Lymm RFC Limited

2022 Annual General Meeting 12th May 2022 at 8:00 p.m.

Treasurer's report

Fellow members and friends, it gives me great pleasure to present my third Treasurer's report since taking over the role at the 2019 AGM. I have divided my report under a number of headings which I hope make sense and provided a useful structure.

Corporate structure

It's probably worthwhile setting out the present structure of our club, which is as follows:

Lymm RFC Limited ("LRL")

- A company limited by guarantee where each member's liability is limited to £1.
- A charity registered with the Charities Commission.
- Has a board of directors currently comprising: Executive Officers - John Cartwright (Chairman); Andy Leach (Treasurer); and Rick Johnson (Secretary); and 3 non-executive directors – Tony Wright; Mal Pritchard; and David Simpson.
- Undertakes all our rugby related activities and owns all our land and buildings, except for the Manor Road Tennis Club ("MRTC") site (see Lymm Garden Limited below).
- Has two wholly owned subsidiaries – Lymm Beechwood Limited and Lymm Garden Limited.

Lymm Beechwood Limited ("LBL")

- A limited company, wholly owned by LRL.
- Has a board of directors currently comprising John Cartwright and Andy Leach.
- Undertakes all our commercial activities, such as managing the bar and organising fund-raising events, including the panto and marquee events.
- Each year, any surplus created by LBL is donated to LRL, thus avoiding any unnecessary and avoidable tax leakage.

Lymm Garden Limited ("LGL")

- A limited company, wholly owned by LRL.
- Has a board of directors currently comprising John Cartwright, David Simpson, Pete Radcliffe and Andy Leach.
- Was dormant until August 2020 when it acquired the MRTC site.
- Was established as a potential means to realise property under the development programme in a tax efficient manner.

One of the consequences of this structure is that it, effectively, splits the club's financial performance across three different legal entities, making it difficult for the casual observer to really appreciate the full picture. This is addressed further below.

Results to 30 June 2021

The annual accounts for LRL, a copy of which is attached to this report – together with the accounts for LBL and LGL - were approved by the Directors on 17 March 2022 and were filed at Companies House and with the Charities Commission before their respective deadlines of 31 March 2022 and 30 April 2022, and the relevant tax returns with HMRC before its filing deadline of 31 March 2022.

As can be seen from the accounts of LRL, the surplus for the year to 30 June 2021 was £106,027. As is often the case these days, the accounts are difficult for third parties to interpret, something which is magnified in the case of LRL as our accounts are required to follow a specific Charities Act format, which is more designed for organisations of a different shape. This is further complicated as we choose not to prepare accounts (and incur the associated cost) which consolidated the performance of LRL with its two subsidiaries, LBL and LGL. In order to get a true picture of our overall financial performance, it is necessary to aggregate the accounts of LRL with those of LBL and LGL. The effect of this on the income statement is shown below.

	2021	2020	2019	2018
	£'000	£'000	£'000	£'000
Donations	31	59	23	31
Subs	61	86	77	75
Sponsorship	2	22	21	23
Bar surplus	2	52	28	46
Panto surplus	0	33	27	23
Summer events surplus	0	0	34	24
Grants	79	0	0	0
Crowdfunding	15	0	0	0
AGP income	13	13	0	0
Storage/parking	20	0	0	0
Other income net of other direct costs	23	(8)	(51)	(31)
Gross profit	246	257	159	191
VAT partial exemption	5	(3)	(8)	8
Establishment costs	(26)	(36)	(36)	(30)
Playing costs	(10)	(57)	(53)	(47)
Grounds costs	(9)	(15)	(17)	(9)
Lease and repair costs	(9)	(5)	(8)	(11)
Salaries	(36)	(42)	(19)	(19)
Accountancy and legal	(12)	(4)	(12)	(5)
Miscellaneous	(5)	(8)	(7)	(1)
Donations made	0	0	(6)	(7)
Finance costs	(18)	(25)	(23)	(25)
Depreciation	(20)	(21)	(6)	(8)
Total costs	(140)	(216)	(195)	(154)
Surplus/(deficit)	106	41	(36)	37

By comparing the 2022 financial performance with prior years, the impact on the shape of the Club's traditional revenue streams and cost base of the Covid pandemic and related lockdowns can be clearly seen. In particular, it is worth highlighting that:

- With both the 2020 Panto and the 2021 Summer events being Covid casualties, no surplus was generated from these important fund-raising events which have sustained the Club for many years. In a "normal" year, these two events would have been expected to contribute a combined surplus exceeding £50k.
- The bar surplus (£52k in 2021) was almost eliminated entirely. As you will recall, we were only able to utilise our social facilities for a relatively short period and often at reduced capacity. This, combined with an understandable reticence of members to venture out as the pandemic remained a considerable threat to public health, reduced our bar sales in the year to £19k – from £94k the previous year and £112k in the last complete "normal" year.
- Given the lack of activity on the pitch and socially, it will be no great surprise that sponsorship income – typically around £20k per annum – fell to almost nothing.
- In fact, the surplus from these 4 activities – sponsorship, bar, panto, summer events – which had averaged £111k over the previous 3 years, fell to £4k in 2020/21.
- In addition, membership subs reduced by £25k, mainly due to a decision we took to offer a reduced membership fee for M&Js given the severe disruption to their season and that no food was able to be provided.
- To compensate for the near elimination of these traditional revenue streams, we generated £20k of revenue by renting out our surplus land for caravan storage/parking.
- In addition, we received Covid related grants from central and local government and the RFU totalling £79k. Of this, £11k related to the Job Retention Scheme (JRS - furlough scheme), which we were only able to claim from October 2020 to May 2021. A further £15k was raised through our "Your Club needs

you" crowdfunding project. Clearly, without this support we would have been in an altogether more challenging financial position.

