



## IRFU HONORARY TREASURER'S REPORT FOR YEAR ENDED 31st JULY 2021

### INTRODUCTION

It is my pleasure to bring you through the Union's financial statements for the first time since taking office. As I reported in July, the Union, in common with many organisations, unfortunately suffered very heavy losses in the year. The accounts to 31st July, 2021 show a deficit of just over €10m, coming on the back of a deficit for the preceding fifteen months of almost €36m. This €10m however does not tell the whole story, as outlined below in more detail. The deficit arose after providing funding of over €27m to our Provinces and €4m to our clubs, to keep them solvent.

### FINANCIAL STATEMENTS

Income actually increased from €79.2m to €84m despite the absence of meaningful gate receipts (€11.6m) and amortised income (€14.7m) compared to last year. This is because of the following:

- Receipt of monies in respect of last year's two postponed Six Nations matches, which were subsequently played in October 2020, included in International Rugby Income in schedule 1
- Receipt of €13.2m in respect of the CVC deal with Pro14 which is included in Provincial Competition Income in schedule 1
- Receipt of special Government assistance of €18.2m together with other Government funding (wage subsidies and new initiatives) which are included in Revenue Grants in schedule 2

Outside of these items, Commercial Income fell due to accounts being prepared for a fifteen month period in 2019/20. Our commercial partners have kept faith with us and I would like to take this opportunity to thank them for this. Provincial Income was up by €5.5m on last year but this figure includes the €13.2m of CVC proceeds mentioned above. EPCR Income was down on last year's already reduced amount due to further cancellations and no attendances being permitted at knock-out matches.

Amortised Income fell drastically from last year due to the absence of fans at the Aviva Stadium, and as a result no five or ten year ticket or corporate box income being released. All of our patrons have had a year added to their contracts which will of course impact on the Union's future cashflows.

Professional Game Costs increased by almost €20m to just over €68m. You will recall that last year the Union made a provision of over €16m in relation to Branch amounts due to the Union, largely in respect of player recharges. Over the summer of 2020, a bailout package was put together made up of special Covid grants of over €14m together with an agreement to use all CVC monies received in respect of Pro14 for the benefit of the four Branches in the form of grants and credits against recharge amounts due. As a result of this package, we have been able to reverse most of the provision from the previous year. The cost of the bailout and the payment across to the Branches of CVC revenues resulted in the large increase in Professional Game Costs.

Elite Player Development costs fell by €4.2m due to the accounting period being reduced to twelve months, severely curtailed on-field activities, the suspension of Branch grants and the impact of agreed temporary salary cuts. The reduction of €4.4m in Domestic Game costs arose for similar reasons, and also incorporates €4M of Covid payments to clubs from the funding provided by the Government.

The absence of fans at the international matches is the main reason for the reduction in Marketing costs, together with the reduction in the length of the accounting period. Grounds costs fell due to a temporary reduction in insurance costs but included the cost of hosting the interprovincial match series in August and September of 2020.

Governance costs fell by almost 100% due to the fact that all meetings during the period were held remotely and there was very little Union representation at any matches outside of playing and coaching personnel during the period. Despite the shorter period and the temporary pay cuts, Administration Salaries and Pension costs increased over the period but this was due to redundancy costs incurred from March 2021 onwards. Other Administration costs generally fell in line with the reduction in the length of the accounting period and the changed profile due to remote working, with the exception of Rent which was effectively eliminated due to the purchase of our offices in late 2019.

Turning to the balance sheet, I would draw your attention to the Union Funds figure which stood at just over €52m at July, 2021 compared with €98.6m at April, 2019. Put simply, the Union's reserves have almost halved over the last two years, due primarily to Covid.

The changes in Fixed Assets and Investments were due to retention payments in respect of the build of the Abbotstown facilities and depreciation/amortisation for the year. Branch and Club Loans held steady overall largely due to Branch repayments of €100k received and the ongoing moratorium on club loan repayments.

Debtors and Prepayments increased by c. €2.5m due to a combination of a reduction in provisions, a reduction in Branch debt due to Covid grants, an increase in Pro14/URC monies due at year end, and a reduction in amounts due for ten year tickets and boxes.

As you will see in note 11 on page 25, the Union granted an option worth €2.1m in relation to its EPCR rights, the proceeds of which were passed to URC. As a result of the option issued, the Union has a right to proceeds of €2.1m. This gives rise to a Financial Fixed Asset; there is a corresponding call liability included in Creditors in note 13 to the accounts, resulting in a net zero impact on the balance sheet.

Creditors and Accruals increased very substantially from €38.6m to €55.9m. The main reason for this is the increase in the amount of PAYE warehoused under the Revenue's scheme, which increased from just under €8m in July, 2020 to over €29m in July, 2021. This deferral of liabilities has been crucial to the Union's solvency since commencing in March, 2020.

## **SUMMARY**

The deficit of €10m incurred this year was only kept to this level by the following items:

- Special Covid Government grants of €18.2m
- Wage subsidies of €2.2m (including £92k from the UK scheme)
- CVC monies of €13.2m

Without the foregoing, the Union would have suffered a loss of over €43m for the year. Over €27m of the amounts above were expended on keeping our four Provinces solvent, whilst a further €4m was expended on our clubs for the same reason.

In addition to this, the PAYE debt warehousing scheme has been of enormous value to the Union throughout the crisis and resulted in us not having to attempt to borrow from elsewhere. I would like to take this opportunity to thank the Government and in particular Sport Ireland and the Revenue for their assistance, without which it would have been challenging for Irish Rugby to continue in its current form. At the time of writing, we have submitted a further application for funding which is likewise vital to our financial viability. All of Irish Rugby owes the Government a huge debt of gratitude. I would also like to thank the Northern Ireland Executive and the United Kingdom Government for their support of rugby north of the border. Our staff and players have also taken considerable pain in the form of pay cuts over the last twelve months and the Union is very grateful to them for their forbearance over the period.

The Government funding and CVC monies have been instrumental in keeping Irish Rugby on the road throughout the crisis. Even with this however, the Union has seen the reserves it built up over the last 147 years almost halved in two years. Accordingly, it has been necessary for the Union to reduce its cost base by 10%, which regrettably involved some compulsory, as well as voluntary, redundancies. The Branches have also made significant reductions to their cost bases.

As things stand, we are permitted to have up to 100% attendances at our matches; however, it would be unwise to assume that we have seen the back of Covid. If full attendances are curtailed in the future, further severe action may be required by the Union and the Branches. There is also much rebuilding to be done to our balance sheet over the coming years to ensure that we have a stable and viable financial base for the game.

In conclusion, it has been an extremely challenging year and I would like to thank my fellow Committee members and my colleagues on the Finance Standing Committee for their assistance in navigating it. I would also like to thank the staff of the Union, in particular our Director of Finance, Conor O'Brien, and all of the members of the Finance Department.

*Patrick Kennedy*  
*Hon. Treasurer*