

DIRECTORS' REPORT – June 2023

During the period since the last year's AGM, the Board has been focusing on increasing revenues and controlling costs in anticipation of a significant increase in our utility costs when our fixed price contracts came to an end in 2023. In common with most businesses we are also facing significant increases in all other costs.

Our expenditure on electricity and gas prior to Covid net of recharges to Café Source Too was around £35,000 per annum of which £28,000 related to electricity and £7,000 to gas. Our electricity contract ended on 31 January 2023 and from this time last year though to late December 2022 we received renewal quotes which were between 4 times and 6 times our existing tariff. We were therefore facing an increase in electricity costs of between £80,000 and £140,000 per annum.

We were very fortunate that wholesale electricity prices started to fall in December 2022 through January 2023 and suppliers started to reduce prices albeit with a considerable lag. We therefore held off fixing our electricity contract until late January when we were able to secure a tariff 2.5 times our existing tariff. Based on our historic consumption at the new tariff, our electricity costs would have been expected to increase by around £42,000 to £70,000 per annum in 2023.

Actions have been taken to reduce consumption commencing with the installation of LED floodlights for the tennis courts in December 2021 and for the external lights around the clubhouse in April 2022. Meters have been installed on each of the main circuits within the clubhouse and further actions taken to reduce consumption based on the information now available. As a result of these efforts, we expect our electricity consumption for 2023 to be down by at least 30% on last year resulting in our electricity costs increasing by around £21,000 rather than £42,000 this year.

Our fixed price gas contract ends on 31 July 2023 and we are now focusing on actions we might take to reduce our gas consumption.

As commented on in further detail in the Finance Director's report, we are pleased to report that our revenues recovered back to pre Covid levels in 2022 and we achieved an overall surplus of £16,156 compared to a deficit last year of £6,300. We renegotiated the rental agreement for the telecoms mast during 2022 including a retrospective increase in rental dating back to 2014 and totalling £13,341. Income from Café Source Too was up from £46,345 to £54,890 in 2022 and we renegotiated certain aspects of their lease agreement during the early part of 2023.

In the face of the significant increase in utility costs, we undertook a review of our subscription rates which had not been increased since 2016. Following consultation with the sporting sections, revised subscription rates were implemented as of 1 January 2023. This coincided with the implementation of a new subscription system and we would like to thank Eddie Gallagher and Lizzie Miller, our current and former membership secretaries for their efforts in relation the implementation of the new subscription rates and the new system.

Our membership numbers had grown significantly during 2021 and 2022 were around 875 in total this time last year comprising just over 500 adult playing members, 250 under 18's, 100 non-playing members and 20 life members. The increase in subscription rates inevitably led to a loss of members however this has recovered over the last few months and we currently have around 810 members comprising 480 adult playing members, 240 under 18's, 70 non playing members and 20 life members. We are currently forecasting that revenue from membership subscriptions will be up by around £20,000 in 2023 compared to 2022.

A challenge for the Board and the sections is how we might continue to increase membership numbers within the physical constraints of the facilities which we have available. It remains our intention to develop a long-term strategic plan for the club as a whole which is aligned with the long-term plans and objectives of our individual sections. This will allow us to prioritise and plan further investment in our clubhouse and playing facilities to maximise the opportunities for adults and children of all levels to participate in sport at our club.

Critical to our strategic plan is ensuring that the club remains financially viable. The increase in subscription income and forecast increases in other sources of income in 2023 is insufficient to cover our increasing costs and loan repayments and we are currently forecasting a cash flow deficit for 2023 of around £30,000. While we have sufficient cash reserves to absorb this in the short term, it is clearly unsustainable. There is limited scope to reduce costs without impacting on the quality of our facilities and our focus is therefore on generating additional revenues and maximising the utilisation of our facilities in whatever way we can.

