



# COMMENTARY ON THE TULLY HEARD REPORT

## 1. THE TULLY HEARD REPORT

Somewhat appropriately, the Tully Heard Report (the Report) commences with the disclaimer:

*"We have not conducted an audit of the information provided by others, but have accepted it in good faith, we do not give any warranty with this information."*

Despite several requests for a copy of the Terms of Reference, nothing has been forthcoming from either the SGBCC Board (the Board) or Management (Management). However, to all intents and purposes the Report is focused on the Country Club Vincentia (VCC) and excludes any comment on the SGB Country Club (the Club) as a whole. After many months of 'toing and froing' between Tully Heard and the Board, the Report was delivered in two stages. The first part was delivered in August 2022, and this was followed by an addendum dated December 2023.

And some would say that contrary to the Board's perception that the Report provided it with a valid excuse to sell off all or part of the VCC assets, it actually provided an indictment on the Board's failure to deliver on its undertakings made at the time of amalgamation as noted in Clause 5 of the Memorandum of Understanding (MOU). Importantly, it should be noted that although the Board has accepted the Report, it has come up with its own scenario - Scenario 8 - which casts some doubt as to whether the Board has really accepted it.

## 2. FINANCIALS

The Club has declined several times to meet and discuss in depth the financial performance of Vincentia. We believe key indicators in the Tully Heard Report have been miscalculated and therefore misrepresent the financial performance.

The miscalculated indicators fell well below industry standards and became the basis for several scenarios within the Report and another scenario by the Club when it was presented to members.

**It is not enough to just say, 'You're wrong and we're right.' We have re calculated and compared the indicators within the original table format. The differences are stark.**

The following table strictly uses only information within the Annual and Quarterly Financial Reports of the Club, and we believe shows a truer and fairer picture.

	2018	2019	2020	2021	2022	2023	Q1 2024
Total Revenue (\$)	1,486,206	1,816,736	1,454,186	1,694,561	1,666,201	2,098,546	505,754
Tully Heard Reported EBITDA (\$)	38,425	115,557	16,687	(103,046)	(259,030)	(218,994)	(66,161)
<b>FoVGC Reported EBITDA (\$)</b>	<b>71,603</b>	<b>149,076</b>	<b>100,787</b>	<b>(75,818)</b>	<b>(245,900)</b>	<b>(157,366)</b>	<b>(51,588)</b>
Tully Heard Adjusted EBITDA (\$)	55,909	121,951	9,684	158,424	11,067	135,307	(66,161)
<b>FoVGC Adjusted EBITDA (\$)</b>	<b>273,961</b>	<b>401,082</b>	<b>299,274</b>	<b>210,370</b>	<b>185,405</b>	<b>306,587</b>	<b>57,911</b>
Tully Heard Reported EBITDA (%)	3%	6%	1%	-6%	-16%	-10%	-13%
<b>FoVGC Reported EBITDA (%)</b>	<b>5%</b>	<b>8%</b>	<b>7%</b>	<b>-4%</b>	<b>-15%</b>	<b>-7%</b>	<b>-10%</b>
Tully Heard Adjusted EBITDA (%)	4%	7%	1%	9%	1%	6%	-13%
<b>FoVGC Adjusted EBITDA (%)</b>	<b>18%</b>	<b>22%</b>	<b>21%</b>	<b>12%</b>	<b>11%</b>	<b>15%</b>	<b>11%</b>

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Noting:

- EBITDA - Earnings Before Interest, Tax, Depreciation and Amortisation
- Adjusted EBITDA % is now nearer to industry standards and near or above the minimum levels required by the Club's Memorandum of Understanding.
- Adjusted EBITDA % was the key indicator used for scenarios within the Report and by the Club.
- All Vincentia financial information supplied by the Club and used by Tully Heard is unaudited.
- Tully Heard Report (p. 56) incorrectly connects the Vincentia financial information with the Club's audited Financial Statements.
- There are numerous inconsistencies within the Tully Heard Financial Performance Analysis.
- From 2021 Vincentia wages ceased being accounted from an 'actual' basis to an 'apportioned basis'.
- Vincentia wages doubled from 2020 to 2023.
- From 2020 to 2023 the Club received Grants and Subsidies of over \$2.5m. Less than \$100K was allocated to Vincentia.
- Though the effect of COVID was noted in the original Report, it didn't rate a mention in the Addendum. Neither the original Report nor the Addendum mention the effect of bushfires and flood (2019 to 2023).

