



Ramada Dinner Plain Mt Hotham



BUDGET SUMMARY 2017



Wyndham Surfers Paradise



Wyndham Hotel Melbourne



Wyndham Resort Denarau Island

We are pleased to provide an overview of the 2017 Worldmark South Pacific Club annual budget for your information.

Key Highlights

The bottom line of the 2017 budget is a projected net profit before tax of \$354,068 (2016 budget was a projected net loss of \$163,677). The positive performance is a result of improved revenue streams matched with stable or in some cases reduced expenses.

The most positive aspect of our 2017 budget for you, the Owner, is a lower increase in the annual levy charges. The levy increase for 2017 will be just 3.9% compared to 4.25% in 2016 and 4.8% in 2015. For our New Zealand Owners, the increase equates to 2.11% due to movements in the exchange rate year on year.

Housekeeping charges have increased from between \$2 to \$4 per room, depending on room types. This represents an increase of less than 3% and is on par or in some cases lower than the 2016 increases.

Key Financial Drivers - 2017 Budget

Revenue	
	\$
Owner Levy Income	63,409,480
Bonus Time Income	448,581
Food and Beverage Income	2,010,427
Housekeeping Fees Income	4,496,511
Rental income	3,360,963
Interest Income	818,509
Other income	5,065,801
Total Revenue	79,610,272
Expenditure	
Resort Operations Costs	62,186,468
Administration costs	10,805,102
Management Fees	6,264,634
Total Expenditure	79,256,204
Net Profit	354,068

Club Revenue

Total operating revenues for the Club are projected to increase by \$6.05M in 2017, which represents an increase of 8% on the forecast 2016 result. The Club is anticipating that over 3,579 new Owners will join the Club in 2017 and that once again a significant number of current Owners will recognise the value of increasing their ownership portfolio through upgrading their number of credits.

The Club has exciting plans to continue to add additional resort locations to the Club's offerings. No doubt you have heard of our most recent acquisition – Ramada Resort Dinner Plain Mt Hotham, located in the Victorian snow fields. In 2017 the Club will add in excess of 30 individual chalets to the 15 Hotel rooms at Dinner Plain, thereby offering our Owners a wide range of accommodation opportunities at the Club's first resort above the snow line. In addition to this the Club is investigating a number of other options which will provide additional units at new vacation destinations yet to be announced. We anticipate that this will take the total number of available apartments to over 1,463 across a minimum of 29 resorts.

In addition to the increase in new Owners and upgrade sales, which brings in additional revenue in the form of levies, we are also budgeting that the revenue received directly at the resorts will increase by \$110,000 (or 1%). Housekeeping revenue is budgeted to increase as the number of Owner stays increases. Conversely we expect revenue from vacant rooms in the form of rental revenue to decrease year on year as owner stays increase and vacant rooms become less available to the general public.

Club Expenses

Expenses in general will continue to rise but we are only forecasting minimal increases based on CPI or Federal wage increases across the majority of our key expense lines. The addition of new apartments and new resorts will increase our cost base as utilities charges, body corporate costs, maintenance charges and other related costs increase in line with the addition of available rooms for our Owners. However these are offset by new Owners who add additional levy income to the Club.

Our Procurement Department will continue to work with our key suppliers to ensure the appropriate balance between price and quality for all of our goods and services. In recent times we have renegotiated terms with a range of electricity providers which has resulted in reduced pricing at a number of resorts. These proactive negotiations will continue throughout 2017 to deliver the best outcomes from a purchasing perspective.

The Management Fee to be paid to the Responsible Entity is budgeted at 9.5% of total expenses and is once again well below the maximum 15% allowable to be charged under the Club Constitution.

As part of the expansion of the Wyndham Green program, Worldmark has appointed a Facilities and Sustainability Coordinator whose main focus will be the delivery of cost savings and efficiencies through the implementation of green initiatives across the Company. It is anticipated that the creation of this new position will be cost neutral based on estimated savings from the new initiatives. In 2016 Worldmark continued to actively promote a Green agenda at both the resort and corporate office level including the new initiative "Take 3 for the Sea" which aims to reduce ocean and beach pollution in Australia.

Capital Enhancements and Refurbishments

The Club's refurbishment program will continue in 2017 and over \$2.1m has been set aside for refurbishment projects at Flynn's Beach, Seven Mile Beach and Coffs Harbour Terraces Resort. In addition to these projects, our Property Development teams have scheduled to refurbish mock rooms at Port Stephens, Lakes Entrance, Ballarat and Northpoint (Flynn's Beach). These mock rooms are the prelude to a full refurbishment and ensure the proposed interior design and room upgrades are the best offering in terms of quality and value before the commencement of the full refurbishment.

The Club is also budgeting a further \$1.7m for replacement of capital items and the provision of new capital assets across our resort portfolio.

Budget Summary

Worldmark South Pacific Club has again delivered a budget that balances expansion and improvement with strict cost management which will provide a moderate trading surplus for 2017. Any surplus remains in retained earnings which in turn are used for future refurbishments and capital expenditure.

2016 saw the mid-year introduction of our first Club units in South East Asia (Wyndham Sea Pearl Resort, Phuket, Thailand) followed by the acquisition of the Ramada Dinner Plain Resort Mt Hotham in late 2016. The constant expansion of the Club is driven by the need to provide an expanded range of resort offerings to both our current Owners and our new Owners. This expansion delivers improved destination choice for you and ensures a new adventure for you and your family is never far away.

We look forward to helping you make the most of your holiday ownership throughout your resorts in 2017.

