REVIEW OF DEVELOPMENT PLANS

THE FUTURE OF YOUR GROUND

MARYLEBONE CRICKET CLUB

June 2017


S

CONTENTS

Printed by Windsor using paper produced from sustainable sources.

PART 1

EXECUTIVE SUMMARY

At the 2015 AGM, Members passed a Resolution (see Appendix A) commissioning a Review of Development Plans over the next ten years for Lord's which would go to the membership for consultation. It required the M.C.C. Committee to analyse the current Masterplan (which was presented to Members in 2013), and the proposal from the Rifkind Levy Partnership (RLP) to develop residential accommodation at the Nursery End (The 'Morley Plan')

It stated that no further Resolutions relating to Ground Development would be permitted until a Special General Meeting (now scheduled for September 2017) on the Review had been held.

The Resolution required an analysis over a ten-year period, and this Review therefore details the development options – and consequent cash positions – to the end of 2027. However, because completing the redevelopment of the entire Ground will take more than ten years, further information is provided in Appendix C: Beyond 2027.

Shortly before going to print with this Review, M.C.C. received notice from Mr Rifkind's lawyers, Macfarlanes LLP, to the effect that the proposed Morley Plan for the development of the Nursery End of Lord's, up to now put forward by RLP, was henceforth being put forward by Rifkind Associates (RA).

In light of the change in entity making the offer, M.C.C. has sought explanations as to the relationship between Mr Rifkind and Mr Levy, RLP and RA, and also the legal status, structure and capitalisation of RA so as to understand how it would meet its obligations.

The Club had wanted to include recent exchanges of correspondence on these subjects between the Club and Macfarlanes in this Review, but Macfarlanes declined to give M.C.C. permission to include them. In any event, the Club will continue to seek clarification on the above and other matters, including as regards who owns what assets.

THE TWO OPTIONS

One option is to proceed with an updated 2013 Masterplan (Updated Masterplan), using M.C.C. funds to build improved Compton and Edrich stands with up to 2,000 extra seats for both the general public and Members. The scheme would include an East Gate Building with hospitality space and a service centre, offices, and a Nursery Ground at the Nursery End (p13). By the end of 2027, M.C.C. could have completed the redevelopment of the Compton and Edrich stands and the East Gate Building, spending £89m, and leaving £33m cash in the bank (p23). The Masterplan would subsequently be completed by 2032 with the redevelopment of the Tavern and Allen stands at the Pavilion End, and the North Gate at the Nursery End. To fund this, the Club would require short-term borrowings, peaking at £28m in 2031, but cash reserves would be restored to £21m by 2035 (see Appendix C); alternatively it could choose to remain debt free by taking longer to complete the redevelopment (p24).

The other option is to proceed with RA's Morley Plan, which proposes to develop two ten-storey apartment blocks either side of a new Nursery Pavilion on the strip of land on the Wellington Road (p17). A Land Registry search on 17th May 2017 has confirmed that this is still

owned by Charles Rifkind and Jonathan Levy, from whom M.C.C. (through its custodian trustee, The Royal Bank of Scotland PLC) holds a lease of the top 18 inches of land until 31st December 2136. RA's offer is set out in a letter from Macfarlanes, in Appendix D. They value the land at £300m, and their offer at £150m in cash and kind. Of this amount, approximately £100m would be available to M.C.C. to spend on the development of new stands and facilities at Lord's. The Club's advisors state that M.C.C. should receive at least 70% of the land value, and significant issues are unresolved concerning, inter alia, control of the development process, the effect of residential accommodation within the Ground on security and operations, and whether the plans provide adequate space for the cricket needs of Lord's.

Should planning permission be granted for the entire 266,000 sq. ft., development and other conditions met, M.C.C. would relinquish the lease, and RA would provide the Club with a £100m letter of credit. M.C.C. would use these funds, plus its own resources in the 2030s, to complete the entire redevelopment of the Nursery and Pavilion ends by 2034. The delay in the delivery of RA's Morley Plan compared to the Updated Masterplan is due to the fact that M.C.C. would have to wait until the residential accommodation is completed before beginning any development of stands or other cricket facilities elsewhere in the Ground.

RA's Morley Plan potentially provides a major financial boost to M.C.C. and would prevent the Club going into any debt to complete the entire redevelopment of Lord's. It leaves the Club with £111m of cash in 2027 if it is drawn down towards the Nursery End developments, including new Compton and Edrich stands with c. 2,000 extra seats (p23). The lifespan of stands at Lord's is 40-60 years, so the £100m would help fund stands built in the 2020s and 2030s, but would then be exhausted so would not contribute to the replacement of those buildings in later years.

Under the Updated Masterplan, M.C.C. retains its existing lease on the strip of the Wellington Road land until 31st December 2136; under RA's Morley Plan, it is granted a new 120-year lease on the new Nursery Pavilion and any other commercial units it chooses to rent from Messrs Rifkind and Levy on the Wellington Road frontage. As part of the offfer, M.C.C. might have the opportunity to purchase the 983-year Head Lease once the apartments have been sold.

KEY ASSUMPTIONS AND SENSITIVITIES

There are many unknowns when projecting ten years and more into the future, and a number of assumptions have had to be made. Members are asked to bear this in mind, in particular when considering the financial analysis and architectural drawings, which are at a 'Masterplan' level (rather than detailed design). Estimates of cash flows and development costs through to 2027 and beyond should be regarded as indicative to help compare different options, and not a firm commitment of expenditure.

