



Derby County Supporters' Board Meeting: 25th November 2024

Overview

The Derby County Supporters' Board met with Stephen Pearce (Chief Executive Officer), Dave Biggar (Chief Commercial Officer) and Simon Carnall (Chief Operating Officer) on 25th November at Pride Park Stadium. All members of the Supporters' Board were present except Craig Flindell, who sent his apologies.

The focus of this meeting was to review the Club's annual report and financial statements for the year ending June 2024 ahead of publication on 26th November. The accounts cover the 2023/24 season where Derby County finished 2nd in League One, securing promotion back to the Championship. There was a detailed discussion, and a range of information shared in this meeting, so we have broken down this summary into different sections to cover:

- *The process of reviewing the Annual Report and Financial Statements*
- *Independent Auditor's Report*
- *Key highlights and discussion of the financial results*
- *Our reflection on the financial statements and the review process*
- *Highlights from the other agenda items*

The process of reviewing the Annual Report and Financial Statements

The Club shared the final version of the annual report and financial statements, together with the media briefing information with the Supporters' Board members several days prior to the meeting.

In the meeting the Club also shared the full audit report produced by the Club's independent Auditor, Grant Thornton UK LLP and explained the key findings and commentary. Following this the Club walked us through the key results in the financial statements and the media briefing approach.

Having had the opportunity to review the financial statement ahead of the meeting we then went into a question-and-answer session covering the details of the statements, the operational context behind them and the approach to briefing the media and supporters.

In our view, the different skillsets of the Supporters' Board members allowed us to approach questions from a range of valuable perspectives. Among our members, we have individuals with experience as Chief Financial Officers, including expertise in managing finances for large organisations and preparing and publishing financial statements. Additionally, we have members with backgrounds in leading businesses and overseeing governance for projects and operations. We also have several members without formal accounting qualifications. This diversity enabled us to pose technical accounting questions, explore operational and strategic factors driving the results, and seek clarity on points we felt were important for the Club's broader supporter base that not all members understood.



Our objective was to understand the finances of the Club for the 2023/24 season, ensure consistency with what we have previously been told in relation to the financial performance and planning of the Club and to understand whether the independent auditor had identified any matters of concern.

Independent Auditor's Report

We welcomed the transparency of the Club in sharing the full independent audit report with us in the meeting, as this added a further layer of transparency and assurance to us. An independent auditor evaluates a company's financial statements to verify their accuracy, compliance with accounting standards, assess internal controls highlighting any risks and provides a professional and objective opinion on the organisation's ability to continue its operations and meet its financial commitments.

We had discussed the Club's financial planning and performance in previous meetings the Club, the findings and commentary in the auditor's report was consistent with the information the Club had previously provided to us, which gave us comfort in the running of the Club and its engagement with us. The report validated, and was consistent with, our understanding of the Club's:

- Approach to financial planning and budgeting.
- Controls in place for significant risks, including cyber security.
- Confirmation of funding arrangements in place from the Club's parent company.
- Appropriate financial plans in place and ability for the Club manage costs to fit its funding arrangements should they suffer relegation back to League One.

The audit report did not identify any material uncertainties relating to events or conditions that could cast doubt on the Club's ability continue operations and meet its financial obligations in the upcoming 12 months.

Key highlights and discussion of financial results

We discussed the Club's comprehensive income statement; this details how much money the Club generates against the costs to run the Club. This detailed that it cost £38.2 million to run the football club last season, and that the Club generated revenue of £19.4m together with £4.6m profit from transfers of players out of the Club, resulting in a £14.1m operating loss.

The Club explained that the reduction in revenue compared to the previous season was due to fewer cup fixtures reducing ticketing income by £721k and losing the first year League One parachute payment from the EFL reducing the League and broadcasting revenue by £847k. The Club saw small increases in Hospitality, Events and Catering and Sponsorship income. We asked about the plans to drive increases in sponsorship revenue now that the Club was in the Championship.



The Club confirmed that they were exploring areas to increase revenue to support the growth of the Club. In relation to sponsorship the Club confirmed that they had retained the policy not to have gambling businesses as shirt sponsorship partners as they did not align with the Club's values, even though these organisations could provide greater sponsorship revenue.

Staff costs at the Club increased from £17.2m in the prior season to £22.0m. This was driven by an overall increase in staff together with an increase in the first team wage bill which increased from £7.3m in the prior year to £10.2m. This included promotion costs (bonus' and contract triggers) of £1.2m. We inquired with the Club about their decision to share the specific staff costs relating to the first team and they explained this was to improve transparency on the breakdown of costs associated to running the Football Club. The details were included in the media briefing note and the Club confirmed its plans to continue publishing this number in future. The Club also published its performance in relation to the EFL's Salary Cost Management Protocol, demonstrating compliance with the EFL's financial regulation for League One clubs.