- Most categories of costs reflect the lower levels of activity and a range of savings that were made to conserve cash. Playing and grounds costs were considerably lower than normal, whilst establishment costs benefitted from lower utilisation and the government's universal Council Tax holiday. Salaries, net of the JRS, also fell by 40%.

Adopting a similar methodology, the aggregated balance sheet at 30 June 2021 was as follows:

	2021	2020	2019	2018
	£'000	£'000	£'000	£'000
Fixed assets	1,594	1,561	1,501	1,487
Stock	5	5	7	24
Debtors	18	3	55	89
Cash	62	19	45	56
Creditors	(35)	(45)	(101)	(127)
	50	(18)	6	42
Borrowings	(564)	(571)	(576)	(562)
Net assets	1,080	972	931	967

Things to note here are:

- All but £89k of fixed assets relate to freehold land and buildings. As part of a valuation exercise completed for Handelsbanken in November 2020, Savills valued this land and buildings, including the MRTC site on Manor Road, at £2.85m. This valuation will be refreshed over the next few months.
- During the year, £47k was spent of costs associated with our Development Programme, including £37k relating to the purchase of MRTC and associated costs.
- Creditors and debtors are much lower than historically due to the cancellation of the marquee events which tended to run right up to our year-end. Included within creditors is an amount of £10k representing the amount members had pre-loaded their loyalty cards.
- Borrowings comprise a £16k interest free loan from the Rugby Football Foundation (dating back to their support for our 2006 land acquisition comprising pitches 2 to 5), which is being repaid at the rate of £7k per annum which will be fully repaid by December 2023, and a £548k loan from Handelsbanken.
- Our relationship with Handelsbanken remains very positive. Throughout the pandemic we have kept them well informed of our financial position and the actions we have taken to manage our finances within our means. On more than one occasion they have said how impressed they are with our financial management and control, reporting and forecasting. The Handelsbanken loan is interest only, at 2.75% over LIBOR, and was originally set to mature on 7 February 2022. However, given the confidence they have in us and the direction of travel of our development plans, supported by the valuation undertaken by Savills, they have agreed to extend this maturity date by a further 5 years to 7 February 2027 at which time, depending on the progress of the Development Programme, the expectation is that it will be either fully repaid or any balance converted into a longer-term amortising facility.
- In addition to this loan with Handelsbanken, we have a £75k overdraft facility in place which has only ever been used sparingly to help manage short term cash flow.

Year to June 2022

The current financial year has seen a welcomed, if staggered, return towards normality - not that things will ever probably be exactly as they were pre-Covid. In particular:

- We have enjoyed a full season of rugby at both senior and M&J/Colts level;
- Socialising in the clubhouse recommenced, albeit there has been some lingering Covid impact with members, generally, being understandably more cautious about when they socialise and for how long. Generally, whilst social revenues have been building over this period, they are still some way below those experienced pre-Covid.

- The Panto returned, albeit to a reduced audience to allow a Covid-safe environment to be created, making a welcomed contribution to our revenues.
- Once more, the summer Marquee events were cancelled, meaning that a vital revenue stream will again be missing from our 2021/22 finances. On the positive side, the current view of our major corporate "tenant" is that, all things being equal, they would like to reinstate their events in 2023.

Against this background, we have once again seen our cash flows revert to the historic cycle of strong inflow in the August to December period as rugby membership fees are collected, sporting and related social activity peaks and the Panto surplus is generated. This is followed by a sustained period of cash outflow. Since 2011 we had addressed this issue through the surplus generated from the summer Marquee events. With the absence of this surplus for, at least, a further 12 months our cash flows will continue to be carefully monitored and managed. One positive development which will help us manage our historic seasonal cyclicality is, following the MRTC acquisition, the establishment of our Tennis section, where the traditional membership year starts in April, provides an excellent balance for the typical timing of rugby membership income.

In my report last year, I noted that we had been awarded a £45k loan by the RFU under their "Winter Survival Fund" which was designed to help clubs fund investment in grounds and clubhouse improvements that would assist in the return from Covid. I'm afraid that nearly 12 months on, we have yet to receive this funding – the delay being, in my view, the inevitable challenge with accessing Government funded schemes with both the RFU and us having to navigate through layers of process and red tape. I am, however, hopeful that we are now close to concluding this and that the funds will be with us shortly – ideally before our year end. As we have already completed about half of the projects that this funding was intended to cover, this would be especially welcome.

On the subject of future funding, Handelsbanken have, in principle, agreed to advance a further £100k, to fund potential enabling works related to our Development Programme and we are finalising a £250k loan from the LTA to cover the build costs of 4 new tennis courts in the walled garden – more about this in the report on the status of our Development Programme.

Other matters

I'd like to acknowledge the tremendous support that I have had from Kate over the past 12 months. We are both looking forward to working with Alan, our new Club Manager, to ensure that we are in as strong as position as possible as we continue to rebuild our revenues and further secure our finances over the next 12 months.

Finally, thanks to the hard work and support of my fellow Directors, Executive Committee members and our wider membership I am confident that we will continue in a healthy financial position going forward and have tremendous opportunities to ensure that our club remains at the heart of our community for generations to come.

Andy Leach