



# BLAIRGOWRIE

## YACHT SQUADRON INC.

Reg. No. A0023156G ABN 64 825 467 219



## 2025 Annual Finance Report

### Executive Summary

The club's **operating result** was \$464k, up from \$285k last year and was ahead of budget. The result reflected stable membership numbers, a stable F&B result, reduced personnel costs outside F&B, and the absence of a number of one-off costs in the prior year.

Ignoring the COVID years, this is a record for the club. Our primary two revenue sources - membership fees and rental income from the club berths in the harbour contribute broadly equal amounts, but the latter has shown the strongest growth with both higher occupancy and rental rates in recent years.

Our robust revenue has given the club the ability to invest strongly in a broad range of benefits for our members, the sport of sailing, and our local community. We have invested strongly in recent years in building up our sailing department resources and patrol boat fleet to underpin our racing, training and regattas. Since 2017 we have spent \$0.6m on new patrol boats and engines, and \$0.3m on club sailing boats. In turn we continue to underwrite our Food & Beverage operations to provide members with a year-round bistro, with a well-priced menu with appealing favorites and specials. We have also spent \$0.3m over the past 2 years renovating the Southern Waters Room and Racing Lounge. We put on a broad range of good value events across the year to further cement our commitment to family, friendship and sailing. We support our local community through a broad range of contributions and services.

The results of the **F&B** area always prove to be of interest each year. We saw improved member patronage, but this was partially offset by the impact of having reduced food prices. Our peak weeks saw 3 days with over \$30k of turnover which was a club record. Function revenue declined significantly as the club looks to reduce the number of weddings in peak periods. Food costs were reduced with improved purchasing processes. Casual staff costs increased given greater levels of table service, more seasonality across the year, and an elevated casual component to cover for the period while there was no Clubhouse Manager.

**Cash levels** climbed \$0.35m to \$6.6m (including the Harbour CRM fund of \$0.74m). This reflected the impact of the operating surplus, 2 berth licence sales totaling \$0.3m, and interest received of \$318k – offsetting capex of \$0.3m and \$0.4m for the Harbour Remediation project.

As was foreshadowed at last year's AGM, we are moving into an era which will require substantially increased levels of expenditure on the upkeep of the marina with it now in its 25<sup>th</sup> year. We are projecting **potential funding needs for harbour works** over the next 7

years of up to **\$8m** which will substantially call upon the existing healthy cash position. Our clubhouse too is reaching its 10-year anniversary and we're increasingly seeing the need for more and more spending as equipment and fixtures need replacement, repairs or renovation. Insurance premium costs of course are also consistently climbing. This all underwrites our decision to not invest any of the funds into 'Growth' assets with their associated long investment horizons and greater potential volatility. As a result, our surplus cash is currently fully held on Term Deposit – although this remains under review.

**Looking ahead** we see some softness in revenue given the present subdued consumer confidence. This could see a higher level of resignations and a reduced level of new member applications. We might also see some dip in occupancy levels for the club-controlled marina berths, and in demand for the bistro, sail training and slipping.

### Overview of the 2025 Result

*BYS reports 2 measures within our Profit & Loss – our operating result and the total surplus. The former excludes 4 significant items which are not part of our normal operations – the amortised income from berth licences written between 2015 and 2022 (which from a cash perspective were primarily used to fund the marina extension and the clubhouse), depreciation, interest received and the harbour remediation project costs.*

The 2025 operating result was a surplus of \$464k which compared with a 2024 result of \$285k. The result was quite well ahead of our budget. Below is a summary of the major contributors to the movement in the operating result:

Our **membership** levels held up well, with an overall decline of about 1% which was considered a respectable outcome given the current economic uncertainties. Overall membership fee income was up \$62k over 2024, of which \$40k was due to the fee increase. Joining fees re new members were steady at 2024 levels, whilst resignations were a little lower.

The **F&B** result improved slightly this year. As discussed further below, this was a mix of improved member revenue and volumes offsetting reduced weddings. Improved food margins offset higher casual wages.

Overall **personnel costs** (including F&B) increased only marginally by \$11k (0.5%), reflecting CPI increases being offset by the impact of several unfilled permanent positions, staff on leave without pay, better utilization of sail training staff, and one-off costs in the prior year.

The **previous year** had a number of non-personnel **one-off costs** totaling \$70k including IT and building consultants, legal fees, website development, a significant refurbishing of our J70 fleet, and our sailing software.

**R&M costs** on the clubhouse grew significantly as the building moves away from being 'new'. Costs increased by \$38k, with the biggest cost being associated with the 3 lifts as well as ensuring our building meets all necessary regulations.

