

TREASURER'S END OF SEASON REPORT 2019

This Treasurer's report for the year to 31st October 2019 highlights what has happened this year to the club from a financial perspective and outlines the finances going forward through 2020.

The 2019 Financial Statements have been provided to you, and they consist of -

- a) A detailed profit and loss account for the past 2 years
- b) The Club's balance sheet,
- c) Notes to the accounts which support profit and loss and Balance sheet captions, and
- d) A cashflow movement for 2018 and 2019.

At last year's AGM I estimated that the surplus for the club in the year to 31st October 2019 would be approximately £8,000 and the cash holdings to be around the £11,000 mark.

As you will see from the documentation in front of you, the surplus before depreciation charges has turned out to more significant at £23,000 and the cash position higher at £18,500.

This year's numbers have been heavily impacted by two separate factors –

- 1) Firstly The Ball – this raised through ticket sales, bar takings, the auctions and raffle prizes close to £15,000 in net profit and cash. Remove this surplus from the £23,000 total profit and you will note that the net profit numbers for the Club are broadly line with my original forecast.

- 2) Secondly Grafham – although the net deficit of running the new site was £2,000 higher, as income generation was lower than predicted, the real impact was on cashflow. As I just mentioned, £15,000 of additional funds were raised by the ball, although not all of this was spent prior to 31st October; the net consequence is that cash at the end of the year was significantly higher than forecast.

Financially we are very much a club in transition as we continue to see increasing revenue, offset by higher operating costs and greater levels of capital expenditure and commitment going forward. The new ground and pavilion at Grafham is the unknown factor in the equation, as although we expect to cover our refurbishment and equipment requirements with grants, there will be possibly be a need to draw down from the club's existing cash resources and future surpluses to cover any shortfalls.

If members now turn to the documents provided, in particular Page 2, they will see in the profit and loss statement that the club has generated a surplus before depreciation of £23,300

So how has this been achieved and can this be repeated next year?

Revenue continues to rise, up from £57,500 to £79,500 year on year, but one needs to drill down further to comprehend the reasons behind this 40% hike. Before I do this, I should highlight that actual turnover, net of VAT, has exceeded £100,000 for the first time. The reason why this isn't immediately obvious on the profit and loss account is that some of the income numbers, such as function income are shown net of direct costs.

Turning to the revenue increase -

- 1) Bar sales this year have risen by 11%. Strip out the impact of the Ball sales, which accounted for £4,500 of bar sales, bar sales have actually reduced by 4.8% since 2018.

Bar takings at functions were down year on year by 10%. The function bar takings, this can be incredibly hit and miss, particularly where parties involved insist on providing some of the drinks. We are going to rectify this going forward by ensuring that for all future events that we are solely responsible for all drinks at the event.

Bar sales from cricketing activities were pretty static in terms of growth, although it should be pointed out that two Friday colts evening were lost to the weather and a significant number of weekend fixtures were called off.

Grafham bar sales were disappointing against forecast, not helped by not having a bar licence which will be applied for once the lease is signed. A new bar next

year and better throughput, particularly on a Friday night, will I hope rectify this.

Gross margins have slipped slightly during the year. A combination of factors comes into play –

- a) Higher wastage, and
- b) Selling some drinks at a function with a low margin

A review of bar pricing will be undertaken over the winter to assess where changes need to be made.

At this time, I would like to say that the continuing high standard of operation of the bar facility would not have happened without the efforts of our bar manager, Terry Marter and his partner Mel.

I would like to take this opportunity, on behalf of the club, to thank both of them for what they have done for this club over the past 12 months.

- 2) Adult Subscriptions have increased year on year. The number in the profit and loss account includes the subscription, the match fees received, net of the cost of teas.

For the first time this includes a limited number of Ladies subscriptions at £25 for the season, and a few additional senior member subs.

Due to our complex subscription structure with a mixture of subs with or without match fees, it is difficult to determine whether we are missing significant amounts of match fees. As I mentioned earlier, several matches have been cancelled this year, primarily through inclement weather, thus losing the match fees but incurring the food cost, as this had already been bought and prepared.

On a positive note, food costs have reduced slightly and more significantly the cost of preparation has been lowered after Helen Mansell kindly volunteered to manage the whole organisation of match teas from the middle of the season.