The three most significant assumptions are:

1. That Lord's will remain open for cricket, and for business, and that M.C.C. will not move away from the Ground to accelerate its development;
2. That Lord's will continue to host two Test Matches and one One-Day International (ODI) p/a; and,
3. That a new domestic city-based T20 competition will commence in 2020.

M.C.C. is assuming that it will continue to host its current level of international cricket because of its historically strong ticket sales and confidence that every touring team wants to play at Lord's.

The major sensitivity – i.e. the change in circumstances which could significantly affect the finances – is that M.C.C. will cease to host two Tests p/a. This has happened four times (in the 1990s) in the past 25 years, and would reduce its reserves down to £2m by 2027 under the Updated Masterplan scenario. This has been set out in the "One Match Sensitivity" section on p29. Additional funding options that could be available to the Club are set out on p30 (Potential Upsides to the Finances) and in Appendix C.

RA's proposed cash injection improves M.C.C.'s cash flow and reduces its reliance on hosting two Tests p/a if it wants to complete the redevelopment of the entire Ground in the early 2030s.

THIS REVIEW

The Review and its appendices cover a range of considerations: cricket, finance, operations, security, planning and heritage. The Club's financial model and assumptions have been independently reviewed by the accountancy firm BDO; RA's financial proposal has been independently reviewed by CBRE. Advice from CBRE, like the full BDO Report, will be available for Members to read at Lord's by appointment with the Chief Executive & Secretary's PA, Janet Fisher, at janet.fisher@mcc.org.uk or 020 7616 8512.

The Committee has deliberately not made any recommendations; rather, the Review is to provide the basis for a forthcoming period of consultation, the findings of which will be reported to the Committee in the summer. The Committee wants feedback from as many Members as possible on this vitally important issue. Members are invited to consider not just their current preferences, but the future well-being of the Ground and Club, and the degree of risk they are comfortable with the Club taking.

The Review, which includes a summary of BDO's report to the Committee on pages 31-34, is best read alongside the accompanying appendices:

- Appendix A, containing the Resolution and Explanatory Notes from the 2015 AGM, and the BDO Terms of Reference;
- Appendix B, focusing on the Nursery End – its current configuration and considerations for its future use, Nursery End development options that have been rejected, and sections and Ground plans;
- Appendix C, setting out development and funding options after 2027; and,
- Appendix D, containing a commentary on Macfarlanes' letter of 12th May 2017, the Macfarlanes letter of 12th May 2017, and a letter from former M.C.C. Secretary & Chief Executive Keith Bradshaw to RLP from 18th December 2008.

The appendices will be available on the Members' section of lords.org, or by application to the Membership Office for a limited number of printed copies for Members who need or prefer them.

Essentially, the matter boils down to whether Members are content to accept large-scale residential development within the Lord's boundary in return for a cash injection and the entire Masterplan being completed in 2034, or pay for the development of the entire Ground by 2032 (or over a longer time frame from Club resources as funds permit) but without accepting residential development.

What M.C.C. could or should do at the Nursery End – and when – has been the subject of much debate within and outside the Club for nearly twenty years. It is hoped that this Review, followed by an open and thorough consultation process, will produce a Resolution to be voted on at an SGM to forge a clear way forward for the development of Lord's for the next ten years and beyond.

Sources

The Club has received information and advice from various sources in compiling this report:

- **Architecture:** Populous (for M.C.C.'s Updated Masterplan), David Morley Architects (for RA's proposals)
- **Construction Costs and Phasing:** Gardiner & Theobald
- **Heritage and Townscape:** Ettwein Bridges
- **Legal:** Slaughter and May, Farrer & Co.
- **Planning:** DP9
- **Property:** CBRE, Knight Frank, Rifkind Associates
- **Security:** Metropolitan Police, Control Risks Consultants, International Protect and Prepare Security Office

PART 2

CONTEXT & SUMMARY OF OPTIONS

THE REDEVELOPMENT OF LORD'S

M.C.C. would like Lord's to continue to position itself to be the best ground in the world to play and watch cricket. Lord's is not broken, and doing nothing is always an option, but there are aspects of the Ground which are sub-optimal, often due to the age of facilities, and the fact they were designed in isolation, without the benefit of a Masterplan.

The aim is to set out a coherent plan for the entire Ground which is financially viable, and where facilities complement each other. Facilities should improve Members', spectators' and players' experiences in the Ground, enhance M.C.C.'s financial strength, and enrich the special character and maintain the rich heritage of Lord's.

A key consideration for M.C.C. is to ensure Lord's remains operational throughout the year; the Club must be able to host major matches and maintain its significant non-match income e.g. from its Meetings and Events business, Cricket Academy and Tours. In practical terms, this means that the Club must undertake any major developments sequentially rather than simultaneously, so Lord's remains open for business. The Committee does not consider moving away from the Ground to allow construction to be accelerated to be a viable option because it would deprive Members of the opportunity to watch cricket at their Ground and involve major disruption to the entire administration of the Club.

The Masterplan

At the 2013 AGM, a Masterplan for the redevelopment of Lord's was presented to Members by the then Chairman of Estates, Colin Maber.