Our Board membership comprised seven directors for the majority of the period since our last AGM. Gordon Taylor recently decided to step down from the Board and we would like to thank Gordon for his extensive service to Club as a director from 2008 to 2020, the last two years as Chairman, and again from November 2021 to April 2023. We are delighted that Gordon Buchan and David Byrne have agreed to join the Board and they will be put forward for election at this year's AGM taking the total number of directors to eight. Three vacancies remain and we would be delighted to hear from any member who is interested in supporting the club by joining the Board.

Last year was the centenary of the formation of Hillhead High School War Memorial Trust and we were pleased to mark this occasion with a memorial service held in the clubhouse on 13 November 2022. Next year marks the centenary of the opening of Hughenden and we hope to organise a number of events in conjunction with the sections to celebrate.

Finally, we would like to thank all of the volunteers within each of the sporting sections for their hard work in ensuring the smooth running of their section and therefore of the club as whole. It is easy to forget given the scale of our club that it is run entirely by volunteers supported only by a small part time operations team and all of their efforts are very much appreciated.

Alan Wilson

On behalf of the Board of Hillhead High School War Memorial Trust Limited

5 June 2023

FINANCE DIRECTOR'S REPORT – June 2023

Introduction

This report is based on the consolidated accounts of Hillhead High School War Memorial Trust Limited ("HHSWMT") and its wholly owned trading subsidiary, Hughenden Services Limited ("HSL") for the year ended 31 December 2022 which are shown in Appendix A.

Net surplus before grants, donations and other non-recurring income

We achieved a net surplus before grants, donations and other non-recurring income of £25,207 (2020: deficit of £22,795) representing an improvement of £48,002. This was due to our income of £263,485 (2021: £213,926) increasing back to pre lockdown levels while our expenditure of £238,278 (2021: £236,721) remained broadly in line with last year.

Income

We have three principal sources of income – subscriptions, Café Source Too ("CST") and hire of the clubhouse and grounds.

Subscription income increased to £132,340 (2021: £109,940) which is 9% above pre Covid levels and reflects an increase in membership numbers during 2022. While the number of members fell following the increase in subscription rates implemented as of 1 January 2023, total subscription income is currently running at around 15% above last year.

Rental and service charge income from CST increased to £54,890, (2021: £46,345) which was still below pre Covid levels primarily due to the continuing impact of lockdown restrictions at the start of 2022. Turnover, on which our rental income is based, was close to being back at pre Covid levels during the second half of 2022.

Hire of the grounds and tennis courts increased slightly to £56,957 (2021: £55,700) having recovered strongly in 2021 to around 15% above pre Covid levels.

Hire income from our indoor facilities (the function room, multi-purpose room and gym) increased significantly to £19,260 (2021: £1,912) reflecting the recommencement of indoor activities at the start of 2022. This is still down around 20% on pre covid levels however we have seen an encouraging increase in function room income over recent months which would indicate that a return to pre covid levels is achievable.

Expenditure

Total expenditure remained relatively flat at £238,278 (2021: £236,721) however there were a number of significant movements within this:

- Upkeep of grounds fell by £12,491 to £49,808 reflecting the expenditure incurred in 2021 of £18,200 to renovate the training pitch and £5,400 in relation to the renovation of the cricket square offset by an increase grounds labour and material costs for ongoing maintenance in 2022.
- Upkeep of premises fell by £8,191 to £64,059 as the level of ad hoc repairs required in 2021 following the re-opening of the premises including ventilation, emergency lighting, boilers and fire alarm fell away in 2022.
- Water and non-domestic rates increased by £6,769, to £10,351 as the end of the covid non-domestic rates payment holiday ended.

- Professional fees increased by £5,434 to £25,574 reflecting an increase in hub management costs to support the increase in hall hire income noted above together with an increase across all other professional fees.
- Electricity, gas and telephone costs increased only very slightly from £46,499 in 2021 to £47,953 in 2022 and reflected an increase in gas and electricity costs of around £4,000 offset by savings in telephony and internet costs as result of changing our telephony provider. We were insulated from the significant increases in gas and electricity prices during 2022 as a result of two year fixed price contracts put in place in 2021. The increase in costs in 2022 was therefore solely attributable an increase in consumption in particular during the first half of the year. Actions were taken in the second half of the year to reduce consumption and these actions have continued into 2023.