## **BYS support for sailing**

Supporting sailing is at the absolute core of BYS. We see it in 3 key areas – our comprehensive sail training program, our year-round racing program for both dinghies and keel boats, and the broad extent of regattas that we host each year.

In the past year, we supported these activities with some \$340k of funding, in addition to the large investment we have made in our patrol boat and club J70 and Pacer fleets.

Regattas are a key means of show-casing BYS, supporting the sport, and giving our sailors the opportunity to sail big events in their own waters. In the next two years we will see the club hosting both national and world championships for the International Aero class, in addition to the annual Petersville Keel Boat Regatta and the women's and youth J70 regattas that we conduct.

## **F&B Trading Result**

A great club is one that successfully blends its 'on-field and off-field' components to create a special place for its members. At BYS our bar, bistro and social events are where the 'family and friendship' joins the sailing tour to create the overall BYS experience.

This year we saw \$58k growth in member revenue. The numbers of meals served in 2025 were up 15% for the year vs a 10% increase in bistro revenue – i.e. more meals and activity with a lower price point.

Offsetting this was a \$72k fall in function and wedding revenue, which is a decision made by the club so as to ensure that club facilities are available to our members during our peak summer sailing season.

We saw a significant improvement in food costs this year which went against the trend of inflationary raw material costs. The management team achieved this through better food purchasing strategies and ensuring we are using produce purchased for the best possible price. We have also moved to a free-market approach where the team are encouraged to source produce from multiple suppliers rather than locking into fixed arrangements with one supplier.

Front of House (FOH) wage costs were up this year due to a number of contributing factors - including the greater levels of seasonality in the first three months of trading than we've seen in the past, greater levels of new staff needing training in preparing for the summer season, increased level of training for 'table service' in January as this is only required for one month of the year and requires new skills each year in the SWR, an increased casual component to cover for vacancies in the Clubhouse Management role, and a general increase in volumes of meals served in 2025 than the previous year.

## **Membership fee increase**

Membership fee increases of 4% for 25/26 were approved by members at the April EGM. The Executive Committee takes into account a variety of factors when recommending fees each year, with the CPI and projected award wage increases being among them. BYS fee setting has stabilised following the big disruptions to the club during the Covid years (when we cut our fees), and it is noteworthy that when measured from the last fee levels approved pre Covid (Jan 2019) vs currently – BYS fees have increased by 21% vs CPI up 22%.

In setting fees for the current year, the EC took into account a number of cost pressures that we are facing, including:

- Award wage increases of 5.75% in July 23, 3.75% in July 24 and 3.5% in July 25
- The significant increases in our Building Repair & Maintenance costs as our clubhouse has moved from no longer being new.
- Insurance premium increases running well above inflation.
- Investment in our sailing staff numbers, and numbers of patrol boats and J70's.

### Cash reserves

Our cash reserves as at 30 April were:

Term Deposits	\$6,066,525 (including CRM fund \$0.75m)
Investment account	\$415,000
Trading account	\$103,000
Cash	\$7,000
<b>Total</b>	<b>\$6,592,238 (April 2024: \$6,245,048)</b>

The increase in cash this year reflects the sum of our operating surplus of \$0.45m plus interest received \$0.3m plus proceeds from 2 berth licence renewals \$0.3m; offset by our capex of \$0.3m and cost of harbour remediation works \$0.4m.

Interest received for the year was \$318k, up \$38k on the prior year. (This includes amounts attributable to the CRM fund). This increase was partly due to a slightly higher average RBA cash rate this year, but also a decision to keep a higher average level of our cash holdings on term deposit throughout the year.

### The origins and future of our healthy cash position

Drawing on some history - in the months after opening the marina extension and clubhouse in 2015 we had taken out a bank loan, and in 2016 this stood at \$1.65m. In the years that followed we sold quite a number of long-term berth licences and were able to repay the loan. By 2019 we had a small net cash surplus in addition to the Harbour Capital Repair & Maintenance Fund (CRM).

Our finances changed significantly in the 2020 to 2022 period. In 2020 we received \$1.8m from the final instalment of berth licence extension agreements entered into in 2015. In 2022 we received \$2.4m from the roll-over of existing expired long-term licences. Together with Government Covid support and interest received it has led to most of our present cash balance.

Most would be aware that the club raised \$24m from the sale and extension of long-term licences in 2015, and this cash was used to construct the harbour extension and the new clubhouse.

We do not have any long-term licences maturing until 2032, and so we are unlikely to see any significant inflows for the next 7 years. In the interim, we are facing growing commitments in relation to our harbour. Members approved a \$3m spend last year on a program of remediation works funded by the club. It is likely that there will be further capital

replacement works needed in the years that follow this – in areas such as wave walls, bollards, service mains, handrails and more. These may amount to as much as a **further \$5m in the next 6 years**. Together, this expenditure may well consume a solid portion of our current cash reserves in this period.