The Masterplan aimed to set out all the development required at Lord's, delivered in a series of phases, the order of which could be flexible. It aimed to improve Members', spectators' and players' facilities, enhance the spectator experience by reducing congestion and embedding more amenities within new stands, and create better commercial and more efficient office space for M.C.C., Middlesex and ECB.

In 2014, the Club received planning permission for the first phase of the Masterplan — the new Warner Stand — and subsequently began construction in the 2015/16 off-season. The two tiers of seating were completed in time for the Pakistan Test Match in July 2016, and the rest of the stand was completed over the 2016/17 off-season, ready for the England v. Ireland ODI on 7th May 2017.

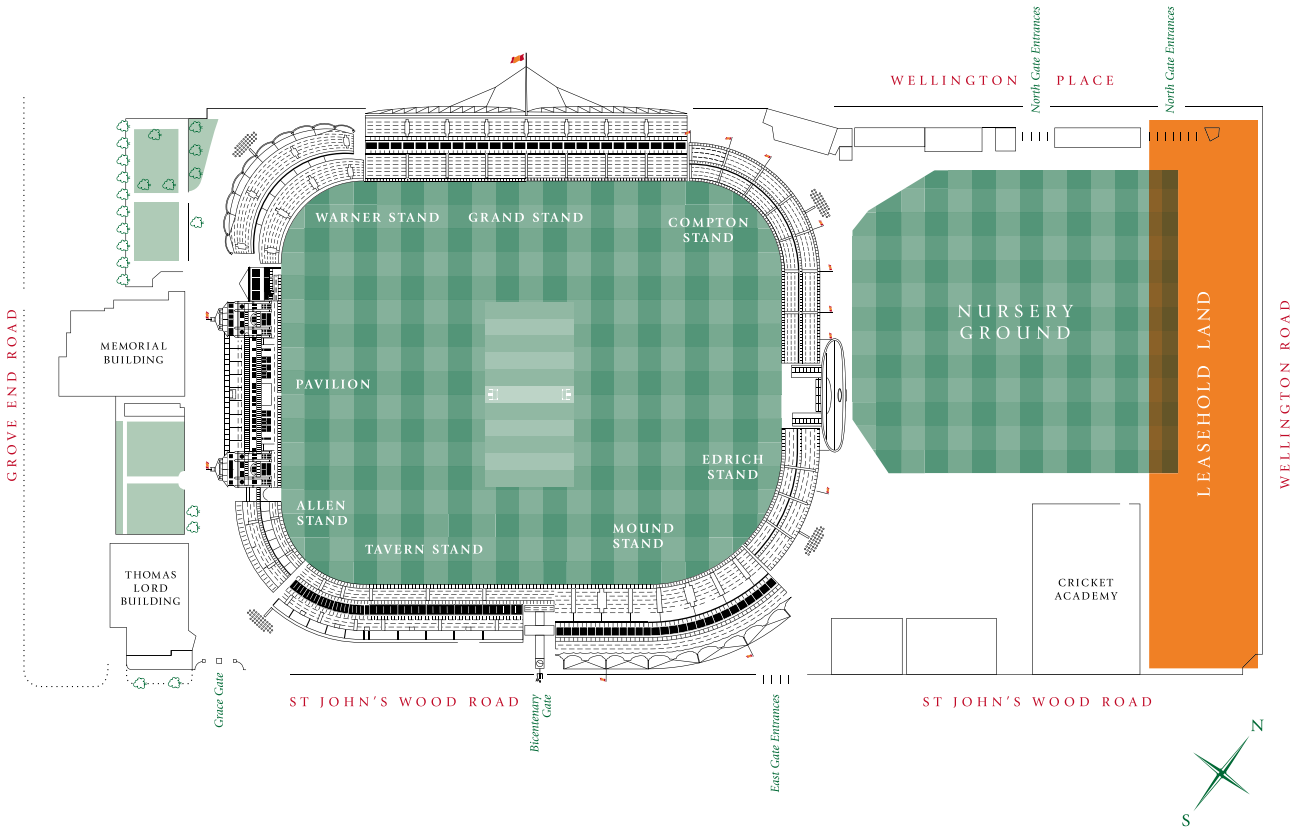
Planning permission for the second phase — the South-Western Project (SWP) — was received in February 2016. That consent will expire in February 2021, so some material construction has to begin before that to keep the consent in perpetuity. However, it is likely that whatever replaces the Tavern and Allen stands and Thomas Lord Building will differ from the consented scheme, because the capacity increase of the current design does not justify its projected costs, and the facilities being proposed at the Nursery End e.g. hospitality space, make some of those in the SWP less crucial.

M.C.C. is also required to host the 2019 ICC World Cup in a ground without any part-built stands or buildings, so no major construction (in any part of the Ground) will be undertaken until autumn 2019 at the earliest.

