

Durham Cricket CIC

Financial Information for the year ended 30th September 2017

The following information is based on the unaudited results of the Club for the year to 30 September 2017. The extracts below are given with a view to providing additional information for members only and should not be used for any other purposes.

1. Overall Financial Performance

Category	2017 £'000	2016 £'000
Revenue	7,582	5,701
Cost of sales	(3,421)	(4,619)
Administration costs	(1,925)	(2,100)
Share of Joint Venture	120	155
Net Interest cost	(105)	(395)
Profit/(Loss) before tax	2,251	(1,258)

The improvement in the financial position represents a number of factors including a positive profit from the hosting the West Indies IT20 match, additional ECB distributions and reduced loan interest payments. Further detail by category is given below.

1.1 Revenue

Category	2017 £'000	2016 £'000
Major Match Income	512	1,303
Other Match Day income	188	232
Memberships	319	332
Commercial and sponsorship	1,061	1,184
ECB Distributions	3,089	2,280
ECB Compensation	2,000	-
Other Income	413	370
Total Revenue	7,582	5,701

- Major Match Income relates to the staging of international cricket, and we hosted an IT20 between England and the West Indies in September 2017. The previous year we staged a Test Match between England and Sri Lanka. While the Test Match, being played across four days, meant it generated more income, the staging costs, including payments to the ECB meant that we made a loss on the Sri Lanka match of around £(60)k compared to a profit on the West Indies of around £240k. Note the new revenue sharing model the ECB are adopting for future games, in which they take a % of ticket revenue, as opposed to the old model when they took a fixed fee regardless of attendances, significantly reduces the risk associated with holding major matches.
- Other match day income is principally gate receipts. Generally we saw an increase in attendances but the prior year included a Royal London fixture against Yorkshire, not

repeated this year, and we also benefited in 2016 from our progress in the T20 Blast where we made it to Finals Day.

- Membership subscriptions include all categories, such as T20 season tickets and the Graveney Club. In recent years membership income has represented around 6% of our total revenue. Note in 2016 we ranked 13th out of the 18 First Class Counties for income derived from membership, which underlines the importance of continuing to attract international cricket and diversify our revenue streams as much as possible.
- The commercial and sponsorship category covers income from our principal sponsors such as Emirates, Heineken and Port of Tyne and our various box holders and ground advertisers. In 2016 there were a number of one off receipts relating to signing of new deals and contributions towards the refurbishment of the members lounge, which were not repeated this year. The trend in this area remains very positive in what can be a challenging market and the Club continues to attract high quality and committed backing from our corporate supporters. This line also includes income generated by events that we host, for example golf and race days and clay pigeon shooting; and also income from music concerts such as this year's hosting of Sir Rod Stewart and Little Mix. Traditionally concerts have not generated a significant financial return for the Club but have been seen as having a positive effect in drawing people to the venue and fulfilling some of our wider community aspirations. However, new arrangements with promoters mean this should become a greater source of profit in the future.
- ECB distributes money to all First Class Counties and Durham is not alone in this being by far the largest contributor of revenue. The fees are partly fixed and partly determined by performance against specific ECB criteria such as the number of England qualified players, accredited coaches, investment in Academy etc. The fixed fee element i.e. that paid to all 18 FCCs was £700k higher in 2017 compared to 2016 which accounts for most of the increase. In terms of producing players qualified to play for England, Durham continue to be the number one performing county, which is testament to our desire to blood home developed players and our commitment to all three forms of cricket that we play.
- The compensation received of £2,000k was given as part of the refinancing agreed with ECB in return for Durham surrendering the right to bid for Test Matches until ECB deems it appropriate. The bulk of this money was used to settle amounts owed in respect of the Sri Lanka Test Match staging fee and the balance was used to pay down ECB debt.
- Other income includes the release of deferred revenue – being grants and other funding we have received for the development of the ground which is released over the life of the related fixed assets.

1.2 Cost of Sales

Category	2017 £'000	2016 £'000
Major Matches	279	1,356
Other match costs	2,366	2,582
Commercial and membership	776	681
	3,421	4,619

- As noted above, Major Matches relate to the staging of international matches and include payments to the ECB for the right to hold games as well as marketing, card fees, stewarding, first aid, car parking, toilets, additional staffing and support. Note that the Club actually operates parking at a loss, due to the need for stewarding and traffic control and because we do not own the car park areas outside the ground. Parking is seen as a means to facilitate events rather than as a way to make money.
- Other match costs relate to all direct costs required to host domestic cricket and include remuneration for players and coaches as well as player travel, catering and hotel costs. Cricket related costs such as umpires, pitch hire, and costs for the Academy are also included as are general matchday costs such as marketing, toilets, first aid and activities around the ground. A separate analysis of wages and salaries across all categories is shown below.
- Commercial and membership costs rose partly from a conscious decision to invest in this area. We have seen a positive benefit in the fact we had the only sold out fixture across the 2017 summer of international cricket and have seen an increase in attendance at our corporate events which are vital for our future viability as a Club. In 2018 we will see continued investment in this area with the launch of our new website and enhancements in our ticketing systems and box office.

