



## PRESIDENT'S REPORT

Fellow Members and Shareholders,

2013 has been the 18<sup>th</sup> year of The Orchard's lifetime, going by the year when our two courses first opened for play. In human terms, an 18 year old would be of legal age by now, able to drive, to vote, and even to get married, although he would more likely be enrolled in college, developing the skills to see him through the rest of his life. Similarly, The Orchard has gotten through its adolescent years, is starting to come to maturity, and has been tested through some bad times, though not enough to overturn the good times that we have had.

We started spectacularly, eliciting raves for our dazzling country club facilities that brought membership share demand to dizzying heights. This culminated in the arrival of international golfing legends to play the memorable Johnnie Walker Classic in 1995 at our Palmer course. Unfortunately, The Orchard soon had to endure, along with the whole country and the rest of Asia, an economic decline at the turn of the millennium that we have only lately started to recover from.

Through all those difficult years, The Orchard not only survived but managed to distinguish itself as one of the best clubs in the country and Asia, receiving in January 2013, its ISO 9001:2008 Certification for Quality Management Systems from SGS United Kingdom Ltd. This is an objective, independent assessment of the work we have done to attain exceptionally high membership satisfaction ratings. Along with this, The Orchard has become one of the most benchmarked clubs in the industry in terms of management philosophy, policies and practices. We have shared these with our fellow golf clubs, yearly hosting local seminars that we open to all club directors, managers and superintendents. We bring in noted international experts to speak on the different areas of golf course maintenance and management, while also sharing our successes and even our failures, in order to better grow this wonderful game.

The Orchard's tight operating and financial controls have resulted in an annual average of over 30 million pesos in positive cash flow. For the last ten years, these in turn have funded over 316 million pesos in capital expenditures and improvements, all intended for the benefit and enjoyment of the club's members.

To our knowledge, this is an unprecedented record of sustained achievement within local, if not regional golf operations. It is an accomplishment that is even more remarkable because these funds were generated without resorting to assessing the members any additional contributions whatsoever.

We view 2013 and the next two years as a pivotal period for The Orchard to face up to more serious challenges that are now starting to impact the country's golf industry. We will need to concern ourselves with power and water issues, with governmental restrictions, regulations and various taxes, and with the effects of the unpredictable and uncontrollable climate changes.

With numerous opportunities as well as threats in the foreseeable future, The Orchard must proactively reinforce our policies and enhance our facilities and services with the versatility to cope with all these eventualities.

We look at three fronts that can generate additional revenue streams for the anticipated government, ecological, and extraordinary expenses inevitably lurking in the wings:

- More members taking more advantage of our programs and our varied activities, and making use of our vast array of facilities more frequently,
- More dependents and their friends and guests regularly participating in our attractions specifically geared for our younger generations, and
- Attracting more external tournaments and tourist bookings during our off days or hours.

As of this writing, The Orchard has finalised reciprocal exchange programs with three global leaders in this field - Mission Hills in China, LeClub in Europe, and Pacific Links in Asia, Australia, and the USA that have, in effect, multiplied accessibility of play for travelling members of The Orchard more than two hundred fold. We will soon have a map in our clubhouse and in our website that will pinpoint all the upscale courses around the world where we are welcome virtually as members.

Our members have been over the moon with delight and anticipation, especially with the recent announcement that all the renowned TPC courses of the US PGA Tour (including TPC Sawgrass with its signature hole, the notorious 17<sup>th</sup> hole island green, that everyone sees during the annual Players Championship) have been added to the premium courses our members can have easy access to in their travels.

Directions such as these inject fresh perspectives and enthusiasm for our present members and perspective applicants. From being primarily just a golf-oriented club for select groups of members, we are trying to make it evolve into one that will be heavily supported by active member families, including dependents, relatives, friends as well as business associates, reversing the downtrend of billable membership from the present total of 2,465 to the 3,000 that comprises full subscription.

The immediate goal will be to start attracting more member families and their guests living in the fast burgeoning villages close to us, so that travel, duration, and frequency of visits are not restrictive. The end view is to draw more dependents to eventually becoming full-fledged members, and to attract these guests to acquiring their own shares.

The Orchard will also need to focus on bolstering its savings and reserves, with a firm eye to expand its current budgets for extraordinary outlays. This war chest will put us in a proactive position to guard against the aforementioned imminent issues that we will eventually be confronted with.

Our gross revenues for 2013 reached 227.7 million pesos, slightly lower than 2012's 229.7 million pesos but, because of lower expenses, our surplus has increased by 5% from 32.1 million pesos to 33.7 million pesos. Our manpower complement has been averaging 285 for the last 5 years from a high of 390 in 2003, with a 40:60 regular employee to contracted staff ratio. Our total golf rounds play has averaged more than 86,000 rounds for the last 5 years, surpassing the one million-mark in less than 12 years -- making us one of the most popular golf courses, without ignoring the need of our members for available prime tee times. Achieving this delicate balance relieves our members of financial burdens and assessments since one third of total rounds played are by green fee-paying guests on non-prime tee time schedules.

The integration of environmental sustainability principles in our operations is of utmost priority for us. We strictly observe minimum water resource disturbance, adhere to judicious use of chemicals and fertilizers, and respect native vegetation and trees. We have long forsaken any commercial revenue from our 80-year old mango trees, dedicating ourselves to preserve them rather than to stress and exploit them. We meticulously try to conserve our fragile biodiversity through conscientious planning and planting of native vegetation and indigenous trees, and painstakingly restoring to health most of our mango trees brought down by passing typhoons.

You may have noticed that this report has been different in form and substance from my reports of the previous years. This time, we have focused on salient factors that will impact the future of The Orchard. We hope to make you aware that, over and above the daily chores of maintaining your course and club facilities, The Orchard is engaged in activities that will affect not only our existence, but also the quality and degree of enjoyment and satisfaction of our members.

In closing, I would like to thank the entire Orchard Management Team, our Board of Directors, and all our Stakeholders who have given their steadfast support and encouragement during these many years. Lastly, to my fellow Members and Shareholders we appreciate your loyalty over these years to our commitment to keep The Orchard always **ABOVE ALL ELSE**.



Conrado Benitez II  
President and CEO

With The Board of Directors  
The Orchard Golf and Country Club

September 13, 2014