salient points:

- The Main Committee was thanked for the work they contributed over the year
- The financial strategy is really the core of the Club, and this is to keep our subs increase to around inflation, costs at a lower level, grow the trading income and encourage members to spend money which will hopefully result in the Club's operating surplus before interest being about R1 million a year. This may seem a lot of money for a non profit organisation, but the costs of this Club are R70 million a year, thus a million rand surplus is not really very significant to carry on the business and keep improving and building your assets.
- Another objective is not to dip into investment funds for operating costs. Investment funds are to maintain the Club's capital. A lot of money will be spent this year, but those funds have all come out of capital funds.
- In the six year review in the financial statements, the trading revenues increased year on year as follows: 2003 to 2004 - +3%; 2004 to 2005 - +9%; 2005 to 2006 - +, 5%; 2006 to 2007 - +6% and 2007 to 2008 - +9%, and our losses before-subscriptions for the same periods increased or decreased by +17%, +16%, +6%, -1% and +5%.respectively.
- In the past two years, we have done well in that we have managed to improve, what Mr. Boardman at Nedbank calls the "Jaw Line" which is - revenue increasing at a higher rate than the cost.
- Our subscription increases are probably below inflation.
- I have rated our performance as follows out of 10 for each category
 - ✓ overall management - 8
 - ✓ financial management - 8
 - ✓ preserve and enhance our assets - 8

- ✓ a facility we are proud of - 9
- ✓ relevant to members - 6
- ✓ attract and retain members – 6
- ✓ communicate with members - 7

It was noted that despite communicating with our members, the Club has still lost members over the last 5 years. We are not retaining members, nor attracting black or younger members. The Club needs to represent the demographics of our country hence the rating of 6 out of 10 Mr. Fearnhead urged all attendees who know people who would be good members of this Club, to bring them and introduce them to The Country Club.

- The centenary costs in the AFS's are the gross costs over the 2 years, and exclude the revenue earned. Mr. Fearnhead noted that it was believed to have been money well spent.
- Mr. Fearnhead advised that he was concerned that there were a number of rumours circulating within the Club membership such as;
- Management is being incentivised on turnover, cash in the bank and on net profit.

The Chairman said that members should note that the Committee consists of two current or past chief executives of listed companies, three chartered accountants and two others who run their own businesses. This Committee has considerable experience with remuneration systems and the rumour on management incentives is nonsense. Management is not remunerated on this basis; however they have performance criteria which is firstly based on the deficit increase before subscriptions being lower than the percentage increase in subscriptions as well as a number of other criteria. We score them and they have to achieve at least 3 out of 5, on a scale of 5, to even be considered for a bonus. This is in line with the basis applied by many businesses.

- The Club has about R100 million in cash and should reduce the subscriptions or return the money to the members.

Mr. Fearnhead noted that to do this would be in conflict with the Club rules and tax regulations. The money, which mainly arose from the sale of land, is set aside for capital projects.

- We are the most expensive club both in subscriptions and entrance fees.

Mr. Fearnhead advised that whilst our entrance fees are high, subscriptions are in line with or lower than many golf clubs, CCJ is a country club and offers a lot more than just golf and many other clubs.

- 90% of our funds are earmarked only for capital and that interest and dividends are used to help balance the books.

The profit that members talk about of R10 or R20 million is in fact unrealised profit and has to be brought to account in terms of the accounting standards. Even if this money was realised, it would not be able to be distributed to the members.

Mr Fearnhead went on further to acknowledge that although communication has to be improved, it does not matter what we do, members don't seem to hear it so we have to keep talking and advising members what is happening, probably more so in terms of our financial reporting.

It was noted that some of the challenges the Club is facing in the future include rates and taxes on clubs, fuel costs, labour costs, income tax, strains from the economy, emigration of members, encouraging new members to join and improving the mix of members.

