



ROYAL BRIGHTON YACHT CLUB INC.

FINANCE REPORT to MEMBERS

**for the 6 months ended
31 December 2020 ("HY21")**

Dear Members

I herewith present the Finance Report to Members for the six months ended 31 December 2020.

During the six months ended December 2020, our Club had to adjust its operating model and financial management in response to the COVID-19 imposed shutdown of the club for all but 2 months of the period. The aim, due to the high level of uncertainty, was to conserve the Club's cashflow, maintain services to members and the Club's assets and to support employees adversely affected by the shutdown. During this period the Club relied on the support from members through prompt payment of membership, hardstand and marina fees and donations; the bank allowing for the deferral of loan repayments and government programs such as JobKeeper, although the Club was ineligible for support for the three months ended December. Without the level of support from all parties, and in particular members, the financial situation of our Club would be far worse than detailed below and I thank everybody involved in ensuring the ongoing viability of our Club.

Financial Performance

The financial performance of the Club for the 6 months ended 31 December 2020, laid out on the following pages, delivered Net Operating Surplus of \$548,000 and a Net Deficit of \$50,000. This is in comparison to Net Operating Surplus of \$155,000 and a Net Deficit of \$410,000 in the corresponding period of 2019.

The Club's revenue declined by \$628,000 compared with the corresponding period last year. The largest fall was, as to be expected, in the Club's catering operations where revenue declined from \$1,441,000 to \$684,000 in the half year ended December 2019 and 2020 respectively. Moreover, November and December 2020 accounted for 85% of catering revenue. Elsewhere, marina and hardstand revenue fell by \$74,000 membership revenue was largely unchanged at \$336,000 and sailing and OTB revenue more than halved to \$80,000. However, in part offsetting the fall in operating revenue was \$230,000 in JobKeeper payments and \$86,000 in additional government support.

In the six months to December 2020, total expenses were \$1,402,000 compared with \$2,424,000 for the corresponding period in 2019. All the main expense categories recorded falls and this reflects the tight cost controls implemented by the General Manager and General Committee. There were significant reductions in employment costs (-38%), cost of goods sold (-47%), operating expenses (-33%) and property related expenses (-54%). Labour costs represent the largest single expenditure at the Club and there continues to be focus on better labour utilisation and cost control. Total employment costs as a percentage of total income are around 40% compared to almost 50% in the six months ended December 2019.

In order to improve financial management, decision-making and transparency, the General Committee is developing a greater understanding of the costs and profitability of the four main activities of the Club namely, Catering, Sailing, Membership and Marina and Hardstand. The Finance Sub-Committee is managing the project and where sensible to do so, revenue and costs will be allocated to these four areas.

As recent events have demonstrated, the pandemic continues to play havoc with the Club's operations and in this environment, improving turnover, control costs and increasing utilisation of the Club's assets, including the marina and clubhouse remain key priorities.

Royal Brighton Yacht Club Inc.

Income & Expenditure Statement*	HY21	HY20	Variance
Six months ended 31 December 2020 ("HY21")	\$'000	\$'000	\$'000
Marina & Hardstand Income (net)	484	558	(74)
Member Subscription Income	336	343	(7)
Bar & Catering Income	684	1,441	(757)
Sailing & OTB Income	80	190	(110)
Yard & Franchisee Income	20	25	(5)
Sponsorship & Donations Income	8	4	4
JobKeeper Wage Subsidy	230	0	230
Other Income	106	17	89
Income	1,950	2,578	(628)
Bar & Catering Cost of Sales	238	450	(212)
Gross Profit	1,712	2,128	(416)
Equipment, Repairs & Maintenance	52	107	(55)
Property, Rent, Rates & Maintenance	111	241	(130)
Sailing Expenses	15	77	(62)
JobKeeper Top Up	114	0	114
Staff Costs & Contractors	664	1,258	(594)
Administration and Other Expenses	209	291	(82)
Expenditure	1,165	1,974	(809)
Net Operating Surplus (before Interest, Depreciation & Amortisation)	548	155	393
Depreciation & Amortisation	553	512	41
Net Interest Expense/ (Income)	45	53	(8)
Net Surplus/(Deficit)	(50)	(410)	360

*Please note that these numbers are in no way reflective of audited financial results but are sourced directly from the management accounts

Catering

It comes as no surprise to report the Club's catering and hospitality operations were badly affected by the pandemic induced shut down. However, it is pleasing to see the sharp rebound in activity as members and patrons returned to the Club following the easing of restrictions. Compared to the September quarter, turnover had increased by more than seven fold in the December quarter and there had been a significant improvement in margins. Nevertheless, revenue was still well below budget.

The table below shows that the Gross Profit Margin for bar and catering operations has fallen to below 13 percent compared with 20 percent for the same period last year. Ordinarily, this would raise concerns, but these were not ordinary times. Where possible, staffing levels were maintained by the payment of the JobKeeper allowance. In total, the Club received a wage subsidy of \$97k through Jobkeeper for hours worked by hospitality staff and when we take this into account the adverse impacts on margins, operating surplus and cash flow are significantly reduced. The other pleasing aspect is that in November and December, the gross margin had returned to around 30%.