### 3. GOLF

The Report includes a **total market estimate for golf** in the Callala/Sussex/Jervis Bay region (Section 12.6). It concludes that supply exceeds demand by a significant margin, and even under very optimistic demand assumptions, and closing VCC would have no impact on this large golf community.

#### Actual Capacity vs Potential Demand

Callala Bay and Sussex Inlet are not in the Primary Trading Area (PTA) as defined in the Report and should be excluded from the definition of supply. Excluding these two courses, modelling based on actual Capacity/Demand numbers indicates that the most meaningful model should be based on the Men's competitions. This is where the number of members vastly exceeds the available competition spots.

## Basis & Assumptions:

- Number of competition slots at SGB = 176. (44 slots x 4 players between 7am-noon)
- Number of competition slots at the VCC = 88. (22 slots x 4 players, starting between 7.30-8.20am & 10-11.30am, to allow for crossover on the 13-hole course)
- There are approximately 530 Men's golf members at the SGB sub-club and 200 at the VCC competing for available competition spots.
- Men's competitions run approximately 50 weeks/year.

Today there is insufficient capacity for all Men to play one competition / week. Based on these numbers, the capacity model indicates that **if all Men wanted to play in competition golf:**

- A SGB member has a 33% chance of getting to play in a SGB competition.
- A Vincentia member has 44% chance to play in a VCC competition.
- All Men have a 36% chance of playing at one of the two courses on a Saturday.
- Even with two Men's competitions a week at each course (one weekday and one Saturday), all men cannot play once / week.

While not all men want to play competition golf, currently, it is next to impossible to get a game in either the Men's Saturday or Weekday competitions at SGBCC.

## Capacity for Social Golf

It should be noted that the Report fails to make mention of the VCC's capacity to host profitable social golf, an increasing source of income as the visitors' market continues to grow. There is historical data on this source of income. The Report's explicit exclusion of social golf (given known revenue data) demonstrates an unreasonably pessimistic view of future viability. Furthermore, the Club could do much more to exploit this market.

## 4. DEMOGRAPHICS

The Report identifies the Market and Consumer research undertaken. It was conducted utilising four focus groups (no known representation from VCC), competitive assessment based largely around business operations in Huskisson, and an evaluation of local population characteristics utilising outdated data.

The profiles of potential Club members are entirely unrepresentative of the resident demographic in the Huskisson-Vincentia area. A quick read of Australian Bureau of Statistics 2022 (ABS) shows the information received by Tully Heard to comment on demographics of the potential market at Vincentia as “newly wed and soon to be dead” is simply incorrect.

Vincentia/Huskisson has twice the disposable household income compared to Sanctuary Point/St Georges Basin, therefore an obvious untapped market that currently goes to Huskisson only.

Vincentia/Huskisson has a slightly younger average age demographic compared to Sanctuary Point/St Georges Basin, refuting the absurd comment “newly wed and soon to be dead”.

The Report failed to highlight the available opportunities. Consideration of **local competitors, local and tourist markets** are pessimistic, inaccurate, and frequently exclude visitors/tourists/social golfers:

- a) No information on VCC visitors by home geography & spend (Section 6);
- b) Local market population - 39% (over 60yrs), 36% (30-60yrs), 24% (under 30yrs) - more helpful than talking about 10yr age groups;
- c) Local tourism (Section 8) - day trippers or one night stay, largely Husky/beachfront;
- d) Isolation - committed advertising and signage, family activities in holidays, views; and
- e) The social golf market has been specifically excluded from all projections, rather than being recognised as a key financial opportunity for the overall Club.

The characterisation of the tourist profile for Vincentia-Huskisson as predominantly ‘day visitors’ is absurd noting the success and value of the short stay residential market and the extraordinary supermarket turnover throughout the tourist season. The notion that VCC (and presumably other commercial operators) should not rely on the tourist market is simply absurd and at odds with any tourist destination. Indeed, the tourist market presents a huge opportunity and sustains local business services at a level far more than what would be viable in its absence. It is a well understood concept in the Shoalhaven LGA that most businesses rely on Tourists and non-resident visitors. Why has the Report ignored this essential market segment in the assessment?

