

FINANCIAL REPORT TO SHAREHOLDERS: MAY 2017

2016/7 OUTTURN

The income numbers for this year continue to be a bit volatile, but the following trends on the three key areas are clear:

- UM receipts are largely steady and in line with expectations
- Competition income continues to decline and may be 10% or more short of budget
- The Bridge shop, more unexpectedly, is also in decline and is down by over 5% at the time of writing

Other income streams eg licences, advertising in English Bridge are holding up well.

Cost control has however been strong, helped, perversely, by the delays in introducing our new computer system, and even with adverse currency effects on our membership fees and some international spend, costs are expected to outturn better than budget.

I will update further at the meeting but overall I am hopeful that taking income and costs together we will be ahead of operational budget at year end, a good result given the income pressures. There may need to be some adjustment on the exceptional amount we provided in 2015/6 in the event, as has happened, we lost our legal case with Sport England, but we will only know this when the Courts rule on any costs to be awarded.

2017/8 BUDGET AND 4-YEAR PLAN

The budget agreed by the Board for the current year is attached (and compared with the 2016/7 budget).

In our last (August 16) 4-year plan we were hoping to budget for a small surplus this year, but that has not proved possible, and we are projecting a loss of about £10k. This deterioration derives primarily from the income trends above and the poor exchange rate, but also includes a full year of running our new software, all offset by a further tightening of costs, including reducing temporarily our support for EBED, whilst maintaining services to Members.

Of itself a small loss this year is manageable, given our reserves, but of more concern is the 4-year projection. We have agreed with Shareholders that we should aim to show a small surplus over our 4-year cycle but the new forecast is some way short of meeting this with losses in each of the next 4 years:

- 2017/8: (£10.6k)
- 2018/9: (£36.0k)
- 2019/20: (£33.0k)
- 2020/21: (£46.4k)

I do not think these projections are sustainable or acceptable. Essentially our financial model of using the surplus from Competitions (largely) to subsidise our spending on Internationals has broken down. Although Competitions remain profitable, even on a fully allocated cost basis (and therefore it is in general terms financially negative to cut back on them) we either need to find other sources of

income or margin, or we need to cut back on our support for some international activity, if we are to maintain services to members without well above inflation price rises.

So we are taking a number of actions:

- Continued tight control on costs (without being 'silly')
- A re-invigoration of the Bridge Shop
- A further review of our overall financial model, including the scale and nature of our Competitions offering and our support to Internationals

However, having struck in this report a largely pessimistic note, we are still as a national association in good financial health with appropriate reserves to see us through any sticky period, and the problems we face are exactly those being faced by the vast majority of National Associations across the world, indeed our issues are rather less extreme than for some, notwithstanding our less favourable VAT position compared to other countries. Strategically we do need to invest in getting more people to learn and play the game from affiliated Clubs through all the levels to International, and that is a tough but not impossible objective, if we invest wisely. It would however be a huge fillip in lots of ways if we won our VAT case this year!

Jerry Cope

EBU Treasurer

April 2017