Royal Brighton Yacht Club Inc.				Three Months Ended	
Gross Profit - Bar & Catering	HY21	HY20	Variance	Sept 20	Dec 20
Six months ended 31 December 2020 ("HY21")	\$'000	\$'000	\$'000	\$'000	\$'000
Club Bar & Catering Income	639	1,079	(440)	75	564
Private Function Income	46	363	(317)	1	45
Cost of Goods Sold	(238)	(450)	(212)	(38)	(199)
Direct Staff Costs	(356)	(710)	(355)	(111)	(245)
Gross Profit	91	281	(190)	(74)	165
Gross Margin, %	13%	20%	(7%)	(98%)	27%
Jobkeeper Attributable to Catering	97	NA		97	0
Gross Profit Adjusted for Jobkeeper	188	NA		23	165
Gross Margin Adjusted for Jobkeeper, %	27%	NA		30%	27%

Marina & Hardstand, Membership and Sailing

Marina utilisation was lower than last year and this is reflected in income that was 13 percent lower in the six months to 31 December 2020 when compared to the previous corresponding period. Marina occupancy, although improving during the half year, averaged only 74 percent (last year 77 percent) and of the 52 vacancies, 46 were Club owned pens. Hardstand utilisation averaged 94 percent compared with 88 percent last year, while OTB storage was also higher. The trend of improving marina occupancy has continued into the new year.

Despite the end of period membership numbers being largely unchanged at around 1413, membership income was down 2.0 percent in the six months to 31 December 2020 compared with the corresponding period in 2019. This suggests that the change is entirely due to the changing composition of members. As at the 31 December, there were 21 additional senior members, 46 fewer crew and intermediate members and 32 additional non-sailing and junior family members. Despite fears that Club would lose members due to the incessant lockdowns, the opposite has proven to be the case. Membership applications are strong across all categories and in early 2021 the club has been processing a large number of new member enquiries and applications. In January 2021, total membership rose to 1445.

Sailing income was significantly lower as the Club cancelled a number of scheduled regattas and OTB sailing programs and school sailing fees were also lower. However, learn to sail programs such as Tackers, Out There and adult learn to sail classes proved popular resulting in increased participation

and revenue. Commensurate with the reduced level of activity, sailing related costs, including salaries were significantly lower.

Cash Flows

During the six months ended December 2020 the cash balance increased by \$716,000 to \$1,245,000. It should be noted that the cash position at the end of 2019 (HY20) was inflated by around \$1,000,000 as the new loan proceeds had not yet been applied to offset the remaining amounts of the existing loans. A suspension of loan repayments also helped to preserve cash, and although there was \$111,000 of equipment loan repayments during the period, the bank loan repayments, including interest, of \$32,000 per month for the Olympic Restaurant were suspended. There was minimal CAPEX spending.

Royal Brighton Yacht Club Inc.		
Cash Flow*	HY21	HY20
Six months ended 31 December 2020 ("HY21")	\$'000	\$'000
Net Operating Income	548	155
less: Net Interest Expense	(45)	(53)
Net Working Capital (Increase)/Decrease	333	1,000
Net Operating Cash Flow	836	1,101
Payments for other Leasehold Improvements, Plant & Equipment (net of trade-in)	(9)	(80)
Net Investing Cash Flow	(9)	(80)
Bank Loan Drawn - Olympic Restaurant		
Members Loans Net Received/(Repaid)		
Net Equipment Loan Drawn/(Repaid)	(111)	(65)
Net Financing Cash Flow	(111)	(65)
Net Cash Increase/(Decrease)	716	956
Opening Cash + Deposits Balance	529	398
Closing Cash + Deposits Balance	1,245	1,354

*Please note that these numbers are in no way reflective of audited financial results but are sourced directly from the management accounts

Capital Expenditure

Capital expenditure in the six months to 31 December 2020 totalled \$8,509 for the following items

Installation of mobile gateway in the lift	\$2,380
Purchase from Norton Engineering	\$2,376
Couch for Members' Bar	\$1,813
Glass for Cabinets	\$1,440
Computer Monitor and Amplifier	\$499

Financial Position

Members' funds increased in the half-year to December as a result of the lower net operating deficit. Other notable changes were a reduction in debtors and creditors. Comparisons with last year are difficult due to the changes in the marina and hardstand billing cycle and that the Club's cash position and liabilities at the end of December 2019 were temporarily inflated by around \$1,000,000, Allowing for this, the cash position was significantly higher than a year ago.

Royal Brighton Yacht Club Inc.		
Balance Sheet*	Dec-20	Dec-19
As at 31 December 2020	\$'000	\$'000
Cash & Deposits	1,245	1,353
Debtors & Prepayments	362	422
Inventories	91	85
Total Current Assets	1,698	1,860
Plant & Equipment	7,252	7,457
Intangibles		1
Total Non-Current Assets	7,252	7,458
TOTAL ASSETS	8,950	9,318
LIABILITIES		
Creditors	369	622
Provisions	150	175
Bank Loans	1,355	2,393
Equipment Loans & Premium Funding	121	163
Deferred Income	1,955	1,169
TOTAL LIABILITIES	3,950	4,522
NET ASSETS	5,000	4,796
Accumulated Surplus	4,830	4,986
Yachting Foundation	18	18
Members' Reserve	202	202
Net Surplus/(Deficit) for Period	(50)	(410)
MEMBERS' FUNDS	5,000	4,796

*Please note that these numbers are in no way reflective of audited financial results but are sourced directly from the management accounts

Conclusion

The Club's operations to date appear to have successfully navigated the various challenges imposed by the COVID-19 pandemic. The strategy to conserve cash has seen loan repayments and CAPEX put on hold, while the Club has benefitted from substantial government assistance including JobKeeper and a number of State Government programs. However, all this will soon end with loan repayments resuming, JobKeeper unlikely to continue beyond the end of March and the Club undertaking some much needed capital improvements. While Victoria continues to record zero COVID-19 cases, recent events at the Club show how quickly the situation can change. Continually improving the financial and operating performance to build resilience remains the key challenge for the General Committee, management and the focus remains on improving turnover and/or improving the cost performance against a less than friendly external environment.

Yours sincerely

Peter Demura
Honorary Treasurer
5 March 2021

Note: All figures presented in this report are based on management accounts and have not been audited.