- 3) Colt subscriptions – higher colt numbers again this year combined with increased subscriptions have increased the net amount taken, although I would remind members that this was done to cover expected higher coaching costs and increased use of paid staff on a Friday night.
- 4) Food sales profitability on a Friday night and Saturday evening were up this year, although ironically actual gross sales were down year on year by £500. We lost 2 Friday evenings to the weather, as opposed to 1 in 2018 and we reduced the number of Saturday evening meals and no longer served food on a Sunday morning. Despite this, with better margins we made an additional £400 surplus this year.

- 5) Functions generated, including net profit from bar sales, a healthy profit of £22,000 which again demonstrates how important this is to the day to day running of the club given that the total net profit including this surplus was £23,000. The Ball, as I said earlier, made close to £15,000 of this surplus.

- 6) Marketing – 2019 saw the third payment of £1,500 to the club, of our three year sponsorship deal with TWM. We are currently unsure whether this will continue next year.

- 7) Donations – In 2018 we received over £500 of donations. This year over £2,000 was garnered from several sources. I should also point out that we have received nearly £5,000 in grants for various items of equipment this year. The grant is not taken as income in the accounts but as a reduction in the cost of the item purchased. For example we purchased this year a new BBQ for £1,200 – after the grant monies and the reclaiming of the VAT on the BBQ, the net cash cost to the club was £42!!

The need to drive up income has been necessary to cover the increasing cost base of the club, particularly now as it has two centres of operation.

Expenditure has risen by approximately 10% year on year, from £50,000 to £55,000, higher than my original forecast of just over £53,000.

With the responsibility for running and maintaining Grafham kicking in this year, a large portion of the year on year cost uplift has been costs associated with the new project, particularly ground expenses, machinery repairs on acquired equipment and pavilion costs, although the overall operating costs incurred at Grafham were broadly in line with my forecast.

I should stress that some of the improvements to the ground, such as the removal of the artificial pitch and the new wicket, have been capitalised as a fixed asset in the accounts.

On overall operating costs this year, we have seen –

- 1) Ground expenses slightly lower than prior years. This may seem strange in light of the work on the new Grafham site which in theory should have increased overall expenditure. However this is where the cost of using Urnfield and Wonersh for 3rd Eleven and colts matches was previously recorded. In 2018, £3,500 of expenses was provided for, whereas with the use of Grafham for most of the 3rd Eleven and colt's fixtures in 2019, only £750 was incurred.
- 2) There were higher pavilion expenses than expected as we decided to pay for additional parking spaces at the Abbey on Friday nights to ensure better traffic and parking management in the village.

3) Coaching costs are becoming more and more significant. I will talk about this later as they are likely to go up further in 2020. However, ironically this year they were lower than I forecast, although in line with 2018 levels.

Next, I would like now to draw member's attention to the Club's Balance Sheet on Page 3 together with the accompanying notes on Page 4.

As members can see, the club has a significant set of assets on its balance sheet, primarily the Pavilion, Fixtures and Fittings and cash, against which there are ever decreasing liabilities, such as the long term loans of £40,000 which are split between amounts payable within one year – i.e. the next instalment of £6,600 in April 2020 and amounts payable after one year).

I would like to point out to members the increasing value of creditors less than one year, analysed on note 3 on Page 4.

This year the creditors' number includes an invoice for architect's costs relating to the Grafham project amounting to approximately £4,000. This has been paid in November.

The accruals number for 2018 and 2019 includes a £3,000 provision for unbilled costs for the use of Urnfield in 2018. Realistically this will not be picked up now, but it would be imprudent to write it back at present. However, on the assumption that this will never be billed, I am proposing to keep this provision as a sinking fund for both Blackheath and Grafham pavilions to cover any unexpected repairs and maintenance bills that may arise in the future.

The final sheet, page 5, shows the cash flow movement over the period and highlights our profit and loss income and expenditure, any capital expenditure in the year such as the initial project fees on the Grafham site or new equipment such as a refurbished roller, the reclaimed VAT on the Blackheath pavilion expenditure under the Capital Goods Scheme, and the payment of the fifth instalment of the long term loan, which was made in April 2019.

As members can see, overall cash has risen from £10,400 to £18,400, a net increase on the year of approximately £8,000, which I explained earlier is as a result of the successful fundraising at the Ball, net of any expenditure incurred to date on the Grafham pavilion and grounds project.

The ability to recover all input VAT, particularly exempt VAT, is becoming a significant cashflow benefit to the club.

