



Brian Havill
ECB Finance Director

Financial Review

The consolidated financial statements are set out at the end of this Annual Report. This is the first time we have prepared consolidated accounts, prepared because during the year a wholly owned charitable subsidiary has been established - the England & Wales Cricket Trust Limited.

The accounts also reflect a prior year adjustment following a change in accounting policy with regard to pensions. In line with recently changed best accounting practice, the deficit on the pension scheme is reflected on the balance sheet and the profit and loss account charge is not based on cash payments into the scheme during the year but on the service and interest costs incurred during the year. The change has increased the retained profit for the year by over £1.5m.

Overview

Following a period of losses for five successive years in 1999 to 2003, the Board has for the second consecutive year recorded a profit. This has strengthened our balance sheet and for the first time since the 1990's we have a positive reserve position - consolidated net assets total nearly £3m. This is still extremely low relative to the size of our turnover and we aim to increase reserves further in future years.

Turnover

Turnover rose by £3.7m (5%) from £75.1m to £78.8m. This increase was primarily a result of increases built into the main 2003 to 2005 Broadcasting contracts which concluded this year.

The new contract entered into with Sky for 2006 to 2009 will result in a slight drop in income in 2006. It is public knowledge that the Sky deal was the best financial deal for cricket and it underpins the financial security of the Board in the medium term. Such security is essential if the Board is to continue to fund all its current activities and is to achieve its ambitious objectives as set out in the Building Partnerships - Cricket's strategic plan 2005-2009.

Expenditure

Total expenditure (including cost of sales) fell slightly in comparison to 2004, falling by £2.3m (3%) from £72.6m to £70.3m.

Main areas of expenditure include:

- fee payments to First-Class Counties and other costs incurred to ensure a vibrant domestic game
- Costs incurred to help create successful England sides
- Community related costs incurred to help enthuse participation
- Governance costs incurred in running cricket from playground to Test arena

Fee payments (£24.3m) are by far the largest of the Board's expenditure items. They are paid to First-Class Counties in recognition of the costs they incur in participation in the Board's competitions. The First-Class Counties are effectively 18 Centres of Excellence and the fees paid to them underpin the Board's objective of ensuring a vibrant domestic game in which our most talented players are prepared for international cricket through a structured and competitive First-Class programme.

In addition to fee payments, the Board spent a further £4.5m on domestic First-Class cricket. Such costs include employment costs of First-Class Umpires and the cost of temporary lights at county floodlit matches.

International costs, incurred to help create successful England sides, totalled £10.9m in 2005. These costs include player employment costs; expenditure on overseas tours; costs in relation to team management and coaching staff; and the cost of our National Cricket Centre in Loughborough.

The ECB is strongly committed to enthusing participation at grassroot and recreational level. Direct expenditure in this area totalled £5.3m in 2005, including costs relating to Minor County and County Board Cricket, Premier Leagues and the provision of administration grants to County Boards.

In addition, significant levels of central development expenditure have taken place - for example investment in Information Technology and in particular in a County Board Management System.

Further, the ECB made a donation of £8.3m in December 2005 to its new charitable subsidiary, the England & Wales Cricket Trust Limited. This amount is not included in consolidated expenditure and as the Trust did not start operating until 2006, no costs in relation to the Trust were incurred in 2005. Indeed, much of the donation will not be expensed but will be used to finance an interest free loan scheme for affiliated amateur cricket clubs which we plan to launch in 2006. As per our strategic plan Building Partnerships, the intention is to establish a total loan fund of £5m by 2009.

Reserves

As already stated, the overall level of reserves is still extremely low despite two successive years of profits. This is primarily a result of losses incurred in each of the five years 1999 to 2003 - it takes more than two reasonable years to correct five years of poor financial performance.

It should also be noted that in 2005 our consolidated profit was enhanced by the establishment of the new charitable subsidiary, the England & Wales Cricket Trust Limited. In 2004, we donated £5.8m to the Cricket Foundation, in 2005 we donated £8.3m to the England & Wales Cricket Trust Limited. The donation to the Cricket Foundation was reflected in costs in the 2004 consolidated profit and loss account, whereas as the Trust is a wholly owned subsidiary, the donation to the Trust is eliminated on consolidation and so does not appear as a cost in the 2005 consolidated profit and loss account. The change clearly had a significant impact on the results for the year as the Trust did not start to make grants and awards until January 2006.

