

Treasurer's Report

2017-2018

Managing the finances of this club each year is a challenge and this past year has been no exception. Presenting to the Members of the Hills Club the annual accounts for the year ending 31 May 2018 becomes even more challenging when one needs to report that the year just past has been a tough one. It has been without doubt a very trying one for me personally, especially following the sad and sorry events that this club has had to endure over the last 12 months. However, we move on.

At the end of 2016-2017, the Club's asset were revalued which saw an increase of around \$4 million to the building and land. As a result of the revaluation, the club reviewed all its assets held and determined that many should have been written off a long time ago. The consequence of removing assets that should have been cleared much sooner in part has seen a drop in the total equity.

It is a disappointment to me, and no doubt everyone, that I am reporting to the Membership that the Club suffered a net loss of \$365,545 for the year. The result is attributed to the downturn in revenue of \$304,959 and increases in expenses of \$160,828.

The Club's Cash and Cash Equivalents has dropped by \$461,854 as a result of capital expenditure totalling \$301,204 being for, amongst other things, furnishings, air conditioner replacement, gaming machine updates and lighting on green number 1. The clubs borrowings have also been reduced by \$224,986. Funding of \$52,560 was required to meet obligations to back pay staff over a period of 6 years. This was due to system legacy issues uncovered towards the end of our 2016-2017 fiscal year. All current and former staff have been paid and controls are now in place to prevent a similar event from occurring in the future.

With respect to various cost centres, results are as follows:

Bar

Sales were down on the previous year by \$89,055 (6.9%). When considering net revenue after cost of goods the gross profit for the Bar was down by less than 1%. However, there was still a healthy trading profit of \$281,375.

Catering / Restaurant

Results from the Catering / Restaurant have again been excellent with an increase in earnings over last year of \$20,254 (6.1%). Expenses rose marginally by 1.2%, however, the trading profit for the restaurant increased by 29.8%.

Poker Machines

The club relies heavily on poker machine earnings and this year's revenue of \$2,315,903 was down by \$277,128 (10.7%) on last year. This was the major contributing factor that significantly affected the final result.

Bowls and Greens

Operating costs in these categories were up by \$44,187 (15.7%). This was mainly due to having a bowls co-ordinator for a full year.

Members Amenities, Keno and TAB

The overall outlay in these areas increased by \$62,098 (15.5%). During the year, it was decided to bring the raffles in-house and dispense with a third party running the event. A Rewards program was also introduced and the Australian Poker league were also allowed to host their event on 2 days rather than one.

Administration

Overall costs were up on last year by \$191,422 (15.5%). Contributing factors to this were increased costs to electricity, donations, external security, legal expenses, provision for long service leave and printing and stationery. Wages and security costs alone were up by \$38,107.

Summary

Trading for the first quarter of the year was satisfactory. The subsequent months saw a dramatic decrease in takings, particularly in gaming. There were satisfactory results in the Bar and good results in the Restaurant. When you remove depreciation from the net profit one will see that the Club continues to trade profitably. After the capital outlay in 2017-2018, the Club has a strong cash balance and a strong balance sheet.

For the second year running, the Restaurant revenue, when earnings from functions are added, topped \$1M. Congratulations are in order to all the restaurant staff for their respective roles in achieving this milestone yet again.

The disappointing result in gaming is not only being reflected in our club but other clubs as well. Clubs NSW has reported that state wide gaming revenue in clubs has dropped. The smaller clubs feel the pinch a lot more than the larger ones. Having overcome an extremely difficult 12 month period the Board is now better placed to concentrate on the important things that will grow our club financially.

In closing, I'd like to thank all the Staff and fellow Directors who, particularly during the last eight months, have had the resilience to work through a very difficult period to ensure that the Club continued to do reasonably well.

Just as importantly, I need to thank all the Members of The Hills Club for your continued patronage, as without your support our club would not be here.

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Treasurer