

CFU questions from shareholders and supporters

Shareholders Meeting 2019

Financial Processes

1. How is the club's commercial business divided up?

The Club's commercial business is divided up into Sponsorship & Advertising, Matchday Hospitality, Non-Matchday Events, Catering, Retail, Development Training Programmes (boys, girls & Goal Keepers), and Holiday Courses.

2. Does each area have objectives and targets for income?

Each area has both objectives and targets. Performance against these targets is reported weekly to the Board Director of Business and monthly to the full Board. Staff have monthly performance appraisals and bi-annual reviews.

3. How are those set and monitored?

A bottom-up approach to budgeting has been implemented, with each budget holder having responsibility to set their own budget. The proposed budgets are then presented to both Management and the Board, to be agreed with the budget holder in order to set the Club's overall budget. Performance is then monitored as outlined above, using both the monthly management accounts and other reports generated internally on a regular basis.

4. How are shortfalls identified and managed?

Any shortfalls are identified in real time, and expectations are re-forecast and communicated to the Board of Directors on a monthly basis, though communication is more frequent between staff and individual Board members.

5. What restrictions are in place regarding authorization of expenditure, in particular:

- a. Who can authorize expenditure of:

- i. Up to £ 50
- ii. £50 to £100
- iii. £100 to£1,000
- iv. £1,000 to £5,000
- v. £5,000 to £10,000
- vi. £10,000 to £50,000
- vii. More than £50,000

All expenditure must be authorised by both the budget holder and department head, within the agreed budgets. Any expenditure on items outside of the budget must be approved by the Board. Further steps are being taken to tighten up expenditure approval and to ensure the approval requirements are fully understood by all staff.

b. How is expenditure logged and monitored?

All expenditure is given the appropriate nominal ledger code, and signed off by both the Budget Holder and Department Head. This is then processed by the Finance Department, and reviewed on a monthly basis.

c. What reports are provided to the Board?

The following reports are prepared for each Board meeting;

- Finance
- Football Operations
- Commercial Operations
- Community Trust update
- Health and Safety
- Safeguarding

6. The club ran a music concert in the 2018 close season. What was the profit achieved, after costs incurred in staging it and reinstating damage caused to the playing surface and other infrastructure?

The A-Ha concert generated a profit of £22,762, and there was never any risk of the Club losing money on this concert given the structure of the contract effectively renting the ground to the promoter, with additional commissions payable to the Club on ticket sales/F&B sales.

Damage was caused to the pitch as a result of negligence by a contractor. The reparative works requested by the Head Groundsman were paid for in full entirely by the contractor.

7. Matchday hospitality appears to be a significant source of income for the club. What level of profit was achieved in the 2017/18 season, after costs in staffing the hospitality suites on matchdays, provision of food and including items such as programmes? Does this take into account the hidden costs involved in using staff employed on other work, during the week?

The Club generated approximately £80,000 in profit for the 2017/18 season after taking account of all food and programmes provided as part of packages. Whilst this does not take into account an apportionment of our FT staff's salaries towards this work, it also doesn't take into account the contribution of hospitality in managing our Sponsor relationships, and generating additional future sponsors.

8. The main stand suites were upgraded, partly using funds achieved by the matches against Manchester United, mainly with a view to improving their marketability for commercial lettings. What level of profit was achieved during 2017/18 and, so far, in 2018/19?

The upgrading of the suites has contributed to both additional bookings on both matchdays and non-matchdays. The profit generated from matchday hospitality for 2017/18 is referenced above, which has been replicated in 2018/19. In total for non-matchday events, the Club generated a £55,000 profit for the 2017/18 season. Therefore, the upgrading of the suites has undoubtedly enabled an increase in both matchday and non-matchday income.

9. The rooms are also used by the club and by the Community Trust, for functions and meetings. What is the charging regime for use by the Trust? Does that cover costs involved in preparing the rooms?

A Service Level Agreement is in place between the Club and the Trust in line with FA guidelines and best practice. An element of what the Club provides the Trust is free of charge reflecting the benefits the work of the Trust brings to the Club and the Community.

10. On how many occasions in 2018/19 has the use of the rooms by the Trust prevented a commercially based letting being accepted?

None

11. The rooms are also used for club business meetings and for community functions, such as the very popular monthly Seniors lunch, etc. What level of financial liability do these events entail, and where is this set out in the club's budget? How is performance against the expenditure measured and monitored?

There is no financial liability from the use of the facilities by the Community Trust, due to contributions of attendees and the Trust paying for any additional requirements beyond room usage.

12. It has been publicly stated that there have been significant failings in the club's financial processes and that these have now been put right, which is welcome. Would you, please, give an example of an area where this has been achieved?

Fundamentally this related to poor record keeping and inadequate organisation of information and systems. After departures, we were left with an inexperienced team.

13. "The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company". Is the current Board prepared to issue an apology to shareholders and fans for the failures of the management team during 2016/17 and 2017/18?

The financial statements were signed off in good faith by the Board on the understanding that the materials that had been prepared were accurate. This had clearly been shown to not have been the case. The Board clearly regret that what was said proved to be inaccurate. There was no intention to mislead anyone and the Board are obviously sorry that this happened.

Staffing

1. The audit report shows the level of full and part time staffing at 30th June 2018, which had increased over the previous 12 months. What is the current level of staffing at the club?

Full time staff are shown in the Table below. There has been no meaningful change to the level of part – time staff year on year.

Description	FTE - 2017/18	FTE - 2018/19
1 st Team	11	9
Academy	13	13
Club	3	3
Finance	2.5	2.5
Business	23	12.5
TOTAL	52.5	40

2. What is the process currently being used to determine which posts falling vacant are filled?

These are discussed at the Board level.