Grants, donations and other non-recurring income

Grants, donations and other non-recurring income totalled £24,089 (2021: £50,760) and principally comprised:

- Covid related grants from Glasgow City Council of £2,100 (2021: £26,400);
- a contribution of £5,444 from the cricket section in relation to the renovation of the wicket. In 2021 we had received a grant of £10,040 from Viridor Credits and a grant from the SRU of £7,000 towards the costs of the renovation of the training pitch.
- A contribution of £3,000 from the tennis section towards the costs of the new tennis floodlights installed in December 2021. In 2021 we had received a grant from Glasgow City Council of £6,028 obtained by the tennis section as a contribution towards the costs of the new floodlights.
- Back rental in relation to the telephone mast of £13,341 following renegotiation of the rental agreement and relating to the period 2014 to 2021.

Net surplus

The net surplus after grants and donations increased by £21,331 from £27,965 in 2021 to £49,296 in 2022 reflecting the very positive increase in the surplus from underlying trading activities by £48,002 noted above offset by a reduction of £26,671 in grants, donations and other non-recurring income.

Depreciation fell slightly to £33,140 (2021: £34,265) due to certain assets being fully depreciated as a result of which we achieved an overall surplus for the year of £16,156 (2021: deficit of £6,300).

Capital expenditure

Capital expenditure in 2022 totalled £4,258 and comprised the purchase of grounds equipment and replacement of the clubhouse external lights with LEDs. In 2021, capital expenditure principally comprised £33,500 in relation to replacement of the tennis court floodlights and £7,100 in respect of replacement of the flooring in the Bobby Low Room.

Cash at bank

Our total cash at the end of the year fell by only £674 to £117,423 (2021: £118,097).

As noted in last year's report, our cash position has benefitted from the receipt of a loan of £50,000 under the Bounce Back Loan Scheme ("BBLs"), repayment of which commenced in November 2021 and in respect of which there was a balance outstanding of £42,446 at 31 December 2022.

We also have a loan from the LTA in respect of which there was a balance outstanding of £35,340 at 31 December 2022. In addition, our total cash balance at 31 December 2022 of £117,423 includes £24,594 set aside in a sinking fund for replacement of the tennis courts under the terms of the LTA Loan agreement.

Outlook

While the financial results for 2022 showed improvement on 2021 and our total cash balance remains healthy, as noted above the results for 2022 were insulated from the impact of the significant increase in utility prices by the fixed price electricity and gas contracts which were in place throughout the year.

The fixed price electricity contract came to an end on 31 January 2023 and the fixed price gas contract comes to an end on 31 July 2023. Despite the significant progress made in reducing our electricity consumption described further in the Directors' report, the increase in our utility costs together with the general impact of inflation on all other costs mean that we are currently forecasting a cash flow deficit for 2023 of around £30,000 after loan repayments but before any further transfers to the tennis sinking fund.

We therefore need to continue to increase our revenues by whatever means we can in order to generate sufficient positive cash flow to repay our loans as they fall due, fund the transfers required to the sinking fund for replacement of the tennis courts and generate sufficient cash reserves to provide a cushion against unforeseen events.