Next Steps — The Nursery End:

With work underway and planning permission granted for redevelopment of the Pavilion End, the focus has now turned to the Nursery End, and the bulk of this Review considers what could be possible in that part of the Ground. The key deliverables in any proposed development of the Nursery End would ideally be:

- The retention of a Nursery Ground of at least the same size as the current ground, to ensure it can still host cricket matches and act as a world-class practice facility (42 nets are required on the Nursery Ground);
- No reduction of the playing area of the Main Ground;
- An increase in spectators' capacity — ideally by 2,000 — from new Compton and Edrich stands;
- Enhanced commercial spaces e.g. a multi-use hospitality suite of c. 1,000 covers, a larger Lord's Shop;
- Improved operations — more efficient access, enhanced security, an enlarged Broadcast Compound, better staff facilities;
- Facilities that improve spectators' experience — improved crowd circulation, better sightlines, catering/washroom facilities closer to seats;
- Enhancing the heritage and setting of the Ground within the St John's Wood Conservation Area;
- A high likelihood of receiving planning permission; and,
- Affordability.



Ground Plan with external roads marked and strip of leasehold land highlighted

A complexity when considering development options at the Nursery End is the fact that M.C.C. does not own all the land within the curtilage of Lord's. In 1891 the Club was granted the freehold to the piece of land on which the Cricket Academy, Lord's Shop and ECB Offices now sit and, in return, relinquished the freehold for the 38m (124-foot) wide strip of land (the "leasehold land" on the diagram below) on the Wellington Road boundary — this was to allow railway tunnels running into Marylebone Station to be built. M.C.C. was granted a 99-year lease of the top 18 inches of this strip.

In 1988 a new lease was agreed until 31st December 2136 with the British Railways Board, and in 1999 Railtrack put the Head Lease up for auction. Although M.C.C. was invited to make a pre-auction offer, negotiations proved unsuccessful and at auction the Head Lease of the land was sold to Rifkind Levy Sandelson Ltd, which at some point subsequently assigned it to Charles Rifkind and Jonathan Levy. M.C.C. (through its custodian trustee, The Royal Bank of Scotland PLC), holds a lease to the top 18 inches of the leasehold land until 31st December 2136.

This means that any development on this leasehold land can be undertaken only with the agreement of both M.C.C. and RA. It is this land upon which RA's Morley Plan proposes to construct two ten-storey apartment buildings and new two-storey Nursery Pavilion.

Considered as a whole, the Nursery End is the largest, and most varied space for potential development at Lord's. The Nursery Ground enables M.C.C. to provide cricket facilities which have long given the Club an advantage over other venues, both in the provision of vital practice areas away from the Main Ground, and of a second ground large enough to host meaningful cricket for teams that would otherwise not have the opportunity to play at Lord's.

Any development of the Nursery End will have to take into account all of the above, as well as the location of Lord's within, and positive contribution to, the St John's Wood Conservation Area. The increasing priority given to mitigating the risks posed to high-profile locations like Lord's by new and changing threats to security is also a major consideration.

THE DIFFERENT OPTIONS FOR REDEVELOPING LORD'S

Before detailing the options, it is important to highlight some considerations which Members are asked to bear in mind:

- The Review considers options and financial projections over a ten-year period. It is, of course, impossible to predict with any certainty what economic issues may affect development up to 2027. All the figures are the product of robust financial modelling and projections based on years of experience, but they are likely to flex over time. BDO have reviewed the Club's cost model and assumptions, and construction costs have been provided by Gardiner & Theobald, whose long-standing involvement with development projects at Lord's gives them a strong foundation for projecting construction phasing and costs.

- Likewise, the architectural plans and associated details have been drawn up after extensive work, but are still high-level in nature and have not been developed to the degree required for a planning application. That will require greater work and financial expenditure. Plans, figures and areas are included to help illustrate the different options, but they will become considerably more developed and refined as designs develop.

- The base financial assumption is that M.C.C. will secure two Tests and one ODI each year. M.C.C. is expecting the Future Tours Programme from 2020-25 to be finalised in the summer, and discussions with ECB and historically strong sales have increased confidence that Lord's will continue to host two Tests each year. The longer-term future of Test cricket is not certain — while some existing Test nations may come to play purely shorter formats, there are Associate nations, such as Ireland and Afghanistan, who could make the step up to Test cricket, and there is growing support for the need for some form of World Test Championship. There are likely to be myriad challenges and opportunities over the next 10-15 years, and M.C.C. will continue to promote the primacy of Test cricket.

- Should M.C.C. lose a Test Match each year, the Club would have to adjust its business model and cost base, reassess its construction programme, and also try to host other profitable matches in lieu of a Test — and this sensitivity has also been modelled.

- M.C.C. has 120 years left on its lease with Messrs Rifkind and Levy. The usual lifespan of the kind of buildings being constructed (with the exception of residential accommodation) is 40-60 years, so it is likely another significant raft of redevelopment at the Nursery End will be undertaken before the lease expires.

- Neither option would enable M.C.C. to have a completely redeveloped Ground by 2027. Lord's needs to stay open for business so any construction must be phased sequentially and around major matches. Construction traffic for the Warner Stand came through No. 6 Car Park, an entrance that has relatively low use throughout the winter. Construction traffic for developing other parts of the Ground would have to come through the Grace Gates (SWP), or the East and/or North Gates (for Nursery End developments) — which would have more of an adverse impact on the operation of Lord's. Therefore, some analysis of options post-2027 has been prepared to give Members an idea of how undertaking certain developments before 2027 could affect what happens after that date.

For the avoidance of doubt, neither option proposes:

- To redevelop or re-site the J.P. Morgan Media Centre. It has just undergone substantial refurbishment at a cost of £4m and architecturally is a 'Building of Merit' (as defined by Westminster City Council); or,

- To reduce the playing area of the Main Ground.