The Club instructed a chartered surveyor to undertake a routine independent valuation of its training facility in May 2024. This resulted in an increase of £13.9m in the value of the training facility from the value in the prior year's accounts. Due to the significant increase the Club requested that the surveyor value the facility at the time of Clowes Developments (UK) Ltd purchasing the Club. The Club therefore restated the value of its assets at the time the Club was purchased, this resulted in an amendment to the impairment of goodwill in the prior year's financial statement from £19.7m to £9.3m. This essentially means that the value of the Club's assets in the financial statements at the time of the purchase was now assessed to be £9.3m less than what it cost to buy the Club, rather than the previous assessment of £19.7m less.

It had previously been communicated to the Supporters' Board that a revaluation of the training ground was being completed, now that we had seen the outcome several questions relating to the review were raised during the meeting. We asked why the value of the facility had increased, we were informed that this was simply down to market changes in the value of land and assets since the previous valuation, which was completed several years ago. We asked why the Club had not completed this valuation at the time of the purchase, it was explained that due to the speed and urgency of the purchase there was not time to complete it then, and the Club has decided to undertake this activity now as a routine valuation exercise.

This update is a fair value accounting adjustment and does not impact on the operational trading results from the prior year or the cash position of the Club. It also has not had any impact on the Club's compliance, calculation or headroom in relation to EFL salary cost management protocol (for League One clubs) or profit and sustainability regulations (for Championship clubs) and offers the Club no advantage or disadvantage in relation to this. Due to the complexity of the scenario, we encouraged the Club to ensure they took the time to walk the media through this activity as part of the media briefing so that it was accurately reported to our fan base. We were happy with the approach to the media briefing document overall, together with the commentary provided in the annual report and statements.



We discussed the ongoing funding requirements of the Club and the financial support that Clowes Developments (UK) Ltd (as owners of the Club) continue to provide. The financial statements detail that cash funding of £11.9m was provided in the forms of loans from Clowes Developments (UK) Ltd to ensure the ongoing operation and availability of cash to the Club.

Our reflection on the financial statements and review process

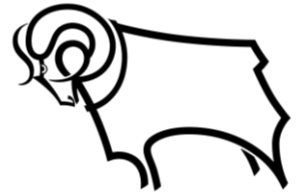
Our collective reflection on the process of reviewing the financial statements and interaction with the Club was positive. The Club were very willing to answer all our questions and engage in positive dialogue with us. We appreciated the Club sharing the statements with us prior to the meeting so that we could prepare ahead of the meeting.

The Club has been open with us in sharing financial data not only in this meeting, but in previous meetings. Ahead of the publication of these financial statements we have been able to build an understanding the Club's financial performance, planning and budgeting expectations. The outputs of these financial statements and the independent auditors report are consistent with the messaging we have previously received and in line with our expectations which gives us confidence in the way the Club is currently being financially managed.

We welcome the increased transparency in the additional details provided in the financial statements especially in relation to first team player wages and the compliance with the EFL salary cost management protocol. This gives us and the fans a greater understanding of the running costs of the Club. Reviewing the full independent audit report, and the confirmation of no material uncertainties was also a welcome addition as this adds a further level of assurance to us in relation to the fiscal management of the Club.

Whilst the results are in line with our expectations it is important to highlight that the Club continues to be reliant on the generosity of Clowes Developments (UK) Ltd to fund the operating losses and provide cash to the Club. This is a position that is typical of most football clubs in the EFL and the auditors share the Clubs view that the financing arrangements can be relied upon and that the Club is being run in line with these arrangements. We should not take this financial support for granted and we are thankful to David Clowes and Clowes Developments (UK) Ltd for the continued financial support and growth of the football club on and off the pitch.

We are encouraged by the ongoing commitment detailed in the annual report to the Club being an asset to its community and integrity being paramount to the culture and ethos of the Club. The Club have demonstrated this by not having a gambling shirt sponsor, valuing integrity over financial gain. We were also pleased with the integration of the Women's team into the ownership of the Club in this period, having full access to the training ground facilities.



It is also important to note the incredible support that the Club's fans continue to provide which the Club documented in the annual report. Season Ticket sales increased from 20,603 to 20,880 and the Club had the highest average attendance in League one of 27,278. Derby County had the 20th highest average attendance in the country for the 2023/24 season which we believe is an incredible display of commitment and loyalty for a Club that was in the third tier of English football.

As a Supporters' Board we will continue to monitor the Club's performance in line with its updates to us, to work to further improve transparency and to advocate for our fans in the running of the Club. We recognise the need to remain diligent and we will continue to carefully monitor the Club's finances and governance process. To help ensure ongoing progress we will remain engaged with the Club, posing questions to the leadership team as a supportive yet critical friend and partner.

Highlights from the other agenda items

In addition to the significant review of the Club's annual report and financial results we also covered our standing agenda items. We reviewed the recent public appearances of the supporters' board at the Derby County Fans' Forum and BBC Radio Derby. We reviewed and discussed the emails and contact we had received from supporters into our email account with the Club and agreed to continue directing operational questions to the Club's Supporter Liaison Officer to ensure fans who asked operational questions received accurate and timely responses to queries. Finally, we discussed the Club's ongoing supporter engagement approach through Fans' Forums, the Supporters' Charter Group and the Supporters' Board and highlighted the need to ensure that the approach remained consistent with the requirements of the football governance bill should it become law in the future.

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