

RFU REGULATION 5 – FINANCIAL

5.1 Finance and Audit Limits

- 5.1.1 On or before 1 November 2011, each Constituent Body shall send to the RFU's Chief Operating Officer for inspection a properly prepared Financial Statement for the previous season that has been audited or examined as appropriate in accordance with Regulation 5.1.4 and 5.1.5.
- 5.1.2 In the event of a Constituent Body failing to comply with Regulation 5.1.1 above or a Club in failing to comply with Regulation 5.1.3 below, it shall be subject to a sanction to be determined by the RFU.
- 5.1.3 On or before 1 November 2011, each Club at Levels 1 to 4 (inclusive) shall send to the RFU's Chief Operating Officer and every other Club shall send to the treasurer of their respective Constituent Body or other relevant organising body for inspection, a properly prepared financial statement for the previous season as presented to Club members at a general meeting that has been audited or examined as appropriate in accordance with Regulations 5.1.4 and 5.1.5.
- 5.1.4 Where a Constituent Body or Club is incorporated, it shall comply with the statutory audit/accounts report regulations set out in the Companies Acts and any other legislation and statutory audit requirements under the Industrial and Provident Societies Acts and any other legislation as appropriate.
- 5.1.5 Where a Constituent Body or Club is unincorporated and:-
- it has a gross annual income exceeding £385,000, its Financial Statements shall be audited by a registered auditor who is eligible to act under the provisions of Section 25 of the Companies Act 1989;
 - it has a gross annual income exceeding £100,000, but not exceeding £385,000, then it shall appoint a qualified accountant who is a member of one of the major accountancy bodies who comprise the Consultative Committee of Accountancy Bodies or another appropriate supervisory body recognised by the Board of Directors to independently examine the books and records and to report thereon;
 - it has a gross annual income not exceeding £100,000, then it may, with permission of its members, at a general meeting of the Club, to which 80% of the total votes cast at the meeting are in favour of such Resolution, opt out of an audit or examination. Such option shall be exercised annually; and
 - it has a fixed asset balance sheet value exceeding £825,000 then the gross annual income criteria in (b) and (c) do not apply and the financial statements shall be audited by a registered auditor who is eligible to act under the provisions of Section 25 of the Companies Act 1989.

Note:

- The auditor's report must be attached to the annual financial statements (see Regulation 5.1.5).*

- (b) *The accountant's report must be attached to the annual financial statements (see Regulation 5.1.5).*
- (c) *A signed copy of the general meeting resolution opting out of an Audit or examination must be attached to the annual financial statements (see Regulation 5.1.5).*

5.1.6 Clubs affiliated to universities, colleges and other educational institutions and Clubs which are sections of sports associations e.g. banks, insurance companies and business houses are exempt from the provisions of Regulation 5.1.5 if they do not have separate accounts for themselves.

5.2 Financial Planning and Reporting

5.2.1 All Clubs participating in the Championship shall submit to the RFU:

- (a) by the 31 May 2012, or such later date as the RFU may stipulate, a business plan for the following season in a format determined by the RFU which shall include:
 - i. projected profit and loss account;
 - ii. detailed revenue estimates and details of revenue contracts;
 - iii. detailed playing budget, including details of squad members, and payroll and related costs for playing, coaching and medical staff;
 - iv. detailed overhead and other cost budgets;
 - v. capital expenditure plans;
 - vi. budgeted cash flow statement;
 - vii. budgeted balance sheet; and
 - viii. evidence of financing facilities or a bank guarantee or performance bond to fund any deficit;
- (b) quarterly management accounts within 45 days of the end of each quarter of the Club's accounting year including an aged listing of individual creditors owed in excess of £25k;
- (c) items (a) and (b) above for any legal entity whose finances or operations are material to the financial position of the club; and
- (d) any other information that the RFU may require.

5.2.2 By 30 June 2012 all Championship Clubs and Clubs at Level 3 must ensure that they have an accounting year ending 30 June.

5.2.3 In the event that the RFU has serious concerns about the financial stability of a Championship Club or its corporate governance or management the RFU may appoint a person to attend its board meetings and any such Club shall give reasonable advance notice to the RFU in writing of the dates times and venues of such meetings.