SUMMARISING THE DIFFERENT OPTIONS

		Updated Masterplan
CRICKET FACILITIES	**Nursery Ground**	Square Nursery Ground, moved towards Wellington Road boundary. Area: 9,312sqm
	Cricket Academy	Existing Academy retained
MEMBERS', SPECTATORS' AND VISITORS' FACILITIES	**Compton and Edrich Stands**	Extra capacity for up to 2,000 people (with a seat row depth of 850mm) with hospitality accommodation and spectator facilities; cost: £38m
	Food Outlets	In the East Gate Building and incorporated at ground level in the new stands
	Ground-level Circulation Space (concourse area/ stands' capacity)	Existing: 0.57 sqm/person (Tightest pinch point: 1.8m); Proposed: 0.57 sqm/person (Tightest pinch point: 8.5m) (see ground plans in Appendix B: The Nursery End)
	Pavilion End	Developed post-2027
	Banqueting Facilities	1,000-capacity facility on first floor of East Gate Building
	Shop	Rebuilt on ground floor of East Gate Building, and another provided when the North Gate Building is built post-2027
	Museum	Existing Museum retained in Memorial Building at Pavilion End
	North Gate	New ticket office and turnstiles post-2027; cost £16m
OPERATIONAL & ADMINISTRATIVE FACILITIES	**Broadcast Compound**	Enlarged compound in existing site (in between Cricket Academy and Wellington Road): Area: 2,000 sqm
	Services	Goods in/out and waste collection for the whole Ground in the East Gate Building
	M.C.C. Staff	M.C.C. staff apartments, Groundstaff and Estates offices and storage on the northern boundary on Wellington Place once North Gate is completed post-2027. Temporary match-day staff check-in between Cricket Academy and East Gate Building, and rest area in Cricket Academy.
	ECB Offices	Rebuilt on second floor of East Gate Building
RESIDENTIAL	**Residential Development**	None
FINANCES	**Financial position end of 2027**	£33m
	Worst closing cash position up to 2027	£1m in 2025 (positive balance)
	Financial position end of 2035	£21m
	Worst closing cash position from 2028-2035	£28m in 2031 (negative balance)
CONSEQUENCES	**M.C.C. retains its lease to 31/12/2136**	Yes — but with a restricted user clause
	M.C.C. obtains the Head Lease	No
	Construction Completed by 2027	New Compton and Edrich stands, new East Gate Building, new Nursery Ground
	Construction Required post-2027	New North Gate at the Nursery End; SWP at the Pavilion End
	Entire Ground Development delivered by:	2032 (this is based on prudent programming from the Club's project managers, Gardiner & Theobald, who have over 20 years of experience working at Lord's)
	Restriction of Future Developments	Once the East Gate Building is constructed, the site of the Nursery Ground remains fixed and future residential on the leasehold land could only be included at the expense of the Nursery Ground.

RA's Morley Plan		
Existing Nursery Ground squared off and retained in its current size. Area: 9,220sqm	**Nursery Ground**	**CRICKET FACILITIES**
Existing Academy retained and increased facilities in the new development for a new gym	**Cricket Academy**	
Extra capacity for up to 2,000 people (with a seat row depth of 850mm) with hospitality accommodation and spectator facilities; cost: TBC. Concern exists about the narrowness and height of these stands and their shadowing effect on the Nursery Ground, and circulation issues at the Nursery End.	**Compton and Edrich Stands**	**MEMBERS', SPECTATORS' AND VISITORS' FACILITIES**
Outdoor Food Village in its current location	**Food Outlets**	
Existing: 0.57 sqm/person (Tightest pinch point: 1.8m); Proposed: 0.61 sqm/person (Tightest pinch point: 5.5m) (see ground plans in Appendix B: The Nursery End)	**Ground-level Circulation Space (concourse area/ stands' capacity)**	
Developed post-2027	**Pavilion End**	
RA will provide the shell and core of a two-storey Nursery Pavilion, with a 1,000-cover capacity to be rented by M.C.C.	**Banqueting Facilities**	
On the Wellington Road to be rented by M.C.C., and also dependent on the nature of the East Gate Building.	**Shop**	
Space on the Wellington Road should M.C.C. want to move the existing Museum, and pay rent.	**Museum**	
New ticket office and turnstiles. New entrance via the Wellington Road for Hospitality Guests only.	**North Gate**	
Enlarged compound in basement of residential development, encroaching onto M.C.C.'s land beneath the Nursery Ground. Area: c. 2,800 sqm	**Broadcast Compound**	**OPERATIONAL & ADMINISTRATIVE FACILITIES**
Services and waste management for the apartments in the basement of the residential	**Services**	
M.C.C. staff flats, Groundstaff and Estates offices and storage on the northern boundary. Stands could be built with basements to accommodate temporary match-day staff. This would increase costs. There would still need to be a check-in facility elsewhere.	**M.C.C. Staff**	
Existing offices retained at the East Gate	**ECB Offices**	
Two blocks of 10 storeys containing 97 flats on RA land, totalling 266,000 sq. ft.	**Residential Development**	**RESIDENTIAL**
£111m	**Financial position end of 2027**	**FINANCES**
£20m in 2017 (positive balance)	**Worst closing cash position up to 2027**	
£94m	**Financial position end of 2035**	
£81m in 2034 (positive balance)	**Worst closing cash position from 2028-2035**	
No — but a new 120-year lease on the facilities above and below Messrs Rifkind and Levy's strip of land with a less restrictive user clause is granted to the Club	**M.C.C. retains its lease to 31/12/2136**	**CONSEQUENCES**
M.C.C. might have the opportunity to purchase the remaining 983-year Head Lease once the flats are sold	**M.C.C. obtains the Head Lease**	
Residential accommodation, new Nursery Pavilion, New Compton and Edrich stands, New North Gate at the Nursery End	**Construction Completed by 2027**	
East Gate Building, SWP at the Pavilion End	**Construction Required post-2027**	
2034 (this is based on prudent programming from G&T; David Morley Architects believe they can finish the Wellington Road development at the same time as building new Compton and Edrich stands and therefore reduce construction time by two years)	**Entire Ground Development delivered by:**	
Residential development remains at Lord's even after the stands and buildings that it funded have been demolished, M.C.C. will have less usable space in the next iteration of developments in 40-60 years' time.	**Restriction of Future Developments**	

