



Surfers Paradise, Gold Coast, Australia



BUDGET SUMMARY 2019



Wyndham Vacation Clubs Kirra Beach



Wyndham Surfers Paradise



Wyndham Dreamland Bali

We are pleased to provide an overview of the 2019 Worldmark South Pacific Club annual budget for your information.

Key Highlights

The Club is predicting a modest net profit in 2019 of \$77,669 (2018 budget was a projected net profit of \$203,533). More importantly we have been able to apply only a minimal increase in levies over the 2018 rates. Your levies increase will be just 1.5% for 2019, which is lower than current CPI rates. This compares favourably to past increases of 3.9% in 2018 and 4.25% in 2017. For our New Zealand Owners, the increase equates to 3.2% due to movements in the foreign exchange rate year on year.

Housekeeping charges have increased from between \$2 to \$5 per room, depending on room types. No room type increase is greater than 2.5% over the prior year's rates.

Key Financial Drivers - 2019 Budget

Revenue		\$'000's
Owner Levy Income		76,357
Bonus Time Income		362
Food and Beverage Income		2,658
Housekeeping Fees Income		4,572
Rental Income		1,938
Interest Income		1,313
Other Income		5,360
Total Revenue		92,560
Expenditure		
Resort Operations Costs		66,535
Administration Costs		10,578
Management Fees		7,488
Depreciation		7,881
Total Expenditure		92,482
Net Profit		78

Club Revenue

Total operating revenues for the Club are projected to increase in 2019 by 6% or \$4.82M over the forecast 2018 result. This is based on the assumption that over 3,000 new Owners will join the Club in 2019. In addition, existing Owners will continue to increase their number of Vacation Credits held to take advantage of expanded holiday options.

The budget also allows for additional Club apartments to be added throughout 2019. We recently advised you of the acquisition of new Club apartments at the idyllic Wyndham Dreamland Resort Bali including luxurious Presidential Villas complete with private pools. During 2018 we have also added to your Club's Pacific resorts portfolio with deluxe apartments at Wyndham Kona Hawaiian Resort. Discussions are currently taking place which could add an additional 120 new Club apartments at locations yet to be confirmed. This would take the total number of available Club apartments to more than 1,680 located across 6 countries.

In 2019 the budgeted revenue received at resort level is expected to decrease by \$728,000, primarily due to an anticipated reduction in rental revenue received by the Club for unoccupied Club apartments.

Club Expenses

The majority of Club expenses are forecast to increase - driven by external price increases and the cost of additional apartments as the Club's portfolio increases. However, the majority of costs are scheduled to increase in line with CPI or federal wage increases only, as we continue to exercise tight control of the Club's overheads. An area of cost increase that results in a positive impact to the Club are body corporate levies associated with resort sinking funds. Our Resort Operations Team have identified a number of resorts where the sinking fund for common area repairs and refurbishments is lower than what we would recommend. We have been able to successfully lobby these Body Corporate committees to increase their annual sinking fund levies in order to build sufficient reserves to ensure your Club resorts are maintained to the highest standard both inside and out in the coming years.

The 2019 budget projects that the occupied room nights will increase by 23,670 compared to 2018. This increase of course adds additional variable costs to the Club's operation for items such as maintenance, unit supplies and housekeeping wages and on-costs. However, we have continued to exercise tight control over the Club's operating expenses and we are again only forecasting minimal increases based on CPI or Federal wage increases across the majority of these key expense lines.

The Management Fee to be paid to the Responsible Entity is budgeted at 9.71% of total expenses which is in line with 2017 and 2018 and which is well below the maximum 15% of total expenses permitted under the Club Constitution.

Finally, the Club will contribute an additional \$250,000 for the provision of Owner Education Services to provide greater services and education to Club Owners to improve their knowledge of the Club and its benefits to ensure they maximise the use of their ownership.

Capital Enhancements and Refurbishments

The addition of new apartments, combined with the refurbishment of existing apartments adds fixed assets into the Club. These assets are depreciated each month according to their estimated useful life and the amount of depreciation recorded is transferred into the Club's reserve funds for investment. These funds are quarantined from operational requirements to be utilised for future asset replacements and refurbishments. We are budgeting to transfer a total of \$7.9m of depreciation into reserve funds in 2019. Total reserve funds at 31 October 2018 were just under \$45m.

The Club has scheduled some major refurbishment projects in 2019 including a comprehensive refurbishment at our Sydney property which was scheduled for 2018 but transferred to 2019 due to operational requirements. This refurbishment is budgeted at \$5.5m. In total we expect to spend \$8.9m on refurbishment projects at Wyndham Sydney Suites, Ramada Resort by Wyndham Ballarat, Worldmark South Pacific Club Pokolbin Hill and Worldmark South Pacific Club Cairns.

The Club is also budgeting a further \$2.1m for replacement of capital items and the provision of new capital assets across its resort portfolio.

Corporate Social Responsibility

The Wyndham Green program is now in its twelfth year and continues to highlight Wyndham's commitment to conserve resources, preserve natural habitats and prevent pollution. We adopt best practices and build a culture that continuously strives to improve and sustain our positive environmental results over time. We will continue to educate and innovate, developing sustainable programs that will not only enhance our customers lives but also deliver real economic benefits.

Budget Summary

It is pleasing to present a budget that delivers a modest surplus while being based on levies that have increased by less than the general CPI. This confirms that the operational aspects of the Club are being continually refined while at the same time we can deliver a quality product with continued enhancements and apartment additions.

The Club currently holds retained earnings of just under \$16m and these, along with all of our reserves are placed into rolling term deposits to ensure a maximum rate of return with minimal risk.

The Club's Gross Asset Value is currently \$534m and this will continue to grow in 2019 as additional apartments are added to the Club's portfolio.

We are looking towards 2019 with anticipation as the continued expansion of the Club creates new and exciting holiday destinations for all Owners.