Alan Wilson
Finance Director
5 June 2023

Appendix A

Hillhead High School War Memorial Trust Limited Consolidated Income and Expenditure Account Year ended 31 December 2022

	Years ended 31 December	
	2022	2021
Income:		
Members subscriptions	132,340	109,940
Café Source Too	54,890	46,345
Hire income		
Grounds and tennis courts	56,957	55,700
Hall hire and gym	19,260	1,912
Bank interest	38	29
Total income	263,485	213,926
Expenditure:		
Upkeep of grounds	49,808	62,299
Upkeep of premises	64,059	72,250
Electricity, gas and telephone	47,953	46,499
Water and Non domestic rates	10,351	3,582
Insurance	15,821	13,651
Professional fees	25,574	20,140
Independent accountant's fee for review of accounts	4,425	4,120
Stationery, marketing and sundries	948	1,215
Contribution to section expenses	4,242	5,089
Reception & furniture charges	3,377	716
Membership direct debit processing and bank charges	10,508	8,294
HP, lease and loan interest	1,212	561
Irrecoverable VAT - rugby section	-	-
Gain on sale of fixed assets	-	(1,695)
Total expenditure	238,278	236,721
Net surplus/(deficit) before non recurring income	25,207	(22,795)
Grants, donations and other non recurring income		
Covid grants	2,100	26,400
Grants and contributions towards grounds costs	5,444	17,040
Grants and contributions towards capital expenditure	3,000	6,028
Donations from members	204	1,292
Telecoms mast back rental	13,341	-
	24,089	50,760
Net surplus before depreciation	49,296	27,965
Depreciation	(33,140)	(34,265)
Net surplus/(deficit) before and after tax	16,156	(6,300)

Hillhead High School War Memorial Trust Limited
Consolidated Balance Sheet
At 31 December 2022

	At 31 December 2022	At 31 December 2021
Fixed assets	<u>1,507,779</u>	<u>1,536,660</u>
Current assets		
Trade debtors	16,546	18,948
Prepayments and accrued income	2,364	2,600
VAT	-	2,578
Cash at bank	117,423	118,097
	<u>136,333</u>	<u>142,223</u>
Current liabilities		
Trade creditors	35,440	71,346
Accruals	8,175	10,601
Deferred income	3,316	5,251
Subscriptions in advance	-	268
VAT	1,921	-
HP Finance Lease creditors	-	-
Loan from LTA for funding new tennis courts	6,426	6,426
Bounce Back Loan Scheme Loan	4,071	10,000
	<u>59,349</u>	<u>103,892</u>
Net current assets	<u>76,984</u>	<u>38,331</u>
Creditors falling due after more than one year		
Loan from LTA for funding new tennis courts	28,914	35,341
Bounce Back Loan Scheme Loan	38,375	38,333
Other loans	500	500
	<u>67,789</u>	<u>74,174</u>
Net assets	<u>1,516,974</u>	<u>1,500,817</u>
Reserves		
Income and expenditure account	1,509,598	1,493,441
The J Liversidge Fund	7,376	7,376
	<u>1,516,974</u>	<u>1,500,817</u>

Hillhead High School War Memorial Trust Limited Consolidated Statement of Cash Flows

	Years ended 31 December	
	2022	2021
Cash flows from operating activities		
(Deficit)/surplus for the financial year	16,156	(6,300)
Adjustments for:		
Depreciation	33,140	34,265
(Gain)/loss on disposal of tangible fixed assets	-	(1,695)
Donations towards capital expenditure	(3,000)	(6,028)
Decrease/(increase) in debtors	2,638	(14,632)
Increase/(decrease) in creditors	(36,036)	41,770
Net cash generated from operations	12,898	47,380
Cash flow from investing activities		
Purchase of fixed assets	(4,258)	(49,324)
Proceeds on disposal of fixed assets	-	12,107
Donations received towards capital expenditure	3,000	6,028
	(1,258)	(31,189)
Cash flow before financing activities	11,640	16,191
Cash flow from financing activities		
Payment of finance lease obligations	-	(4,163)
Repayment of LTA loan	(6,427)	(6,424)
Receipt of/(Repayment of) Bounce Back Scheme Loan	(5,887)	(1,667)
	(12,314)	(12,254)
Net cash flow	(674)	3,937
Cash at beginning of year	118,097	114,160
Cash at end of year	117,423	118,097