

Acting Treasurer's 2021 Report
Aberdeenshire Cricket Club AGM
June 2022

Introduction

With the continuing effects of pandemic restrictions, 2021 transpired to be as challenging for the Club's finances as the previous year. Nevertheless, we ended 2021 in reasonable shape, and if it had not been for a very disappointing, in fact mildly disastrous festive season in financial and social terms, our situation would have been satisfactory given the circumstances. In truth 2021 was a year for fire fighting as we navigated the various restrictions impinged upon us, as well as the beginnings of the cost-of-living crisis when utility prices rose by 50% during late autumn adding c£8k to our annual bills.

At the 2021 AGM in September membership approved the committee to go to the next stage in analysing the pros and cons of conversion to charitable status and as part of that exercise we took the opportunity to develop the format of our accounts in keeping with the potential requirements of that change.

Format of Accounts

In your AGM pack you will have received the 2021 accounts and you will have seen immediately that they are presented in a different format from the past. The new format has been developed for two principal reasons:

- Whilst we are a large amateur sports club, we are also a small business which, as a result of various initiatives since the mid -1970s, has a complex structure being a sports club, bar & catering business, and a property rental business. The new format of accounts allows members to see not only the consolidated account, but also the accounts for each of the three operating lines. This is achieved by proper allocation of expenses across club & ground, bar & catering, and property so that our financial situation becomes much more transparent than in the past.
- If members agree to conversion to charitable status the commercial aspects of the Club will sit inside subsidiary limited companies and accounts will be required to be registered at Companies House. The new format replicates exactly how that will look with the bar & catering and property rental businesses reported separately to Companies House with the consolidated account reported to the Charity Regulator.

The downside of making this change to the format of the accounts is that we are not able to provide comparables to the 2020 accounts since they are in the old format. Members may well have kept their copy of 2020 accounts and can hopefully make their own comparisons. Meanwhile, here is some key data from the 2020 account:

- Consolidated loss; (£9,273)
- Property rental surplus after tax; £43,559
- Bar & catering and club & ground loss; (£52,832)

- Overdraft; (£32,973)
- Long term liabilities; (£218,701)
- Balance sheet; £837,058

2021 Profit and Loss

The consolidated account shows the Club generated a surplus of £11,812 for the year. This is exceedingly good news, although we should note that Covid grants coupled with furlough payments contributed £56,781 without which our losses would have been considerable. As has been the case in recent years, the Club was rescued by the property income profit after tax of £47,289.

The new accounts format separates the bar & catering and club and ground accounts, and we see losses of £24,763 and £10,714, respectively. Christmas cancellations due to pandemic 'party warning' from the Scottish Government amounted to c£20k of direct bookings and we estimate c£15k in bar takings. Clearly this was a huge disappointment and financially lost us c£15k in net profit which would have significantly improved the bar & catering result as well as the consolidated position by the same amount.

The bar extension in the mid-1970s and subsequent developments were intended to support the sport as that activity became more expensive as clubs moved into the modern professional era. We must continue to work at the business aspects of the club in order to turn the corner so that the original aims of the bar, kitchen and Bradman developments make a positive contribution to the Club's fortunes.

2021 Cash Flow

'Cash is King' is a much-quoted phrase in business and in our case, is absolutely true. Since the Bank of Scotland debt rescheduling exercise during 2018 when our overdraft was capped at £50k, we have sought to manage our cash position closely. The year end overdraft was £35,366 which was a touch high and began to put pressure on our activities. Again, the festive season did not help since we estimate that positive cash flow of £35k was lost, and without that we may have even ended the year close to zero overdraft, but it was not to be.

The generation of cash continues to be our key priority, and this has two components, namely income and expense. Our utility bills rose by 50% during late autumn and other costs had begun to rise, or we had received intimation from suppliers that they would rise during early 2022. Members should be assured that we will watch all factors affecting cash flow extremely carefully, and the committee will take necessary action if and when appropriate.

2021 Balance Sheet

The balance sheet remains the strongest component of our financial situation at £850,541 in the accounts having grown by £13,483 from 2020. Long term liabilities remain high at £204,769 costing us c£2k per month in repayments. The committee believes that trading out of this situation will take many years, and it may be that a capital event such as re-development might be the solution to reduce outgoings and re-set the Club's finances.

The Future

The financial future of the Club will depend heavily on the members' views of the proposal to convert to charitable status to be considered at the AGM. Charitable status would endow the Club with significant tax advantages which, in the event of re-development, would confer positive cash flow gains compared to the status quo.

The immediate future, however, is more concerned with increasing cash flow through our bar & catering activities in order to bring the Club turnover appreciably higher after the difficulties of the last two years. The festive season disappointed financially, but the level of activity in terms of events and bookings indicated that whilst we failed to generate financial lift off, we most certainly generated operational lift off.

A matter of significant concern is our inability thus far to fill the vacant position of Treasurer. Hopefully by the time we get to the AGM, a candidate or candidates may have come forward. A difference from the past is that we believe the nature of the role will change from how previous incumbents managed it. It is envisaged that in the future the Treasurer will oversee the finances and sub-contract the book-keeping to a qualified bookkeeper. Furthermore, if membership agrees to convert to charitable status with the commercial aspects of the Club inside a subsidiary limited company (or companies) the Treasurer role will formally become one of Finance Director and this may be attractive to someone with accounting experience who wishes to become a charity trustee and/or limited company finance director.

If there are members who are interested in such a position, please do let us know, even if they would like to discuss possibilities before committing. Likewise, it might be that members are aware of appropriately qualified candidates, not currently members, who are looking for such positions. We would stress that the role of Treasurer/Finance Director would be unremunerated as per other committee positions, and any fiscal management expense budget reserved for book-keeping activities.

Operating without a permanent finance team is becoming an intolerable set of affairs and the Treasurer role is a huge opportunity for someone to help lead the Club through a defining period in its history, particularly if members approve conversion to charitable status.

Willie Donald

Acting Treasurer