On a lighter note, the members were advised that the Starlight Classics would be back in September 2008. Mr. Fearnhead confirmed that the fireworks had been withdrawn. He noted that this was not a decision taken lightly and it was not necessarily supported by all the members of the Committee. It was decided that the reputational risks to the Club and staff, as well as the member harassment that happened last year, was not worth it and it was believed that it was no longer an acceptable function.

In conclusion, Mr. Fearnhead thanked the Committee again, particularly their partners. Special thanks were given to Gordon Anderson and Campbell Stuart-Watson who served out their time on this committee and will

not be standing again. Further thanks were conveyed to Bastion Graphics for printing of the financial statements and to all the management and staff for their continued loyal support. In conclusion Mr. Fearnhead thanked the members for their support and the privilege of being the Chairman of a great Club.

FINANCIAL OVERVIEW

Mr. Fearnhead introduced Mr. Irvine, Chairman of Finance and Audit Sub-committee to present the financial report for the year ending 29 February 2008.

Mr. Irvine noted that he would be covering two aspects, one being the roles and responsibilities of the Finance and Audit Sub-committee and the second being the key activities undertaken in the past fiscal year. The key points are as follows:

- The Finance Committee is a sub-committee of the Main Committee and meet every month.
- The permanent members of the Committee are Messrs. Irvine, Fearnhead, Pickavance, together with three members of management, namely Mike Edy, Eugene van Wyk and Sue Wood.
- The mandate of the Committee is to look at financial management and control of the Club including the control of the environments surrounding the operations of the Club.
- The Committee also looks at existing capital project, as well as projects that not only go into the next year, but the following three years. This is to ensure that we invest appropriately, while managing the resources of the operation.
- It was then noted that Corporate Governance is critical and that the Committee had welcomed input from Mr. Malcolm Dunn regarding signing powers, authority levels and how this is escalated up the line.
- Mr. Irvine advised that the Remuneration Committee, comprising himself and Messrs. Edy and Fearnhead ensure that key result areas are set for all staff members at the outset of the year. It was further reiterated that management is not incentivised on turnover or net profit.
- Mr. Irvine indicated that another key function includes liaison with the auditors to understand what their scope and approach is for the current fiscal year, with the intention of assessing the results for any break down in internal controls, and ultimately to sign off and approve the annual financial statements.

Mr. Irvine continued his presentation by:

- Thanking all the Finance Committee members for their time, commitment and dedication which has been unwavering in the last year. The Main Committee, members and management were also thanked for their active contribution.
- Noting that we are continually striving to improve the reporting environment, both internally and externally as to how the numbers are interrogated. This will allow management to make more pro-active decisions and bring facts together which will enhance the running of the Club.
- Advising that the Committee has actively been involved in keeping abreast with the income tax amendments, which are likely to take place and affect clubs in the future. A decision has to be made for the year ending 28 February 2009, as to whether the Club should be taxed as a recreational club or as a company. At this stage there are still a number of unanswered questions to be answered by SARS.

Mr. Irvine noted the following points regarding the financial statements:

Balance Sheet:

- The balance sheet has a net asset value of R208 million, with fixed assets in the region of R114 million as well as various investment funds.

- About R11 million was transferred from the Development fund to the Discretionary fund as a result of achieving growth in excess of the cumulative CPIX since the initial investment of the funds.
- R5 million has been withdrawn from the Discretionary fund for capital requirements. Total capital expenditure over the past year has been approximately R13.6 million.
- Of the R17 odd million in cash or cash equivalent, we have R15.2 million on call.