RISK ANALYSIS

Any developments of the scale being considered carry degrees of risk. While the sensitivity analyses will give Members an idea of many of the financial risks, there are several non-financial matters that should be considered.

It is important to recognise that the analyses of the risks below are considered to be relative to each other, rather than absolute — with green being the least risky and red being the most. For example, any scheme is likely to receive some objections from local residents during the planning process, but the grading below reflects the likely strength of such opposition.

Irrespective of the scheme Members decide to progress at the SGM in the autumn of 2017, it is highly likely that the planning application will be put before Westminster City Council's Planning Committee in the spring of 2018. This is to ensure there is enough time for consent to be determined, any appeal period to

Risk	Updated Masterplan
Ability to Continue Cricket and Club Operations	Phased construction plan to reduce disruption
M.C.C. Control of Estate/ Security/ Operations	Same level as control as currently — some operational impact/complaints from residents living in close vicinity e.g. about noise, smells
M.C.C. Control Over Design and Construction	Full control
Potential for Construction to Impact on Cricket	There are two three-year phases in the construction, leaving contingency should there be delays — Ashes Series should not be impacted. However construction work will only stop for major matches. The Nursery Ground will not be at its full size for six seasons (2020-25) during construction — netting will be possible but any new nets that need to be established to replace current nets would need around three years to bed in.
Effect on M.C.C.'s Ability to Continue Ground Development	M.C.C. can continue to develop plans for other areas of the Ground to follow on from Nursery End works e.g. any amendments to SWP, North Gate works.
Planning: Likelihood of Success	Low risk
Planning: Possible Conditions	Unlikely to be onerous
Likelihood of Significant Opposition from Local Residents	Relatively low given massing of buildings
Need for External Funding/ Borrowing/ Overdraft	No significant overdraft required. The Club's cash flow remains positive over the ten years to 2027.
Reliance on M.C.C.'s Cash Reserves	Totally reliant and will be in credit by the end of 2027

be factored in, and construction to be put out to tender in time for Members' approval to be sought at the 2019 AGM and construction to commence in late 2019.

Council elections will take place in Westminster in May 2018 and elections usually serve to increase councillors' advocacy of their constituents' views. A development of any significance at Lord's will likely attract local opposition and thus put pressure on local politicians at the most sensitive time during their political cycle.

There are several unknown factors — which consequently increase risk — about RA's proposals, for example, who will be guaranteeing the £100m letter of credit, and how much influence M.C.C. would have over the chosen developer. With more information and any future negotiation, some of the risks highlighted may be downgraded; however, at the time of writing, there are still several aspects of the proposal that require clarification.

RA's Morley Plan	Risk
Disruption reduced if cricket buildings are constructed after the residential — which means a delay of around four years to being building new Compton and Edrich stands.	Ability to Continue Cricket and Club Operations
Residents will live directly above M.C.C.'s largest hospitality space and next to the Nursery Ground, meaning scope for complaints about events and cricket operations. The Club will not have the same level of knowledge about people accessing the flats as it does about everyone else using the Ground.	M.C.C. Control of Estate/ Security/ Operations
M.C.C. would need to have full control in the choice of developer, evolution of design etc. RA have said they would negotiate on this point should Members vote to pursue RA's Morley Plan.	M.C.C. Control Over Design and Construction
Although M.C.C. aims to avoid work in the off-season immediately before an Ashes Series, it is likely that the Wellington Road development will continue into the 2022-23 off-season. The Nursery Ground will not be at its full size for four seasons (2020-23) during construction — netting will be possible but any new nets that need to be established to replace current nets would need around three years to bed in.	Potential for Construction to Impact on Cricket
M.C.C. could not pursue other planning applications that could fetter or confuse the application for the Wellington Road land, so would have to wait for that application to be consented and any appeals/reviews successfully dealt with, before pursuing other developments. This could be a matter of years.	Effect on M.C.C.'s Ability to Continue Ground Development
Higher risk due to large-scale residential. May result in a scheme smaller than envisaged being granted planning consent which, based on the current deal structure proposed, would put the £100m at risk.	Planning: Likelihood of Success
Risk of Westminster either conditioning how the £100m Letter of Credit from RA is drawn down e.g. financially penalising M.C.C. should other developments not commence immediately, or not accepting the full Morley Plan as currently drawn, and therefore RA reducing/withdrawing their offer. Also, increased expectation on affordable housing component by Westminster City Council.	Planning: Possible Conditions
Very high due to scale, and location close to St John's Wood Church Gardens	Likelihood of Significant Opposition from Local Residents
None. However benefits of cash injection somewhat tempered by lack of knowledge about RA's financial backers and the terms of the letter of credit.	Need for External Funding/ Borrowing/ Overdraft
Not reliant and will be in credit at the end of 2027	Reliance on M.C.C.'s Cash Reserves