- 5.2.4 In the event that a Championship Club is in breach of Regulation 5.2.1 or supplies false information it shall be liable for such penalty as the RFU may determine which may include (without limitation) a fine, points deduction and (in the case of a serious or repeated breach or supply of false information) relegation from the Championship.
- 5.2.5 If upon receipt from a Championship Club of its business plan or other information under Regulation 5.3.1 the RFU is of the opinion that that the Club should not be allowed to participate in the Championship for financial reasons the Club may be relegated from the Championship to such League level as the RFU may determine.
- 5.2.6 Any Club in National League 1 wishing to be promoted to the Championship shall submit to the RFU by 31 May 2012:
- (a) year to date management accounts to the 30 April 2012 in such form as the RFU may require;
 - (b) for the following season a business plan and the other information referred to in Regulation 5.2.1 (a); and
 - (c) such other financial information as the RFU may require,
- and in the event of failure to do so the RFU may refuse to allow that Club to be promoted to the Championship.
- 5.2.7 If upon receipt from a Club in National League One of its management accounts business plan and other information under Regulation 5.2.6 the RFU is of the opinion that Club should not be allowed to participate in the Championship for financial reasons the Club shall not be promoted to the Championship.

5.3 Insolvency Event at a Club

- 5.3.1 Where it becomes apparent to a Club or any person concerned in the management of that Club that an Insolvency Event is likely to occur at that Club (or to an entity which in the RFU's opinion is connected or associated with the club in such a way that it is seen as being part of the Club) such Club must notify the RFU immediately and confirm such information in writing by letter e-mail or fax addressed to the Company Secretary and Legal Officer of the RFU within 14 days.
- 5.3.2 Immediately upon an Insolvency Event occurring a Club, by its directors or others having responsibility for the management of the Club, must notify the RFU in writing by letter e-mail or fax addressed to the RFU's Company Secretary and Legal Officer.
- 5.3.3 Without prejudice to such other action that the RFU might take or require to be taken and without prejudice to requirements under any other Regulation or Rule of the RFU, in the event that an Insolvency Event occurs other than during the Season at any Club, such Club may not commence playing in any RFU Competition without the specific written approval of the RFU and only upon such terms as the RFU may in its absolute discretion impose (which may

include a deduction of League points in the following Season such deduction not to exceed the deductions set out in Regulation 5.3.4 below) in giving such written approval.

- 5.3.4 Without prejudice to any other action that the RFU may take or require to be taken, and without prejudice to requirements under any Regulation or Rule of the RFU, in the event that a Club playing in the Premiership or the League (other than in the Championship, in which case Regulation 5.3.7 shall apply) suffers an Insolvency Event, that club shall suffer a points deduction equal to one fifth of the total number of available points (including bonus points) to a Club in the League (or Premiership, as the case may be) in which that Club plays. By way of example, in a 16-team League, where there are a total of 150 points available, the points deduction shall be 30 points. In the case of a fraction, the points to be deducted shall be rounded up to the nearest point.
- 5.3.5 If the Insolvency Event referred to in Regulation 5.3.4 occurs during a Season, the relevant points deduction will take effect during that Season. If such Insolvency Event occurs outside a Season, the RFU may at its discretion apply the points deduction to the previous Season (and the League or Premiership table of that Season shall be so amended), or may apply the deduction in the following Season.
- 5.3.6 If, were the points deducted from a Club under Regulation 5.3.4 and/or 5.3.5 to be added back to that Club's points total at the end of the Season in which they were deducted, that Club would have been in the relegation zone of its League (or the Premiership, as the case may be) then the RFU shall apply that points deduction to the following Season in addition to the Season in which it was first applied.
- 5.3.7 Without prejudice to such other action as the RFU may take or require to be taken and without prejudice to requirements under any Regulation or Rule of the RFU in the event that an Insolvency Event occurs at a Championship Club during the Season the Club shall suffer a deduction of League points and other appropriate sanctions determined by the RFU as set out in Appendix 3 of this Regulation 5.
- 5.3.8 Where a club suffers an Insolvency Event, provided that all outstanding creditors of that Club are paid in full within six weeks of the Insolvency Event occurring, that Club shall not be subject to the points deduction set out in Regulation 5.3.4 or 5.3.7 (as applicable).
- 5.3.9 In the event that an Insolvency Event occurs during the Season at any Club not playing in a League such Club shall be subject to whatever penalty the RFU shall deem appropriate.
- 5.3.10 The RFU shall have the right to publish the name or names of any person who was a director of or who was concerned in the management of any Club at the time at which any Insolvency Event or similar event occurred or at any time in the period of 12 months before any such Insolvency Event or similar event occurred at that Club.
- 5.3.11 Any person who was a director of, or was concerned in, the management of any Club at the time at which any Insolvency Event or similar event occurred or at

