



## FINANCE COMMITTEE REPORT, APRIL 2018

The Commentary that follows is based upon the Consolidated Management Accounts for the year ended 31 December 2017 for Hillhead High School War Memorial Trust Limited (“HHSWMT”) (trading as Hillhead Sports Club) and its wholly owned trading subsidiary Hughenden Services Limited (“HSL”).

HSL was incorporated on 31 March 2016. All income generated from the property at 32 Hughenden Road is now generated and reported through HSL in order to comply with changes introduced by HMRC regarding the level of property income that can be generated by HHSWMT as a registered Community Amateur Sports Club (“CASC”).

Following the establishment of HSL two sets of Statutory Accounts are now prepared - one for HHSWMT and one for HSL. However, to enable a comparison year on year for members the consolidated management accounts, that include the results of both entities, have been used for the purpose of this commentary.

The total turnover for the year was up on last year at £303,752 (2016: £269,403). Amounts totalling £38,107 (2016: £6,925) were received as donations towards the new tennis courts in 2017 and towards the spectator stand and new cricket cabin in 2016. Excluding these amounts the underlying turnover for 2017 was £265,645 (2016: £262,478) a modest increase of just 1%.

Operating expenditure (excluding finance costs and depreciation) for the year was £225,547 representing an increase of £3,272 or 1.5% on last year (2016: £222,275). The key drivers for this increase were:-

- Water charges [included within the category Water/NDR/Insurance] - costs rose from £10,117 to £15,560 and this negated the savings made on our insurance premiums and marginally lower NDR charges this year. As a result the total costs for this category rose from £28,326 last year to £31,126 in 2017, a net increase of £2,800.
- Light, heat and telephony - costs fell by £1,829 reflecting savings made on our gas charges which were renegotiated during the period and were fixed at a lower charge/unit at the time of the renewal. These savings compensated for higher electricity costs for the building and floodlights.
- Professional fees - costs fell from £14,437 in 2016 to £12,964 in 2017 a reduction of £1,473. Last year had one off expenditure associated with taking professional advice regarding the new HMRC legislation surrounding the level of property income that can be generated by CASC's and the subsequent establishment of HSL that amounted to some £4,400 that was non-recurring in 2017. This year had additional expenditure for PR services that amounted to £1,060 (2016:£nil) and additional accounting fees for some £1,970 for work associated with determining and subsequently chasing and recovering outstanding membership fees across all sections of the Club's activities.
- Upkeep of the grounds - costs fell by £4,330. The labour components fell by £5,720 to £24,000 (2016: £29,720), following the establishment of a fixed price contract towards the end of 2016, with all other grounds costs increasing by £1,390. In 2017 “one-off” costs were incurred for remedial works to the cricket square however other non-recurring costs were incurred in 2016 for tree surgery around the grounds and additional drainage works.
- Upkeep of the Clubhouse - costs increased by £4,954 or some 8% year on year. Repairs and maintenance costs increased by £5,446 as a result of specific remedial work on the fire extinguishers, taps in the washrooms and radiator TRV's together with replacement of a broken window in the Bobby low room.

As a result, underlying EBITDA (“Earnings before interest/bank charges, tax, depreciation and amortisation”), excluding the impact of the tennis court, stand and cricket cabin donations, was stable year on year at £37,794 (2016 - £37,795).

Finance costs for the year were up to £4,094 (2016: £2,961). This increase is due to the implementation of a new membership system late in 2017 resulting in an increase in the license fees payable monthly for the additional functionality the system offers and higher BACS processing charges to collect membership fees for those members choosing to pay by monthly direct debit.

Depreciation charges for the year were up from last year at £34,416 (2016: £28,254) mainly as a result of the additional depreciation charges for the new tennis courts.

As a result, the surplus for the financial year, before corporation tax, was £37,391 (2016: £13,505). Excluding the impact of the tennis court, stand and cricket cabin donations the underlying result was a small deficit for the year of £(716) (2016: surplus £6,580).

Capital expenditure for 2017 totalled £138,861. The most significant investment being the refurbishment of all six tennis courts at a cost of some £118,000. This was funded by a combination of utilising HHSWMT's existing cash reserves, fundraising from the tennis section, a grant from Tennis Scotland and an interest free loan from the Lawn Tennis Association ("LTA") for the balance of £64,255 which will be repaid by HHSWMT over the next ten years with repayments commencing in March 2018.

The Club ended the year with cash balances of £49,559 (2016: £53,278).

To summarise progress continues to be made. The financial objectives for 2018 remain - to maximise our potential income streams, maintain a tight control over our cost base and build our cash reserves to enable us to invest and improve further the facilities offered at Hughenden.



**Chair and Finance Director**

**HSC Finance Committee – April 2018**

**HILLHEAD HIGH SCHOOL WAR MEMORIAL TRUST LIMITED**

**CONSOLIDATED INCOME AND EXPENDITURE (INCLUDING ITS SUBSIDIARY – HUGHENDEN SERVICES LTD) BASED UPON MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017**

	£	2017 £	£	2016 £
<b>Turnover</b>				
Members subscriptions	126,589		123,096	
Donations - tennis courts (2017) spectator stand & cricket cabin (2016)	38,107		6,925	
Other donations	-		54	
Rents	85,734		88,427	
Hall hire	19,705		17,907	
Café Source service charges	24,716		25,611	
GCC Community Sports Club income	1,696		-	
Tennis court hire	1,915		1,866	
Other ground hires	5,290		5,517	
		<hr/> 303,752	<hr/>	269,403
<b>Cost of sales</b>				
Reception & furniture charges	3,852		3,956	
		<hr/>	<hr/>	
<b>GROSS SURPLUS</b>		<hr/> 299,900		<hr/> 265,447
<b>Other income</b>				
Lottery award release	1,548		1,548	
		<hr/> 1,548	<hr/>	1,548
		<hr/> 301,448	<hr/>	<hr/> 266,995
<b>Expenditure</b>				
Water and Non Domestic Rates & insurance	31,126		28,326	
Light, heat & telephone	44,554		46,383	
Upkeep of clubhouse	69,550		64,596	
Upkeep of grounds	50,340		54,670	
Contribution to section expenses	6,627		3,445	
Irrecoverable VAT - Rugby Club	1,633		1,581	
Stationery, marketing and sundries	3,522		3,837	
Professional fees	12,964		14,437	
Auditors' remuneration	4,713		5,000	
		<hr/> 225,547	<hr/>	222,275
Carried forward		<hr/> 75,901	<hr/>	<hr/> 44,720

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CONSOLIDATED INCOME AND EXPENDITURE (INCLUDING ITS SUBSIDIARY – HUGHENDEN SERVICES LTD) BASED UPON MANAGEMENT ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

	£	2017 £	£	2016 £
Brought forward		75,901		44,720
<b>Finance costs</b>				
Bank charges	4,094		2,961	
		<u>4,094</u>	<u>2,961</u>	2,961
			71,807	<u>41,759</u>
<b>Depreciation</b>				
Clubhouse and grounds	18,261		17,901	
Spectator stand	3,622		3,622	
Fixtures and fittings	6,049		6,240	
New Tennis Courts	5,868		-	
Gym equipment	616		491	
		<u>34,416</u>	<u>28,254</u>	
<b>SURPLUS BEFORE CORPORATION TAX</b>		<u>37,391</u>		<u>13,505</u>