PART 3

DETAILED ANALYSIS

COMMENTARY ON THE UPDATED MASTERPLAN

This option essentially aims to deliver the Masterplan presented to Members in 2013, providing new facilities on M.C.C. land using M.C.C. funds.

Within this Updated Masterplan, the Nursery Ground is moved towards the Wellington Road, with 20% of the new Ground sitting on the leasehold land. If M.C.C. eventually has to surrender the lease when it expires at the end of 2136, a consequence is that it will lose a fifth of its Nursery Ground. However, the Nursery Ground needs to move towards the Wellington Road for three reasons (see sections in Appendix B: The Nursery End):

- The upper tiers of the new Compton and Edrich stands would need to be significantly larger than the existing stands in order to accommodate the increased capacity. The western edge of the Nursery Ground already suffers from poor grass growth due to shadows cast by the J.P. Morgan Media Centre, the existing stands and the trees. Larger stands will cast even greater shadows, and unless the Nursery Ground is moved east, they will further hamper grass growth. If Members

A view showing the Nursery End with the new Compton and Edrich stands – as envisaged by Populous

decide they want a seat row depth of 900mm rather than 850mm for the public seats, this issue will be further exacerbated.

- At ground level, the new stands will need to have a larger footprint than the existing stands in order to achieve the increased capacity and improve the viewing and comfort for those in the lower tiers. Aside from the need to provide more space for seating, the footprint increases due to the incorporation of catering outlets and washrooms — which minimise the need for spectators to travel to other parts of the Ground — and lifts and stairs for better access.

- Increased amounts of circulation space will also be required behind the new stands to ensure safe and comfortable movement, not only for the larger numbers of spectators in the Compton and Edrich stands but also to resolve an historically congested area of Lord's. M.C.C.'s Masterplan Architect, Populous, advise that this can only be achieved if the Nursery Ground is moved towards the Wellington Road.

Any stands which provide the level of capacity increase M.C.C. is looking for (in the realm of 2,000) will reduce the number of trees Members can see from the Pavilion End — both because some of the existing trees behind the stands will have to be removed to make space for the larger stands, and because the new stands' height will block out some of the trees in St John's Wood Church Gardens that are currently visible. The new stands will still remain below the height of the J.P. Morgan Media Centre.

Aside from its substantial commercial value — from hospitality, catering facilities and a Lord's shop — the East Gate Building has significant operational value, because it would become the main ingress and egress point for deliveries, and would accommodate improved facilities for spectators (washrooms and bars etc.). It will replace the facilities lost when the existing Full Toss building is demolished to make way for the new Edrich Stand.

Once the Compton and Edrich stands and East Gate Building are developed, M.C.C. could complete the Masterplan by redeveloping the Tavern and Allen

A view from the Pavilion end showing how the new Compton and Edrich stands could look – as envisaged by Populous (subject to further design development)

stands and Thomas Lord Building from 2027-2030, and establish new staff accommodation and offices, and turnstiles at the North Gate by 2032.

Should the Club decide, at some point in the future, that residential accommodation is desirable, there would be scope after the Compton and Edrich stands are built to reposition the Cricket Academy on the north side of the Nursery End, centralise the playing area and build residential on the corners of Wellington Place / Wellington Road and Wellington Road / St John's Wood Road, and above a new East Gate Building. A study by M.C.C.'s design team concluded that the maximum volume of residential likely to get planning in this cricket-led scheme would be c. 132,000 sq. ft. It has been rejected as an option for now because of concerns about bringing residents on-site and the amount of debt the Club would accrue (see Appendix B, Part 2: Rejected Options).