any time in the period of 12 months before any such Insolvency Event or similar event occurred shall not be entitled to become or to remain a director of or be concerned in the management of that or any other Club for a period of three years from the date of the Insolvency Event unless that person shall have shown good cause to the satisfaction of the RFU as to his/her fitness to be such a director or involved in the management of a Club during that three year period and the RFU has indicated its approval in writing and further no Club shall engage elect appoint or retain any such person as a director or to fulfil any management role within the Club without the written approval of the RFU.

- 5.3.12 For Clubs at Levels 1 to 6 (inclusive), if it is proposed to establish a new club to take over the assets (including the League or Premiership position) of a Club to which an Insolvency Event has occurred, the provisions of RFU Regulations 3.3 and 3.4 so far as applicable and the protocol set out in Appendix 2 to this Regulation 5 must be complied with before that new club may be granted membership of the RFU.

5.4 Funding

- 5.4.1 Any funding of whatever nature from the RFU to a Constituent Body or Club is (in addition to any specific funding conditions imposed) conditional upon the satisfactory compliance by the entity receiving the funding with the RFU's Rules and Regulations and on the delivery and performance of that entity being satisfactory to the RFU Board of Directors. Such funding may be suspended or cancelled at any time if, in the opinion of the RFU's Board of Directors, such entity is not so complying, delivering or performing.
- 5.4.2 The RFU shall not be obliged to pay any funding that would otherwise be paid direct to a Club, to a league organising committee or entity representing or purporting to represent that Club, unless the RFU Board of Directors is satisfied that such committee or entity will pay the RFU's funding equally between all Clubs represented by that committee or entity and that the RFU has such representation on such committee or entity as the RFU Board of Directors shall require.
- 5.4.3 Subject to points 5.4.3 (a) to (d) inclusive below, the RFU shall have the right to set off from any funding it gives to a Club or to that Club's league organising committee (where no funding is given direct to a Club) or any entity representing that Club any sums owed by that Club to the RFU for whatever reason (including, without limitation, non-payment of sums owed to the RFU for tickets) provided that where the RFU proposes to exercise its right of set off from monies it would but for the set off pay to a Club's organising committee:
- (a) the RFU shall calculate how much that Club's share of funding given to the League Organising Committee would be by dividing the total funding to that League Organising Committee by the number of Clubs in that League ("the Club's Share");
 - (b) if the total sums owed by the non paying Club are equal to or less than the Club's Share, the RFU may deduct the amount owed by the Club from the Club's Share and pay the League Organising Committee the balance;
 - (c) if the total sums owed by the non paying Club are more than the Club's Share, the RFU may only deduct the Club's Share from the total funding

to that League Organising Committee and the amount owed by the non-paying Club shall be reduced accordingly; and

- (d) any outstanding sums owed to the RFU by that non paying Club may be deducted from further payments to that League Organising Committee provided the provisions set out in 5.4.3 (a) to (c) inclusive above are complied with.

5.5 Tickets to International Matches

Any non-payment by a Club for tickets or its ticket allocation to any match at Twickenham, by the date required by the RFU may result in that Club losing its international match ticket allocation or right to purchase tickets for all or some matches to be held at Twickenham for a minimum period of one year or such greater period as may be determined by the International Rugby Ticket Sub Committee through its established procedures or such other procedure as the RFU may in its absolute discretion decide.