



## FINANCE COMMITTEE REPORT, MAY 2019

The Commentary that follows is based upon the Consolidated Management Accounts for the year ended 31 December 2018 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 down on last year at £261,628 (2017: £303,752). Amounts totalling £38,107 were received as donations towards the new tennis courts in 2017. Excluding these amounts the underlying turnover for 2017 was £265,645 representing a modest decrease of £4,017 or 1.5%.

Operating expenditure (excluding finance costs and depreciation) for the year was £232,661 representing an increase of £7,114 or 3.2% on last year (2017: £225,547). The key drivers for this increase were:-

- Water charges [included within the category Water/NDR/Insurance] - costs rose from £15,560 to £18,752 and represented the principal reason for the total costs for this category rising from £31,126 last year to £35,102 in 2018, an increase of £3,976. The board has undertaken exhaustive investigations into the reason for the increase in 2017 & 2018 and located two separate underground leaks in the pipework that have now been repaired. As a result, we anticipate that the water charges should fall in 2019.
- Light, heat and telephony - costs were broadly stable year on year at £45,046 for 2018 compared to £44,554 for 2017.
- Professional fees - costs rose from £12,964 in 2017 to £16,838 in 2018 representing an increase of £3,874. In 2018 the Club has brought onboard, in a paid capacity, a membership secretary and someone responsible for coordinating all of the hall hires, gym classes and Community hub activities. These two roles contributed £5,220 to the observed increase in costs. Partially offsetting this was savings made from discontinuing the PR activities that were undertaken in 2017 for £1,060.
- Upkeep of the grounds - costs fell by £1,813 to £48,527 (2017- £50,340). In 2017 “one-off” costs were incurred for remedial works to the cricket square that amounted to £3,500 and this non-recurring expense in 2018 compensated for other net cost increases across the remaining grounds cost categories.
- Upkeep of the Clubhouse - costs fell by £1,385 or some 2% to £68,683 (2017 - £70,068). Repairs and maintenance costs fell by some £2,000 as a result of specific remedial work undertaken in 2017 on the fire extinguishers, taps in the washrooms and radiator TRV’s together with replacement of a broken window in the Bobby low room. This saving compensated for other net cost increases across a variety of categories.

As a result, underlying EBITDA (“Earnings before interest/bank related charges, tax, depreciation and amortisation”), excluding the impact of the tennis court donations, was down year on year at £26,493 (2017 - £37,794).

Finance and related costs for the year were up to £8,086 (2017: £4,094). This increase is principally 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. In addition, in 2018 finance lease interest charges were incurred for £217 for the new tractor (see below).

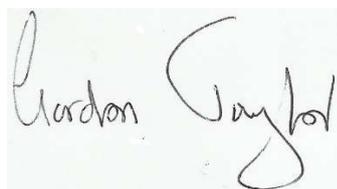
Depreciation charges for the year were up from last year at £40,469 (2017: £34,416) mainly as a result of the additional depreciation charges for the new tennis courts. A full year's depreciation is included in 2018 compared to six months in 2017 following their completion in the summer of 2017.

As a result, a deficit was reported for the financial year, before corporation tax, of £(22,062) (2017: surplus £37,391). Excluding the impact of the tennis court donations the underlying result for 2017 was a small deficit for the year of £(716).

Capital expenditure for 2018 totalled £32,780. The most significant investment being the new tractor that has been purchased under a three-year finance lease term.

The Club ended the year with cash balances of £55,814 (2017: £49,559). Some of this cash is set aside in a separate "sinking fund" bank account to comply with the requirements of the LTA Tennis Court Interest free loan and also for the Trusts committed expenditure towards the investment in 2019 in the Cricket Clubs new practice net facility.

To summarise 2018 has been a more challenging year for the Club and inflationary cost pressures remain. The financial objectives for 2019 remain unchanged - to maximise our potential income streams, maintain a tight control over our cost base and endeavour to build our non-committed cash reserves to enable us to invest and improve further the facilities offered at Hughenden.

A handwritten signature in black ink on a light blue background. The signature reads "Gordon Taylor" in a cursive, slightly slanted script.

**HSC Finance Director – May 2019**