

# **DYC Treasurer's Report for the AGM 29th January 2022**

Financial statement for the year 1st Oct 2020-30th Sept 2021

## **Summary**

I am pleased to report that total income for the financial year was £347,792, an increase of £54,569 (+18%) over the previous financial year (£293,223).

Expenditure was £310,299, an increase of £25,696 or 9% (2020-21 : £284,603).

Overall, the club made a surplus of £37,493 or +335% (2020-21 : £8,620).

Due to our CASC status, there is no corporation tax to pay.

## **Coronavirus - grant and furlough funding**

The club has seen continued significant impact to both watersports and hospitality during 2021. The 'third wave' lockdown between January and March meant we had to close the clubhouse with consequent loss of income. Staff were furloughed on 80%. Fortunately a range of government grants and support schemes were available which the club took advantage of. The club received £21,216 in Coronavirus Job Retention Scheme - furlough - payments. Business support and business restart grants of £38,006 were received. Total grants and furlough receipts were £59,222 of which £16,000 was spent on the shower refurbishment and in accordance with accounting policy is taken against deferred income rather than against profit and loss. The balance of £43,222, together with outdoor seating hospitality sales, largely explains why the club made a profit in the year. Some grant income in 2021-22 has been applied for but the club cannot rely on grant income going forward.

## **Bank Loans**

The club paid off its secured bank loan in November 2020 and now has no secured debt (the loan was secured against the property).

In July 2020, the club obtained a £50,000 Bounce Back Loan (BBL) from NatWest, underwritten by the government. Under the terms of the loan, no interest or capital repayments were paid in the first year. Monthly repayments of £887 started in July 2021 and the loan balance including interest at 2.5% was £47,607 at the end of the year. Whilst the option exists to pay back the BBL at any time, the Committee has decided to retain the £50,000 in the club's deposit account and pay back the loan from operating income. This decision was made to ensure we had sufficient cash available in an uncertain coronavirus world and to cheaply fund redevelopment of the middle floor.

## **CASC and Corporation Tax**

The club's tax status with HMRC is a Community Amateur Sports Club (CASC) which imposes limits on the amount of money we can earn from non-members. Broadly, to ensure we retain our tax status the club can earn a maximum of £100,000 from non-members of which a maximum of £30,000 can be from property income. In the financial year, the club earned £127,632 from non-member hospitality sales of food and drink. Other items sold to non-members such as showers, regalia and kayaking taster sessions would be additional to this for the limit calculation. Property income was £10,659.

The use of outdoor seating in the summer clearly contributed to breaching the CASC income limit. However, it was such a good contributor to the overall income that the Committee is seeking a 3 year pavement license for future years and this CASC limit problem will continue unless remedial action is taken - as mandated by HMRC. Having considered the options, the

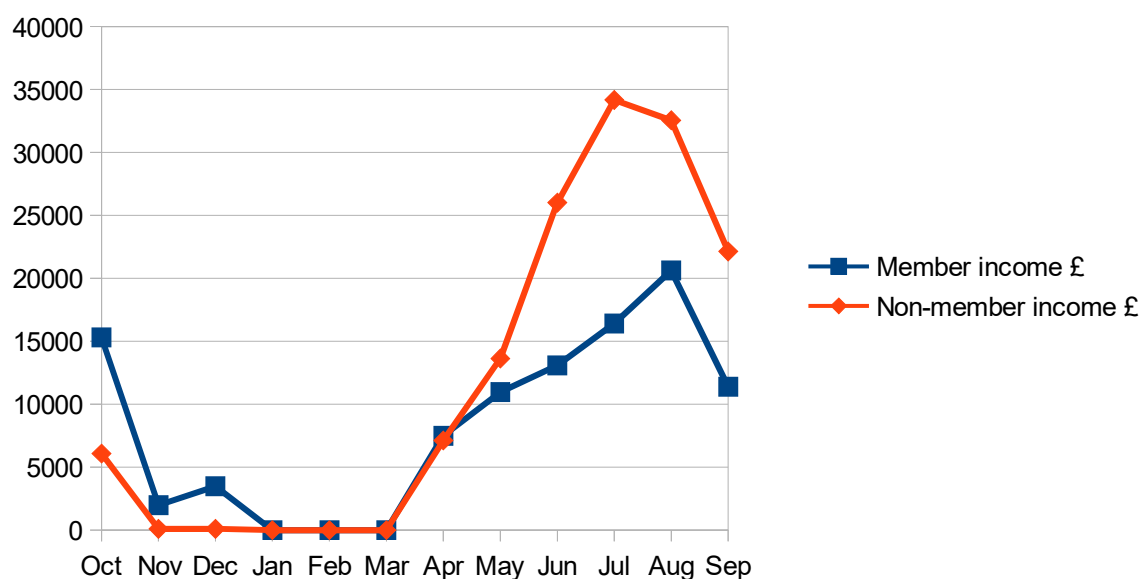
Committee is recommending the establishment of a wholly owned, tax paying subsidiary which will hold the non-member trading and property income. This will preserve the CASC status for the club. In 2020-21 the financial benefit of being a CASC was £13,186 from tax reliefs and 80% business rates reduction. The risk of failing to take remedial action is that HMRC could de-register the club as a CASC which would incur back taxes and be a chargeable event for capital gains tax on the value of the building.

Despite making a surplus of £37,493 in the year, there is no liability to pay corporation tax (at 19% this would have been £7,124). This is because our CASC status separates our member activity (non-taxable) from non-member 'trading' activity (taxable on *profits* thereof). As a CASC, we receive a £50,000 tax relief on trading profits and our accountants have confirmed we did not exceed this limit in the financial year.

## Hospitality

Comparing 2020-21 with the previous year is complicated because both years had anomalous trading profiles due to coronavirus lockdowns, however, sales of food and drink increased by £34,842 (+19%) to £213,938. More interesting might be a comparison to the prior year (2018-19) which saw sales of £210,198 from a full 12 months. This demonstrates the value of the outdoor seating and sales to non-members in generating income.

For interest, I include an approximate profile of member vs non-member food and drink sales from the till management system:



Wages saw a significant increase over the prior year (£107,891 vs £88,437), from a combination of needing extra staff for table service and increased rates due to minimum wage increases and competitive pressures. This upward trend is a hospitality industry problem and will continue.

The move away from holding balances on members' cards continues. At the end of year the total balance on all cards was £7,633, of which £5,129 was from current members. The previous peak of card balances 4 years ago was approximately £22,000.

## Other operating income

Rent from property at £10,659 is still well below previous highs (£23,425 in 2018-19). The top floor apartment was let on a shared basis during the year but isn't currently fully occupied. The

vacant space needs a tenant which may be part of a package to attract a chef, otherwise we need to advertise the space. The main shortfall in rental income continues to be the loss of income from the Middle Floor.

Subscription income showed a significant gain (+£11,612), with the profile of new joiners extending through the summer, possibly due to the outdoor seating acting as a recruitment tool.

With the shower refurbishment completed in summer, shower income increased significantly given the short period they were open, helped by the price increase to £2/token.

### **Looking ahead to 2021-22**

The key financial focus areas for the coming year are:

CASC status - return to compliance via new trading subsidiary.

Hospitality - getting the food service offering working again and making it efficient.

Outdoor seating - securing a three year pavement license.

Middle floor - replace the lost income stream.