The current quality of hotel accommodation and restaurant services in the Bay and Basin region is very modest in comparison with the revenue flows experienced in the short stay residential accommodation market. Provision of relatively high-quality Hotel style

accommodation and restaurant services during peak season, perhaps with tailored food service options at other times, would clearly exploit a current market gap. This option was inappropriately ignored in the Report.

The reported “isolation” is stated as a *fait accompli*, rather than recognising the simple things that the Club can do to lift the venue’s profile, from signage to advertising to promotions and family activities.

The Report predominates on old data. It fails to acknowledge the recent changes to our demographic since COVID and the influence COVID had on population movement. Assisted by technology, we now have increasing numbers of younger, educated, professionals with the flexibility to work from Vincentia. Yet this Report describes the primary demographic as tight-arsed retirees who don’t like going out at night.

## 5. ONECLUB

The Report considers **VCC as a standalone club**, with conclusions about its financial and potential position. For example, using IPART & NSW Clubs industry classifications is not reflective of our existing OneClub business. Furthermore, if viewed as OneClub operations, there are other sectors of the business that exhibit similar or greater financial challenges. Why is selling off the VCC premises the best option to address challenges in the SGBCC financial performance?

This Report focuses on the perceived problems facing the VCC, there seems to have been little said about the **opportunities** that the VCC presents.

Those opportunities were clearly spelled out at the time of the amalgamation by the then Board. They included:

- Increasing the club’s trading area, marketing capacity and growth potential as a step to becoming “the premier club on the south coast”;
- Acquiring substantial assets, including about 45 hectares of land (land that is clearly now worth many times its valuation which was set **sixteen years** before the amalgamation agreement);
- To expand the golf and country club experiences which the club can offer;

- And (*importantly*) to preserve an important [community asset](#) consistent with the club's objectives and charter.

Surely those opportunities are as relevant and attractive now, if not more so, than they were in 2016. But that was a given from the first moment that the Country Club agreed to the amalgamation.

**Clearly, this Report has NOT been tasked with identifying positive initiatives to improve the VCC performance.**

When the Board retained Tully Heard to review the performance of the VCC, is it possible that they were asking the wrong people the wrong questions? Tully Heard are consultants to the registered clubs' industry and as such they would presumably have looked at the VCC through the lens of how successful clubs operate in NSW. But what if what the VCC really needed was someone to look at its present performance and future potential as a business not just as a registered club.

As an example of this, let's take the unlikely starting point of what is arguably a pretty unexciting location, Woollamai industrial estate. Hardly a sought-after entertainment area. But two groups of entrepreneurs (soon to be three) established boutique breweries both of which set up effective but low-cost seating for customers and offered limited budget food choices.

The results speak for themselves.

## 6. CONCLUSIONS

In its concluding comments – Key Insights (page 21) – the Report focuses on all that the VCC is lacking:

- a) opportunities for increasing gaming revenue;
- b) limited hospitality offerings; and
- c) the number of golfers utilising the course, etc.

It ignores completely the reasons for the amalgamation in the first instance and the obligations imposed on the Board under the MoU, which included: the maintenance and

revitalisation of the clubhouse, the ongoing maintenance of the golf course, investment in the food and catering facilities, etc, and to ensure that a valuable amenity in the community is preserved for all into the future, i.e., many of the obligations for which the Board should be held responsible.

Also, the discussion of proposed development scenarios (page 9) comprises nothing more than unsubstantiated assertions regarding development costs and revenue projections. The conclusions are therefore irrelevant and worthless.

Further, a genuine, objective Report would have recognised the newest members of our community - aged in their 30s - well educated professionals, financially confident.

If the Board was serious about keeping the golf course and club house in Vincentia for the members and the community, they would have made an effort to attract this group. Furthermore, *operating hours would not have been cut*, there would have been entertainment to attract patronage, an improvement in the food from the restaurant, and the club would have been promoted. Instead, the treatment it has received is the equivalent of demolition by neglect.

**But in the end, understandably, because evidently that was NOT the purpose of the Report, the Board got the Report for which it paid.**