WORLD SAILING
EXECUTIVE SUMMARY – FINANCIAL REPORT – OCTOBER 2020

This financial report covers the current position of World Sailing, including the results for the eight months ended 31 August 2020 and the forecast of the profit and loss for the remaining four months to 31 December 2020. The actual and forecast figures are compared to the budget which has been previously reported. We have also included actual and forecast balance sheets as at 31 December 2019, 31 August 2020 and 31 December 2020 (slides 3-5).

The current forecast for the year ended 31 December 2021 has been completed on the current information available and a Profit and Loss, Balance Sheet and Cash Statement is included (slides 8-10).

While a forecast budget for the next quad 2021-2024 has been prepared and is attached (slides 11-12), the new Board should review the assumptions and bases for this budget as a first priority.

Results to 31 December 2020

The results and the variations to budget for 2020 are explained below.

As reported in the previous financial reports, the Covid-19 outbreak has also had a major impact on World Sailing, primarily as a result of the postponement of Tokyo2020 and deferral of the Olympic receipts. However, the IOC Loan and the overdraft facilities secured against the WS Investment Trust Fund will provided the required liquidity until the end of 2021.

In addition to the procurement of external funding, the management has focussed on preserving cash and reducing expenses with significant success.

The result for the eight months to August 2020, is a net deficit of £144K compared to the budgeted deficit of GBP 1.2m and a deficit of £1.5M for the same period in 2019. The forecast for the full year shows a net deficit of £1.2M compared to the net deficit in 2019 of £2.5M. The primary reasons for the improvement were reductions in Olympic and other event costs, governance costs, employment costs, including the temporary reduction in salaries and the receipts under the furlough scheme, and administration costs. The reduction in costs is offset by a reduction in Event and other income.
The current forecast for FY 2020 shows a positive variance against budget of £720K for the year (slide 4). For the purpose of clearly demonstrating operational performance, we have excluded the forecasted £12.2M Olympic income and £314K expenses. The reasons include the factors for the eight months but also reflect the reduced cost of the Annual Conference offset by the employees returning to full pay and the remuneration for the CEO.

The updated forecast for the Quad 2017-2020 is included in the papers (slide 7) together with the previous forecast presented to Council a year ago in October 2019 (slide 6). Excluding the budget for Olympics, the latest forecast shows an improvement for the quad of £468K over that presented in October 2019.

**Forecast for the year ended 31 December 2021**

The papers include forecast profit and loss account, balance sheet and quarterly cashflow statements (slides 8-10). The forecasted net surplus for the year, after Olympic income is approximately £10M and closing cash balance at the end of December 2021 is expected to be £9M, after repayment of all amounts borrowed on the overdraft facility and the first instalment of the IOC loan of $620K. It should be noted that there will be 3 years not 4 until the next receipt of Olympic money and the forecast for the next quad should reflect this.

Assumptions used for the FY 2021 Forecast.

**Income**

The forecast assumes full receipt of the Olympic income budgeted for 2020. We have included additional costs of £182K which includes preparation costs for Paris 2024, Youth Olympic Games, Test Events and technology costs to improve communication and reporting.

Income is net of an assessment of potential rebates on Special Events Fees for the cancellation of events in 2020.

We have included a conservative provision of £300K for new sponsorships, based on our current pipeline.

We have been working on various scenarios to assess the impact of a range of financial outcomes as a result of lower Olympic receipts in 2021. While the IOC has not indicated a potential risk to income, it is prudent to understand the likely outcomes and required mitigations for a range of scenarios should the income be significantly reduced or non-existent.
Direct costs

The approved Event Strategy means that World Sailing will not directly manage the World Cup Series and World Cup final events. In addition, live broadcast will cover the finals which will result in a significant reduction of around £170K-£200K per annum in event delivery costs over those incurred in the current quad.

Due to financial constraints, the spend on Training and Development, ENP, PDP and Para Sailing has been left at the same level as originally budgeted for 2020 at £204K. However, any additional income from sponsorships or grants, can be allocated as additional funding in Q4 2021 for these activities.

Administration costs

The forecast assumes a freeze on recruitment and salaries, subject to filling a small number of key vacancies. However again, should we receive additional income consideration will be given to those departments which are currently under-resourced.

In relation to the current office space, there is an active work plan for subletting part or the whole office space. The office is currently leased for a further 6.5 years with no option of a break in the contract. Due to the Covid-19 pandemic the London letting market has seen a significant fall in demand. However, our estate agents have advised that the property is an ideal size and in a sought-after location and we hope to find a tenant in 2021. The financial benefit however will not immediately flow through because of the standard rent-free periods usually granted to new sub-tenants of about a year in length.

Quadrennial Forecast 2021-2024

The finance papers include a high-level profit and loss forecast for the next quad (slides 11-12). The main assumptions are based on the current business strategies and extrapolated for the period.

We expect a net surplus for the next quad 2021-2024 of £2.2M excluding the Olympic receipts and costs of 2024. In comparison:

- the results for the quad 2017-2020 including the Olympic receipts and costs of 2016 show a net deficit of £1.9M (slide 7).

- the results for the previous quad 2013-2016 including Olympic 2013 but excluding Olympic 2016, the net deficit was higher at £2.1M (slide 7).
At the last council meeting in 2019, it was noted that the quad includes a number of major investments which typically occur on a 10 year cycle which has increased the expenditure incurred in the quad and would not be expected to recur in the next quad. The office move, staff redundancies and Governance reform costs were approximately £1.7M, which has been funded by the borrowing at the end of 2021 of £2M and is therefore mostly related to the investment activities in the two years 2017 and 2018.

The forecast for 2021-2024 demonstrate this clearly and we are confident that we can continue to improve the finances of the federation by closely monitoring actual performance against these targets.

The forecast includes new sponsorships of £1.5M for the 2021-2024 quad which are conservative and are expected to be exceeded. We plan to focus on generating new income to ensure we have adequate cash flow liquidity to support the business operations and repay the IOC loan of £2M.

The forecast also includes significant spend of £3.5M in Training and Development, PDP and Emerging Nations Programme. This is an increase of around £2M on the previous quad, keeping in mind that there was minimum spend in 2020 due to the pandemic.

The plan to sublet the current office space and other reductions in administration costs is expected to reduce administration overheads for the quad 2021-2024 by £1.8M.

The senior management team will work with the new board to define the business strategies further with an overall aim to ensure that we maximise income and use the funds to invest in growing the Sport worldwide.

World Sailing Investment Trust

The Trust assets are held in two conservative portfolios, one in Euro and the other in Pounds Sterling to reflect the desire to protect the capital of the Trust. The performance to date has been positive and has in fact improved since changing fund managers in November 2019 (slide 12).