3. Are changes to staffing reported to and/or authorized by the Board?

Yes

4. Has there been a general “cost of living” increase in staff salaries overall, or has one been applied in some cases, but not others? How is the policy on this determined and monitored?

These would be raised by the Club’s management team and dealt with on a case by case basis by discussion at the Board.

5. Does the club operate an effective staff appraisal scheme, and are staff payments determined as part of it?

There is a staff appraisal scheme with performance reviews for all employees.

6. Are there plans to reduce the size of the non-playing football staff?

No but this is kept under constant review.

7. Does the club require a Head of Football? If so, how is the post justified, from a cost basis?

The CU Board believe that having a Head of Football separate from the Head Coach is the correct approach. In football today a Head of Football dealing with the demands of overseeing scouting and dealing with the expectation of players and their agents allows the Head Coach to focus fully on football. As has been stated by the Club many times, no player signings are made that don’t have the support of the Head Coach.

As was stated at the Shareholders Meeting, Colin Calderwood is supportive of this system and is supportive and complimentary about his colleagues in this system. This enables Colin to focus on coaching and managing the players for training and matches.

The contrary views expressed by shareholders at the Shareholders meeting were noted and understood by the Board.

Club Structure

1. The interim structure, instigated following the resignation of the Club Chairman, in November 2017, was based on 2 lead directors (Director of Business and Director of Football) with staffing heads reporting to each (Head of Football to Director of Football and Head of Commercial to Director of Business). Has that arrangement become permanent and, if so, how does the reporting and monitoring operate in each area?

Yes, this arrangement continues with the support of the Board.

In the Commercial area Henry Comfort and Shaun Grady work closely together and there are meetings most weeks with the entire commercial team.

As regards Football Operations Ben Strang works closely with Graham Daniels meeting regularly and fortnightly meetings to review progress, opportunities and challenges on behalf of the Board. Graham is also in regular contact with Colin Calderwood and the rest of the First team staff. Graham travels to most away games on the team coach.

In addition, Graham and Shaun meet regularly with Henry, Ben, Andy Beattie and Ben Stretzer as the Club's senior management team and Ben as the Trust CEO.

2. What role does the, contracted, Director of Finance have in the day to day reporting and monitoring of financial matters?

Duncan Foyle is in contact with other Board members on a day to day basis and provides more formal reports to the Board meeting each month.

3. What is the annual cost of running the Academy? How is it justified for the club, in football terms?

£153,383 is the total cost to the Club after all funding received and expenses is taken in to account.

The Board believe the Academy is critical to the future of the Club in generating future players and revenue from player sales. We have sold players generating income of £435,000 over the past four years. It has also provided First Team players (Darling, Davies and now Knowles, potentially Worman) on competitive wages which provide us with excellent value.

4. What targets are being set for increasing **profit** from commercial activities, rather than simply increased commercial **activity**? How is that being managed and monitored?

The budget setting process for next season is underway which is looking at areas to improve revenue and profitability from commercial activities and better control and eliminate costs.

Financial Reporting

The Board are grateful to Dave Doggett for his support in connection with the audit and the preparation for the Shareholders Meeting where the focus of the discussion was rightly on historical financial issues and the way things will be managed going forward. We would of course want to underline again the success the Club had during this same period - both in getting back into the football league and consolidating there under Dave's leadership.

1. Why has the club not provided shareholders with the same level financial information in this year's report as it did in 2018?

The Club immediately released the full accounts as soon as they became public. The detailed breakdown of costs was not disclosed as this contained confidential information.

2. The shortcomings highlighted in the audit report, regarding financial recording and controls, are seriously worrying and point to significant failures under the now departed Director of Finance, Steve Chamberlain, and Chief Executive Officer, Jeremy George. In light of this, what action is the club contemplating against Mr Chamberlain and / or Mr George?

The Club is not contemplating any action against anyone.

3. Did Mr George receive a severance package, as a paid employee, on his departure in February 2018?

The basis upon which any individual employee leaves the employment of the Football Club will reflect the terms of their contract of employment and is confidential.

4. Is the China Collaboration project continuing?

This business is in the process of being transferred to the University.

5. What, if anything, is the financial liability / expectation of income regarding the project?

This business has made a small surplus. There is no financial liability for the Club.

6. Jeremy George is shown as an officer of the China Collaborations company, with an address at the Abbey Stadium. What is his current involvement with the club on this project?

Jez George and others remain Directors of the joint venture company. This company is expected to be wound up when the transfer of the business is complete.

Future Plans

1. It has been stated that securing the long term future of the club requires both significant additional investment, over and above the level which Paul Barry is able to provide and also to reduce costs.

- a. If potential investors are willing to put in significant amounts of finance to achieve financial stability and success, is Paul willing to see his shareholding fall below 50% to allow this to happen?
- b. What measures are in place to prevent a potentially problematic “takeover” from taking place, in which an outsider seeks to change the character of the club, as has occurred elsewhere?

The Board have spoken to three different groups who have done some due diligence on the Club. These discussions have taken place under confidentiality and if details were made public, they could risk the discussions being terminated.

Once the Board have an offer they believe is credible and from suitable future investors, the Board will share that with shareholders.

Securing the right people is a very important aspect of the decision to accept new investment and something the Board has been looking at this very closely that any investor would buy into the culture and values of the Club and the Trust.

The level of ownership of a new investor might vary, but it is expected that, if secured, it would be more than 75% ownership.

2. What role does the club see for shareholders, fans groups, supporters in general and the wider community in growing the success which we all want?

If there is a change of ownership, we would want to ensure that the voice of the fans continues to be heard loud and clear as this is everyone’s Club

Robert Osbourn
Chair, Cambridge Fans United Trust Board
(On behalf of members, shareholders and supporters)
23.4.2019