Last year we recovered

- a) £4,400 of VAT incurred on the Blackheath Pavilion construction expenditure under the Capital Goods Scheme. This will last for a further 4 years. I should also point out that all VAT on the Grafham project will be recovered immediately, provided we are still deemed to be 100% recoverable.
- b) £2,200 of VAT incurred on the cost of a roller and sundry equipment acquired during the year, and
- c) £2,400 of VAT incurred on profit and loss expenses on exempt purchases such cricket equipment, loam or seed and full recovery rather than partial recovery of VAT on food costs at the Ball and End of season do.

This is a grand total of £9,000 which has flowed into or remained in our coffers this year, which otherwise would have been lost to HMRC. This is achievable because of the current mix between taxable and non taxable supplies and the fact that the level of monthly exempt input tax is below a certain threshold.

To maintain the status quo this year will be a challenge as the expenditure surrounding the Grafham project may distort the relevant ratios and minimum levels.

I would stress that even if we were to lose what is called our de minimis status for say one year or possibly two years due to the Grafham refurbishment costs, that not all of the VAT will be irrecoverable this year. However, we could expect a cash and profit and loss hit of at least £4,000 next year if we lose the de minimis status.

What about next year?

2020 will be an interesting year financially as the cashflow will need to be closely monitored all throughout the Grafham project. The big unknown will be how much of the club's existing financial resources will have to be used to supplement the grants being provided.

The forecast for 2020 has been prepared on the assumption that Grafham will be up and running and focused on providing 3rd Eleven and Ladies cricket at the weekend and an enhanced use of the facility on a Friday evening.

Based upon a variety of assumptions I am predicting that we will make a larger operating surplus, if one ignores the impact of the Ball and assumes that we maintain our existing VAT status, than this year of approximately £9,000.

The assumptions behind this forecast are –

Increased Colts income due to the proposed uplift in subs and additional girls who will be based at Grafham in 2020. Together with an expected uptake in income from winter nets because of a revised programme I expect to raise an additional £8,000 next year.

I expect bar takings to drop next year as 2019 was exceptional, and income from other sources to remain relatively static.

Expenditure has been increasing year on year up from £49,700 in 2018 to £55,000 last year.

In 2020, I predict that this trend will continue to rise, particularly as we look to expand our colts' base and the coaching thereof, and to enhance our winter nets programme by paying for the use of Charterhouse on a Friday night and Sunday morning.

The true cost of our overseas player stay has been masked by the generosity of club members, in particular the Chairman and his family. This year we have built in an accommodation allowance into the forecast to cover possible rental and living costs.

Given this I expect to see costs rise by 18% in 2020 to close to £65,000.

Cash is harder to predict because of the uncertainty surrounding the Grafham project.

For the purposes of my cashflow predictions I have assumed that the cost of acquiring and refurbishing the Grafham pavilion and ground, will be covered by a combination of grants and by the club using up to £10,000 of its own cash. It may well be the case that there is a shortfall over and above this amount which may have to be made up from existing resources.

At this moment in time this is nigh on impossible to predict. I would also add that there are other grants out there which may cover some of our equipment requirements which would reduce the number that the club puts in.

Ignoring the capital costs associated with Grafham, I am confident that we will as a club again produce an adequate cash surplus that will ensure that the club can pay its existing debts and will have sufficient resources to cope with any significant issues at Blackheath.

Given the forecast operating surplus of £9,000, having made the annual loan repayment, and, on the assumption that the VAT position has not been altered, our cash balance this time next year should be somewhere around £10,000, down from the year end position, but enough to allow us some wriggle room if required.

Finally, I believe there are still areas which, as a club, we must and can make some improvements -

- 1) Collection of adult subscriptions – it is crazy that some adult subs remained unpaid right until the end of the season. I should remind members that if the sub is not paid that you technically should not be playing for the club, cannot be served at the bar, and as equally important, are not covered by any of our insurance policies.
- 2) More efficient and productive use of Grafham – Friday nights were not a financial success last year and there was too also too much food wastage. There is plenty of scope to learn from the lessons of 2019.
- 3) A push on the use of the bar over the weekend is needed, particularly as we are using paid staff to man it, and finally

4) Not one that has a significant financial impact but seems wrong in the current climate and that is food wastage. We as a club need to make be aware that a significant amount of food is being wasted throughout the season and look to try and reduce this going forward.

I hope this report has provided members with an insight into the Club's finances in the year to 31st October 2019.

If there any questions I am happy to deal with them now or post meeting.