Income Statement:

- On the income statement – I have looked at the numbers slightly differently from Tim by incorporating the centenary expenses, but as Tim mentioned the trading revenue has gone up 9.7% - approximately 10% in bar and catering sales - R32.3 million and golf revenue of R10.7 million.
- The trading surplus on food and beverage has increased on the prior year, however the return of R2 million on R32.3 million is not the greatest return and is one area that your committee and management will be actively looking at as to how we control the costs, particularly the labour costs associated with food and beverage.
- The grounds and administration costs have increased by 5%, being lower than inflation, but are expressed net of any golf and accommodation revenue. The Lodge revenue was in excess of R1.8 million.
- Prior to bringing to account the non-trading income, entrance fees, sundry income and subscriptions, the deficit is about R27.5 million for the year. This reduces to a R2.5 million loss after bringing non-trading income to account but before exceptional items.
- This is the line where we want to achieve R1million profit. We are significantly below that largely due to the once off R1.7 million in centenary costs. It must be noted that the operating loss highlights that the club is not sustainable without either its short term investment interest or the short term profit made out of the Investment fund.
- The cash flow is good despite the operating loss. More cash has been generated from operating activities in the current year and that is largely due to good working capital management.
- Of the capital expenditure of R13.6 million, R5 million was withdrawn from the Discretionary fund. Cash of R4.6 million more than last year was generated.
- The key challenge of the Club going forward is to attract and retain younger members. We need to retain members in general but more particularly younger members. In the past year we had 239 new members join the club, of which 75% (179) were between the ages of 31 to 62. This shows we have not been overly successful in attracting the younger generation.
- Costs in the current year have increased by 8%. A very good job has been done from 2005 through to 2007 in controlling the cost environment, but in the current year this has been distorted by the R1.7 million centenary costs. If these costs are backed out, we still reflect a 6.3% overall increase. The control of costs going forward is one key issue, but the other is to enhance the revenue.
- The Development fund, Discretionary fund and Investments total R103 million comprising both equity and cash holdings. The Finance and Main committee, together with Foord Asset Management made a conscious decision to liquidate the Discretionary fund equities into a cash or cash equivalent investment to pay for the capital spend which will be undertaken in the next couple of months.
- Of the R53.4 million in the Development fund, R10.5 million in cash. This fund was established in 1999 to generate funds for future capital improvements. It is not available to the Main committee unless a resolution is passed by the majority of not less than 80% of all votes at either an AGM or EGM, and there

needs to be a quorum of 120. The Committee can only agree to transfer the surplus in excess of CPIX to the Discretionary fund.

- The Development fund has reduced by 7.8%, largely because of the transfer of R11 million into the Discretionary fund. The distortion in the Discretionary fund surplus is because of the R11 million transfer.
- The return on the development fund from August 2001 has been 22.3% against our index of about 11.9%. The benchmark has significantly been exceeded. The same can be said on the Discretionary fund where the return has been 21% compared the index of 9.1%.
- In the financials it is indicated that we have capital commitments within the region of about R40 million for the current fiscal year. The large projects are obviously the Club house facility at Woodmead at R18.6 million, the Woodlands Golf course upgrade at R14 million and the Under the Oaks refurbishment at Auckland Park. The car park facilities are being enhanced at Woodmead, not only to the existing car park but also out towards the east and closer to the Caddy facility.
- There is also an electricity upgrade/generator of which R1.2 million has already been paid.
- Challenges that we face, which all have a financial impact, include competition from restaurants, golf estates, and other conference facilities. Some of the economic pressures arise from interest rates increasing by 5.5% in the space of two years, petrol doubling in price, and electricity may increase by 30 to 40% in the future. There have been changes in our membership demographics. We have 7 300 members, of which 5 000 odd live in South Africa - how do we attract new members into the Club for it to be sustainable for another 50 to 100 years.
- Part of the Finance committee's mandate is to manage capital projects and cost, as well assist Management to look at ways to enhance revenue with proper and appropriate discipline.

Mr. Irvine thanked everyone for listening and advised that questions will be answered before moving on to an approval or a rejection of the Annual Financial Statements.

