



## Drumsheugh Baths Club. Limited - Audited Accounts for Year End 31.1.21

A copy of the Company's latest Audited Accounts has been forwarded to you which hopefully you've had the chance to peruse. I would like to take this opportunity to give you a brief overview of the results.

The onset of Covid called for the Board to make some important decisions quickly. As you know the Club was forced to close and we had no idea how long that would be for. There was a real risk that the longer we were closed the more members would cancel their subscriptions. At the same time the bulk of costs are fixed i.e. they are incurred irrespective of whether the Club is open or not, how many members we have or how much our income is.

In an effort to minimise costs and to conserve cash the Board took the following actions:

- Furloughed all but two key staff but topped up their salaries by 20% to the normal level.
- Reduced the pool temperature to the minimum level advised by our pool maintenance contractors.
- Switched off the sauna and steam room.
- Negotiated payment holidays with suppliers of all hired in plant and equipment e.g. the laundry machines and even the door mat.
- Cancelled newspapers and negotiated pro rata refunds for those we subscribe to.
- Agreed loan repayment holiday with Bank.

In the event, you our membership, were incredibly loyal.

Throughout the extended closure membership reduced from 581 to 498 = 83 or 14%.

The Board decided that loyalty had to be recognised and consequently subscriptions were discounted by 25% in February 2021. The impact of that will show in the Accounts to 31.1.22.

Despite Covid the financial year to 31.1.21 was very successful for the Company.

Membership which generates the bulk of our income averaged c540 which led to a marginal increase in Subscription Income from £460k to £461k.

Furlough assistance from Government contributed £48,157.

Income from hiring the pool to schools, children's parties etc. decreased from £36k to £9k.

Members again generously made donations totalling £2,315.

Grant income is an accounting process for release of long-term Grant Assistance received from Historic Scotland for the major refurbishment c15 years ago. This is not a cash item.

Overall income increased by £24k from £503k to £527k.

Operating Expenses (direct costs including our biggest expenses i.e. wages and fuel and light) decreased from £390k to £351k.

The Government sets minimum wage rates for different age groups and the Club ensures that all staff are paid at least the minimum living wage for their age group.



There are fixed price contracts in place for gas, electric and water which protects against price increases over the next 3 years or so and assists when setting budgets.

Administrative expenses (e.g. Accountants fees, bookkeeping wages, printing, stationery & postages, bank charges) decreased from £29k to £17k.

The overall outcome was a substantial increase in our annual surplus from £82k to £158k.

However as I said earlier subscriptions were discounted by 25% February 2021 which will reduce income in the current financial year by c£100k.

Membership however has continued to increase which will help to offset this. Membership now stands at 600 which I think is the highest it's ever been.

The Company's Bank loan has been reduced from £44k to £30k and is on track to be fully repaid early 2022. The Bank offered repayment holidays during lockdown which we took advantage of but that has of course deferred the final repayment date.

Monthly repayments are c£2,500 so the monthly cash position will improve by that amount once the loan is repaid.

## Balance Sheet

The various entries in the Balance Sheet are all described in the notes, so I won't go over them in detail but if anybody has any questions, please let me know.

We have continued our programme of continual improvement which you will no doubt have seen and hopefully enjoyed. New equipment has been added to the gym, the studio has been redecorated with new flooring, a new draught proof door and doubled glazed windows fitted, the poolside showers area has been retiled and showers replaced, and the upstairs and gents' poolside toilets have been refurbished.

These improvements have all been achieved from the Company's reserves and has not involved any new borrowing.

In summary I am pleased to report that the Club continues to be in good financial health. We have achieved significant improvements in recent years without the need to increase subscriptions or borrow money and that has only been possible because of the success in recruiting new members and keeping control of costs. The staff should be congratulated for all their efforts and success in the recruitment drive. We hope to continue investing in our facilities without the need to increase subscriptions but at the same time gradually building up a sinking fund to ensure that we are able to fund e.g. replacement of boilers or dehumidifier which are both expensive items.

Finally Donations are always most welcome if anyone feels so inclined.

Gordon Henry  
Treasurer  
20/09/2021