

Item No: **14.3**

Subject: **GLENELG FOOTBALL CLUB – ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 31 OCTOBER 2017**

Date: 27 February 2018

Written By: Manager Finance

General Manager: Business Services, Mr R Bria

SUMMARY

The audited financial statements together with executive comments for the Glenelg Football Club have been received. This report assesses the financial result and provides comparative key financial indicators of the Club's operations and financial performance for the 12 month period ended 31 October 2017.

The assessment indicates that the overall financial performance and position of the Club has improved. The common consolidated financial indicators show improved profitability and reduced debt. Council's commitment to the long term sustainability of the Club, as evidenced in the granting of financial concessions during 2017, has contributed directly to the improved financial result and position.

RECOMMENDATION

- 1. That Council notes the report.**
 - 2. That Council notes that the Glenelg Football Club financial position has improved over the 12 month period ended 31 October 2017 as a result of Council measures to support the clubs objective of long-term sustainability.**
 - 3. That administration continue to monitor the financial sustainability of the Glenelg Football Club.**
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COMMUNITY PLAN

Community: Building a healthy, active and resilient community

Economy: Supporting and growing local business

Culture: Being financially accountable

Culture: Supporting excellent, efficient operations

COUNCIL POLICY

Not Applicable.

STATUTORY PROVISIONS

Not Applicable.

BACKGROUND

At its meeting on 23 May 2017 Council resolved to commence a process to achieve a negotiated settlement with the Glenelg Football Club and the SANFL while ensuring the protection of the interests of the ratepayers of the City of Holdfast Bay. As part of this decision Council further resolved particular financial concessions and that the Glenelg Football Club president and the Chief Executive Officer meet with the City of Holdfast Bay Mayor and Chief Executive Officer annually.

The Glenelg Football Club end of year accounts have been finalised and audited. Prior to the financial statements being audited a meeting was held between the Executive Officers of the Club and Council Officers to review the interim financial results of the Club. This report provides and analyses the final audited Financial Statements for the period ended 31 October 2017. The report also includes an executive summary from the Club on the financial statements. The Club's Annual Report and Financial Statements are also available on the Club's website.

REPORT

The audited financial statements for the Glenelg Football Club have been submitted to Council. They include two sets of audited statements being the Glenelg Football Club and the Glenelg Footballers Club.

Refer Attachment 1

The attachment includes an executive summary which explains the performance of both the Glenelg Footballers Club and the Glenelg Football Club. The summary includes explanations on the major variations, contributing factors and financial movements during the financial year in more detail.

To assess the financial performance of the Club a common financial ratio analysis has been undertaken. To perform this analysis the two sets of financial statements have been consolidated. This provides a better indication of the overall financial performance and position of the Club as a whole. The analysis assists in assessing the consolidated results in terms of overall liquidity, solvency and profitability. A healthy result is when liquidity and profitability are high while the liability indicators are low.

The following common financial ratios have been applied to the consolidated financial results and position.

Liquidity Ratio

Current Ratio = current assets/current liabilities. If the ratio is 1 it means the club has the exact amount of current assets to pay of its current debts.

<i>Consolidated result</i>	<i>Period ended 31/10/17</i>	<i>Period Ended 31/10/16</i>	<i>Analysis/Comments</i>
Current Assets	\$193,829	\$338,460	
Current Liabilities	\$1,672,658	\$1,785,564	
Current Ratio	0.12	0.19	Indicates that the Club appears to have increasing difficulties in meeting its short term obligations. During 2018/19 a further \$275,000 will be distributed from the SANFL from land divestment funds and this will contribute to funding current liabilities.

Solvency Ratios

Long term debt to total capital. Equates to long term debt divided by total liabilities and total members funds. Lower percentages means the majority of the club is financed by member funds.

<i>Consolidated result</i>	<i>Period ended 31/10/17</i>	<i>Period Ended 31/10/16</i>	<i>Analysis/Comments</i>
Long term debt	\$1,869,340	\$2,639,381	Reduced due to SANFL land distribution
Total liabilities plus member funds	\$7,210,626	\$7,450,646	
Percentage	26%	35%	Indicates an improved position with members funds increasing their level of funding

Debt to Equity Ratio. Equates to total long term liabilities divided by total member's funds. Lower ratios indicate stronger debt management.

<i>Consolidated result</i>	<i>Period ended 31/10/17</i>	<i>Period Ended 31/10/16</i>	<i>Analysis</i>
Long term liabilities	\$1,849,124	\$2,707,977	Partly reduced in due to SANFL land distribution and movement of ANZ bank bills to current liabilities
Member funds	\$3,638,844	\$2,957,105	
Ratio	0.51	0.92	Indicates an improved position

Profitability Ratios

Profit margin. Measured by net income divided by total revenues.

<i>Consolidated result</i>	<i>Period ended 31/10/17</i>	<i>Period Ended 31/10/16</i>	Analysis
Net income	\$681,739	\$14,278	Improved due to SANFL Distributions and payroll tax refund
Total revenues	\$5,095,697	\$5,026,275	
Percentage	13.4%	0.3%	Indicates an improved result

There were two major extraordinary items contributing to the 31/10/17 improved result being a payroll tax refund \$163,025 and SANFL land distribution \$412,000. After deducting these items the profit percentage margin would reduce to 2.1%. Other contributing factors and explanations are contained in the attached executive summary.

The result is also due to Council's commitment to ensure the Club's long term sustainability. During 2016/17 Council granted concessions to the Club including reducing the annual lease from \$72,000 to \$40,000 (C121316/622), and the write off of past interest owed and future interest up to 31 October 2019 on loans advanced to the club (C230517/787). The write-off of outstanding interest resulted in a direct saving of \$188,685 to the club in 2016/17.

The ratio analysis supports the conclusion that the club has improved its financial performance and position. Council's commitment to the long term sustainability of the Club has contributed directly to the improved results.

LIFE CYCLE COSTS

Nil