1.3 Administration costs

Category	2017 £'000	2016 £'000
Ground and Stadium	462	436
Utilities	231	251
General overheads	725	902
Depreciation	507	511
Total	1,925	2,100

- Ground and stadium costs include staff costs for those areas as well as all costs of cleaning and maintaining the stadium and costs spent maintaining the square, outfield and net facilities.
- General overheads include all other unallocated costs with the main headings being insurance, IT and telephony, professional fees (including audit costs) and all back office staff costs. The significant reduction is principally due to 2016 including a high level of professional advice in connection with financial restructuring which has now been concluded.

1.4 Share of Joint Venture

This represents income generated through our joint venture company, Riverside Events LLP, which is responsible for hospitality and catering at the Emirates Riverside. Our JV partner is Elixir, a leading international catering company who provide services to a wide range of venues; everything from Murrayfield and the Stadium of Light, to Durham Cathedral and the National Museum of Wales. We are able to benefit from their expertise and buying power and we enjoy a very good working relationship. They are also helping to grow our conference and event income such that we have never been busier at the ground, as Emirates Riverside has become very much an all year round venue. The reduction in contribution reflects the lower retail income comparing the two international matches.

1.5 Net Interest Payable

Net interest covers amounts payable in respect of loans and also amounts paid for the finance element of fixed assets acquired under leases. The financial restructuring agreed with our principal debt holders, with interest either being reduced or waived to reflect the improved financial position of the Club has had a significant impact in securing the viability of the Club, particularly with regards cashflow. The impact of these changes is directly reflected in our interest cost. Note we have also repaid capital in the year and allocated ECB compensation payments against debt which has in turn reduced our interest obligations.

1.6 Total Wages and salaries

Staff Category	2017 £'000	2016 £'000
Players and coaches	1,545	1,846
Commercial and marketing	306	272
Administration	528	580
Total	2,379	2,698

- Each staff category includes all remuneration, Employers National Insurance and Pension contributions for that group of staff.
- In respect of Players, the Club is mindful of having to operate within the ECB salary cap, in particular as we operate under a reduced cap, being 40% lower compared to other FCCs. Even without the cap this level of spend is in line with what the Club believes it can afford to spend anyway and still gives us the ability to have a competitive squad of First Team players supported by a strong Academy. The reduction year on year reflects the departure of some senior players at the end of 2016 though this was partly offset by having 2 overseas players in 2017 compared to none in the previous year. Note that while numbers have not been made available yet for 2017, we know that in 2016 for player salaries and for coaching costs, we were 11th in terms of amounts spent across the first class counties, and the second lowest in the first division.
- Note 2016 Player payments also included £119k of prize money (with NI) for finishing runner up in the T20 Blast and 4th in the County Championship.
- Administration staff include Facilities, Ground staff, Finance, General Admin and Foundation staff.

2 Balance Sheet position

Category	2017 £'000	2016 £'000
Fixed assets	19,247	19,507
Debtors	409	455
Cash	554	131
Creditors < within one year	(950)	(3,337)
Long term loans	(2,787)	(5,952)
Accruals and deferred income	(7,642)	(8,074)
Preference Shares	(3,740)	-
Net Assets	5,091	2,729

- The movement in fixed assets reflects our standard depreciation charge but we have also invested almost £250k on new boilers and kitchen equipment, the players' gym and in a new roller and blotter for the pitch.
- Cash management remains a major focus and we benefited in the year from considerable interest in international tickets for the ODI with Australia, which went on sale in September just before the year end, and from the timing of ECB receipts.
- The most significant changes in the balance sheet took place at the end of the 2016 season when loans with the most significant debt holders of the Club were restructured. This meant that the loans with Durham County Council were converted into Redeemable Preference Shares. This enabled the Council to protect the full value of their long term commitment to the Club, with no money being written off. Repayments are due to start in the 2019/2020 season and we anticipate these amounts will be paid off considerably earlier than would have been the case on the old basis. For our loan with the NE Local Enterprise Partnership we were able to negotiate a deferral on the loan and a reduced interest rate to reflect the reduction in the risk profile of the Club. Note that the additional money generated through the World Cup in 2019 and the proposed new regional based T20 competition (including for non-host venues and which is being underwritten by the ECB), are the basis for this timing and allow us to proceed with confidence. The ECBs own loans were partly settled by the compensation payments with the balance to be settled only once the NELEP and Durham County Council have been repaid in full.

3. Future Developments

As noted above, we continue to invest in the ground and its facilities. Between now and the start of next season we have a number of developments, which we believe will help improve your experience of Durham Cricket.

- As raised at the last Fans Forum we are installing a new PA system which should improve the clarity of announcements made at the ground;
- We are looking to refurbish and update Austin's Bar to give it a much more appealing family friendly atmosphere and be open for business more often;
- We have just launched a new website, which gives us a more modern feel and is easier to navigate around. It also does a better job of showcasing the increasingly close ties between recreational and professional cricket across the North East with

the Durham Cricket Board and also with our charitable arm - the Durham Cricket Foundation.

- Finally, we are about to go live on a new ticket system which will be enabled for smart apps and should make the whole experience of purchasing tickets quicker and easier.