The following questions were posed and answered:

- Question from Fiona Wardrop (389420) regarding the installation of a lift at Auckland Park.
Answer: A chair lift to the Private Dining has been installed. This facility is unfortunately hardly used. Regretfully the Committee could not see the need to spend a couple of million rand to install this lift.
- Question from John Liackman (215449) as to why there has been a marked increase in foreign equities and bonds, from about R5.9 million to R9.6 million, and representing about 17% of the portfolio.
Answer: Mr. Fearnhead advised that Foord Asset Management has a general mandate to manage the fund on a discretionary basis within certain parameters in terms of local equities, offshore equities, property and cash. The increase in the offshore exposure is within the mandate and is assumed to be balancing the Club's risk.
- Question from Chris Barry (018600) as to how we are solving the problem of so many non-members using the Club, and the low barrier of entry to the Club of these non-members.
Answer: Mr. Fearnhead noted that we do have a member card in place which should be swiped for entrance to the Club. Whilst this is a form of control it is more difficult to manage at Auckland Park, however it is something that is being addressed. A swipe card facility for managing the lights and monitoring non-member usage of the squash courts has been installed to assist with but we are trying to get a handle on this.

There were no more questions. Mr. Fearnhead called for the adoption of the Chairman's report and the Annual Financial Statements.

Proposer – Mr John Liackman (215449)

Seconder – Mr. Tony Barnes (017590)

A resolution for a change to Rule 31 was now discussed.

The rules of the Club currently state that a member may suspend his membership and on re-entry to the Club there would be an entrance fee due equivalent to 25% of the entrance fee pertaining at the time. It was agreed that the Committee in its discretion, may or may not impose a second entrance fee or part thereof, on a member wishing to return from being a suspended member.

Proposer: Mr. Hadfield (145734)

Seconder: Mr. Vernon (251062)

The resolution was duly carried.

General

- Mr. Peter White (396710) requested if the Club could arrange directional signage to the Club on roads in this area. It was agreed that this would be investigated.
- Mr. White further enquired as to whether it would be possible to install screens on the SABC and Club side of the courts. This will be investigated.
- Mr Bob Arthur (008834) made a comment on being able to only vote on a Monday, and suggested that voting should be possible to vote on a weekend. He also queried the fact that the ballot is not secret.
- Mr. Fearnhead advised that the new Committee will look into extending the voting hours for the next AGM.

Mr. Fearnhead noted that the voting boxes are sealed and opened only by the Auditors, and that this is as secret as possible that the voting can be.

- Mr Alan Corrigan (070777) queried whether the AGM would be held at Woodmead in the future.

Mr. Fearnhead stated that the new Committee would look at holding it at Woodmead in the future.

- Mr. Tony Barnes (017590) commented on a personal note that he is disappointed that the fireworks display will no longer be held. He respects the Committee's decision, but asked that this event please be considered again in the future.

Mr. Fearnhead advised that it was not a decision taken lightly nor was it a unanimous decision within the Committee, but that it was democratically passed. He went on to say that the Committee and Management take stress and abuse, and as we are a high profile, upmarket Club, it places us right in the forefront of this sort of activism. Mr. Fearnhead noted that this decision was taken by the Committee for 2008, but added that it can easily be reviewed and most certainly will be, however he asked those people who support the fireworks display to actually put this in writing.

Mr. Fearnhead thanked Mr. Barnes and advised that we are going to try and replace it with a fun family day.

- Mr. Graham Beyleveld (028215) commented that the pasting we took from 94.7 on the fireworks was completely unfair and he thinks that what we should do this year is to monitor to see what kind of involvement they have in fireworks displays for this coming year and give them just as hard a time as they did the Club.

Mr. Fearnhead thanked Mr. Beyleveld and advised that he did not support this but that privately Mr. Beyleveld could do what he liked.

There were no further questions. Mr. Fearnhead announced the results of the ballot and noted that the following members were elected to the Main Committee: Mr Stephen Connelly, Mrs. Nancy de Jager, Mr. Tim Fearnhead and Mr. Norman Kennelly.

Mr. Fearnhead thanked the members for standing and advised that there would be a Committee meeting immediately after the AGM.

Mr. Fearnhead thanked everyone for their attendance and declared the meeting closed.