In future years, donations to the Trust will continue not to be reflected as costs in the consolidated profit and loss account but costs incurred by the Trust, including grants and awards, will be included - as it is anticipated that in future years costs of the Trust will approximate the donation, it is likely that going forward the effect on the consolidated profit and loss account will be relatively small.

Corporate Governance

One of the objectives in the Board's strategic plan Building Partnerships was to achieve effective leadership and governance, delivering professional effective and efficient management of the game.

The main Board was streamlined during 2005 and now consists of 12 rather than 18 members. In addition, the number of main sub-committees was reduced from 7 to 4: Cricket; Commercial; Audit; and Remuneration.

Board

The twelve board members comprise:

A Chairman, a Deputy Chairman and a Chairman of the Cricket Committee who are nominated by the Chairmen of the First-Class County Clubs and the MCC Chairman, and then elected by all the Members of the ECB;

The Chief Executive and the Finance Director of the ECB;

One director appointed by the Marylebone Cricket Club;

Two directors appointed by the Recreational Assembly;

Three directors appointed by the Chairmen of the First-Class County Clubs; and

One independent director who is nominated by the Chairman and then appointed by the Board.

F D Morgan	Chairman of the Board
D L Amiss	Chairman of the Cricket Committee
C G Clarke	Chairman of the Commercial Committee
D G Collier	Chief Executive
B W Havill	Finance Director
R Jackson	Recreational Assembly appointee and member of the Remuneration Committee
R D V Knight	Secretary & Chief Executive of Marylebone Cricket Club
Sir William Morris	Independent
J B Pickup	Chairman of the Recreational Assembly and member of the Cricket Committee
R P Russell	Chairman of the Remuneration Committee
M J Soper	Deputy Chairman of the Board and member of the Remuneration Committee
D P Stewart	Chairman of the Audit Committee and member of the Remuneration Committee

ECB Board: Back row (l-r): B W Havill, R Jackson
R D V Knight, Sir William Morris, R P Russell, D G Collier.
Front row (l-r): D P Stewart, M J Soper, F D Morgan
J B Pickup, D L Amiss



Audit Committee

The Audit Committee is Chaired by a Board Member and also comprises three members from within various areas of cricket and three independent members.

The committee is chaired by **D P Stewart**. The three members from within cricket are:

M Beckwith	Secretary, Sussex CB
D Harker	Chief Executive, Durham CCC
S Schanschief	Chairman, Northamptonshire CCC

The three independent members are:

P Davies	Non-executive director, C&J Clark Ltd
R Gubbins	Partner, Ashursts
P Read	Partner, KPMG LLP

The committee meets at least three times a year and reports directly to the Board. Minutes of meetings are circulated to all members of the Board. There are formal terms of reference which take into account recent recommendations on the role of audit committees.

In accordance with its terms of reference, the committee met with the external auditors and reviewed the Board's financial statements prior to their submission to the Board for approval.

Cricket Committee

The Chairman of the Cricket Committee, who is also a member of the Board, is nominated by the Chairmen of the First-Class County Clubs and the MCC Chairman, and then elected by all the Members of the ECB.

In addition to the Chairman, there are twelve other members of the Cricket Committee, who represent various areas of the game.

The Chairman of the Cricket Committee is **D L Amiss**.

The twelve other members are:

C J Adams	Captain of Sussex CCC
M C J Ball	Chairman of the Professional Cricketers Association
J D Carr	ECB Director of England Cricket
B Dudleston	Umpire
A Fordham	ECB Cricket Operations Manager
A R C Fraser	Member of ICC Cricket Committee
D A Graveney	Chairman of England Selectors
P Moores	National Academy Director
H Morris	ECB Deputy Chief Executive
J B Pickup	Chairman of the Recreational Assembly
J Simmons	Chairman of Lancashire CCC
J P Stephenson	Director of Cricket, MCC

Commercial Committee

The Commercial Committee is Chaired by a Board Member and also comprises three other members.

The committee is chaired by **C G Clarke**.

The three other members are:

D G Collier	ECB Chief Executive
C W Leach	Chairman of Durham CCC
J Perera	ECB Commercial Director

Remuneration Committee

The Remuneration Committee is chaired by a Board Member and also comprises three other Board members.

The committee is chaired by **R P Russell** and other members are **R Jackson**, **M J Soper** and **D P Stewart**.