In the meantime. We are keeping the funds on Term Deposit and in so doing preserving the capital value of our reserves whilst interest rates are above the rate of inflation. Given the likely funding needs from the harbour over coming years– we have decided against placing any of the funds into ‘Growth’ assets with their associated long investment horizons and greater potential volatility.

The Executive Committee (with the AFR) reviews the forward cashflows and when it determines an investable amount it will seek guidance from the BYS Investment Committee as to appropriate investments in the context of return rates and investment timelines. It is the Executive Committees determination that all investments be Capital Guaranteed.

### **Capital Expenditure**

We spent \$285k on capex. The main item has been \$168k on the renovation works of the Southern Waters Room and Racing Lounge including the new tables and chairs plus the remodeling of the former bbq area on the deck. A deposit has also been paid on the new hard-stand crane. The remainder was made up of an assortment of miscellaneous equipment, IT and sailing dept assets.

### **Harbour remediation project**

At the 2024 AGM, members approved a motion to spend \$3m over 3 years for a project of capital repairs, maintenance and replacement in relation to the marina. The main components of this consist of pile repairs, new through-rods, concrete repairs, replacement of knee brackets and replacement of handrails. Costs are being treated as non-operating expenditure in the Profit & Loss.

Post the 2024 AGM, a total of \$0.4m has been expended to date with the main focus areas being through rods and knee brackets. Costs mainly take the form of BYS managed labour and purchased parts.

### **Management of the berths in the harbour**

The club has 330 berths in our marina, and of these around 36 are retained for short term rentals for visitors, 62 are rented out for terms currently between 1 and 3 years, and the remainder are on long term licences out to 2032, 2036 and 2041. The 62 ‘rental’ berths are currently 100% rented out.

Since COVID, we have seen substantial increases in the value at which long term licences trade in the secondary market – but then some easing back as property prices have cooled in the past year or two. We have now returned to our preferred position where our shorter-term rental rates are priced *above* the leasing rates for long-term berths.

Other than the short-term visitor’ berths, we are presented with substantial choices regarding optimizing the mix of berth maturity dates.

Given the number of long-term licence berths that returned to the club in 2022, we have a historically high level of club berths at present and in the past year we successfully converted two back to long term licences. We have sent an Expression of Interest to existing Licence holders seeking an understanding about their willingness or desire to extend, this will provide some insight as to the potential and on going demand for long term berth occupancy.

We will next be reviewing the berth rental rates for club and visitor berths mid-year, and our expectations are that the market rates will likely result in minimal increases if any.

### **Management of our Food & Beverage offerings**

Our bar and bistro are an integral part of club life at BYS. We are fortunate that we have the financial resources to be able to offer this year-round; and on both race and non-race days, despite the typical \$0.1m to \$0.2m annual cost of under-writing this part of the club.

Our F&B operations are incredibly seasonal. We had for example 3 days in late Dec / early January with over \$30,000 of daily takings. That's as much as we do in 2 weeks in winter, and it makes it a complex operation to have high levels of trained casual staff available for these short bursts. Rainy days are not our friends at these times!

From time to time some members question why we don't manage the food & beverage operations so as to break-even. This would of course be possible, and yet member feedback consistently tells us that the steps that would need to be taken are not what members want to happen. We therefore have dialed back the level of weddings significantly which, despite the revenue they can bring, are inconvenient to members, and are not regarded as part of being primarily 'here for the members'. Additionally, we keep our prices down to levels that are distinctly lower than many commercial places on the Peninsula so as to encourage member participation. We have also avoided the temptation to outsource the operations with all the loss of control that would come with it. And finally – we accept the cost of staying open in the quiet winter months as an integral part of our membership offering.

The food & beverage area at BYS had been one that has required considerable focus from management over the years. We are not isolated from the issues of the tight hospitality market on the Peninsula. It's been a relief though that we've got to a situation now with a great team in the kitchen, and a young but committed, respected and experienced Front of House team.

### **Our IT systems**

Few of our members would be aware of the range of IT applications that are needed to operate BYS: Our key software used are: *Membership and Accounting* – Micropower, *F&B* – Swiftpos, *Marina* – Marina Master, *Sailing* – Revsport and Sailing Results. *Payroll* – Xero, *Staff Rostering* – Deputy

The club undertook an extensive review/roadmap of all systems in 2021, and more recently an independent review in 2023. The biggest development that came from that was the move to Marina Master in 2022 which has dramatically improved our ability to manage the marina. It has taken several years to properly bed it down as it was fairly new software and we have had a very collaborative relationship with the European firm as we de-bugged the system and improved its functionality.

We have also had great success in advancing our use of Deputy for both the rostering and time management of our many casual staff across the F&B and sail training areas.

The locally developed 'Sailing Results' software has also been progressively improved and does a good job pulling together a range of areas associated with our race management.

Our next step will be a much more automated accounts payable system, and this should be in place in the new financial year.

Our biggest challenge though remains our membership system. By itself, a membership system is not complex, and reasonable locally supported options are available. The difficult part is connectivity with our key sailing, marina and F&B systems. Our long-term objective is to have a system where our membership system interfaces extensively with our sailing, sail training and volunteer systems and ideally our F&B and marina systems as well. This would permit us to have a much deeper understanding of our membership at both the individual as well as 'big picture' levels. Unfortunately, there is no existing software product that does this well – the market for comprehensive English language, locally supported, sailing club software appears non-existent; however, we are consistently exploring various options when they become available. Indeed, the Club has embarked on a collaborative approach with like-clubs both around the bay as well as interstate as all are facing similar challenges with a lack of real alternatives in what is a niche market. The search will continue as this is a long-term objective of the Club.

### **Optimising our suppliers**

We are completing our 2<sup>nd</sup> year of a significant review of our key suppliers with us having gone to the market in a number of areas. We have new marina insurance underwriters, new IT service providers, new cleaning contractors, new Electricity provider, rationalized beverage suppliers, and food suppliers particularly in the larger accounts such as meat and fish suppliers. We're also successfully employing a fair amount of the labour associated with the harbour remediation project which has successfully capped our costs.

### **Management of the harbour**

The annual cost of operating the harbour is recovered from the 330 berth-holders (including those retained by BYS) by means of quarterly service charges on a 'break-even' basis.

Operating costs exclude those being paid by BYS for capital repairs and maintenance works under the \$3m remediation project.

Service charges were increased in August 2024 by 15% to reflect the projected above CPI increases in 3 key areas – insurance, operational R&M, and contributions to the CRM fund to cover the costs of sand management and larger R&M costs not covered by the scope of the remediation project. The importance of a robust preventative maintenance program was a key outcome of the AW Marine independent review conducted of the marina last year.

The Balance of the CRM fund – used to fund all sand relocation costs as well as larger R&M costs (excluding costs paid for by BYS via the Remediation Project) grew as follows:

<b>Fund Opening Balance (May24)</b>	<b>\$686,003</b>
Berth-lessee contributions forming part of service charges	\$208,274
Interest Credited from investment of the fund	\$33,200
Sand Dredging costs applied against fund	(\$167,376)
Other Repair Costs	(\$21,506)
<b>Fund Closing Balance (Apr25)</b>	<b>\$738,595</b>

### **Insurance**

We've undertaken a lot of scrutiny this year in relation to the insurance coverage over the club's assets and operations. Like most, we are seeing an on-going increase in premiums as the higher costs of claims from climate change and increased building costs are passed on by insurers. During the year we:

- changed our main marina underwriter which had the benefit of consolidating the marina coverage into a single policy;
- introduced additional protection for loss of revenue should an insurance event impact the harbour;
- Increased the limit for the amount of cover for damage caused by action of the sea; and
- significantly increased the total amount of coverage for both the marina and the clubhouse to reflect contemporary valuations.

### **The club's community contributions**

BYS understands and appreciates the important role we play as a member of our local and broader community and the importance of 'giving back'. Our contributions take many forms including:

- our Sailability offering for disabled and older members of the community;
- the free provision of premises and facilities for Southern Peninsula Rescue;
- free facilities for local groups including Rotary and Men's Shed for meetings and yoga
- continuing rejuvenation of the sand on the 'dog beach' to out west;
- support for local artists through the Art Show;
- donations to selected worthy causes;
- financial contribution to the Indigenous peoples of the region;
- supporting sailing programs at local schools;
- our annual Pink Day that raises considerable sums for local charities; and
- our strong support of youth and women's sailing events.

## **The year ahead**

The club is budgeting in the year ahead for some softness in revenue given the present subdued consumer confidence. If this transpires it might see a higher level of resignations and a reduced level of new member applications. We might also see some dip in occupancy levels for the club-controlled marina berths, and in demand for the bistro, sail training and slipping.

We are expecting a continuation of higher maintenance costs for the clubhouse as the building ages, and also for double-digit increases in insurance premiums.

We intend to fully maintain member services and amenities and our comprehensive support of the club's sailing program.

**BYS Executive Committee and the Audit & Financial Risk Committee**

**June 2025**