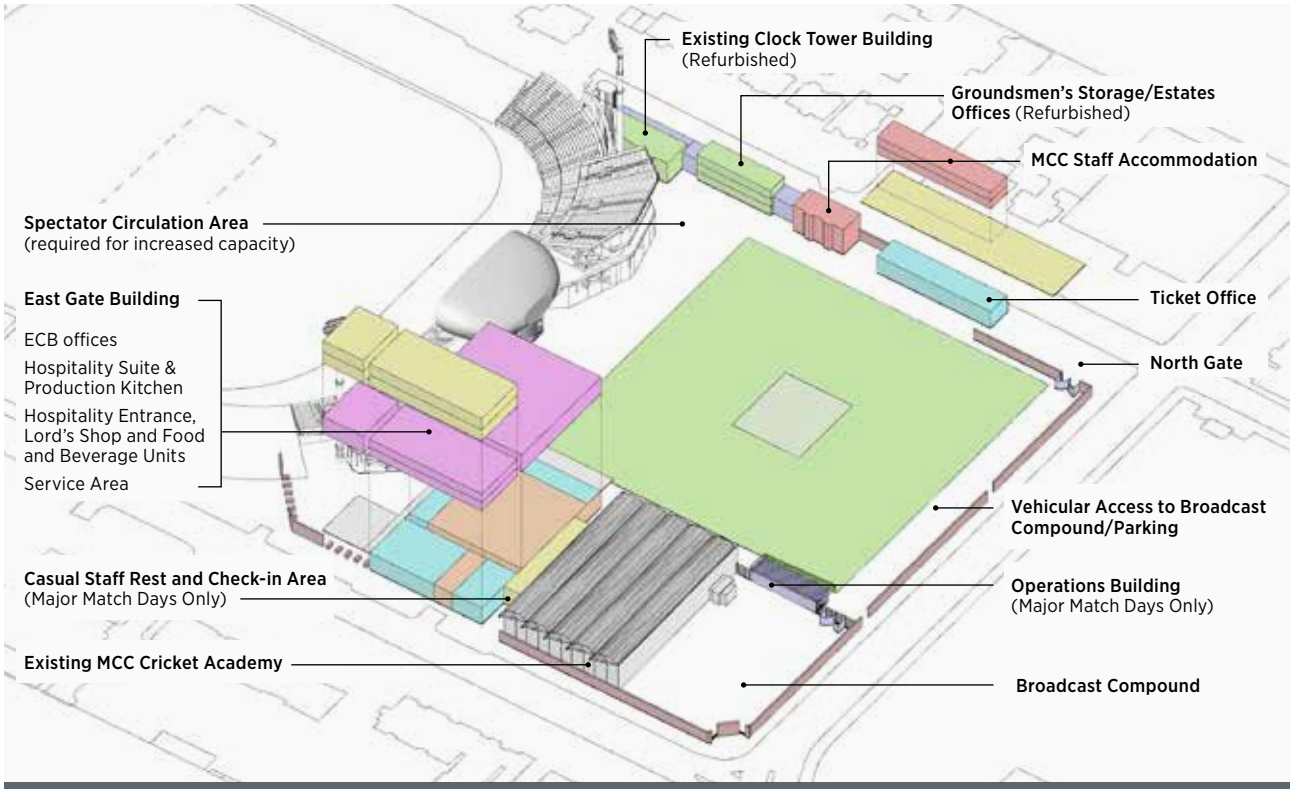
Buildings at Lord's — stands, hospitality facilities, offices etc. — tend to have a lifespan of 40-60 years. Therefore, in the remaining 120-year lifetime of M.C.C.'s lease, the Club is likely to rebuild them all twice, so there is opportunity in future to reconfigure the Nursery End should that be required.

Summary

This option provides substantial new facilities for a wide range of users: Members and their guests, the general public, players and officials, M.C.C. staff, and hospitality customers.

If the Nursery End is developed first, up to 2,000 seats would be added and M.C.C. would be in credit by £33m at the end of 2027. It could then move on to complete developments around the North Gate from 2027 onwards, as well as the rest of the Updated Masterplan at the Pavilion End.

As with previous developments at Lord's, M.C.C. would manage the timing of construction in line with the certainty of matches and financial forecasts.



A plan of the Nursery End within the Updated Masterplan
– as envisaged by Populous

An aerial view showing how Lord's could look in 2032 with completed Nursery End development and SWP
– as envisaged by Populous

COMMENTARY ON RA'S MORLEY PLAN

This option involves residential commercial development of the leasehold land within Lord's by RA in exchange for a £100m letter of credit to M.C.C., in return for which the Club will relinquish its 120-year lease over that land. The terms of the letter of credit have been sought but not yet disclosed. M.C.C. understands that the £100m would have to be drawn down against the construction costs of other developments at Lord's; this would mean that M.C.C. would not have to go into debt to complete the redevelopment of Lord's.

RA's Morley Plan retains the Nursery Ground in its current location, reconfiguring it into a square of the same area as the current Ground — 9,220 sqm. RA's architect, David Morley, has also proposed alternative Compton and Edrich stands, the costs of which are yet to be determined. Without a roof, such stands would be around 1m taller than the J.P. Morgan Media Centre, with a roof they would be 2m-3m higher; the J.P. Morgan Media Centre is a 'Building of Merit' which puts constraints on development adjacent to it (see Appendix B, Heritage / Planning Considerations)

Because the Nursery Ground is not being moved towards the Wellington Road, the stands will cast greater shadows over it than would be the case in the Updated Masterplan. In order to minimise potential shadowing, the tiers have been stacked above each other to a greater degree than the stands proposed in the Updated Masterplan. The lower tiers appear to have a shallow rake which means sightlines are unlikely to be significantly improved, and there is less

View across the Nursery Ground showing the new Nursery Pavilion and first floor terrace flanked by residential mansion blocks – as envisaged by David Morley Architects

space available for spectators' facilities to be embedded at ground level.

Populous, M.C.C.'s Masterplan Architect, advise that if the Morley apartments are built as proposed, the only way to maintain a Nursery Ground of the same size as the existing Ground is to construct significantly smaller Compton and Edrich stands with a small ground-level footprint, and the required associated facilities built elsewhere. Conversely, the only way to deliver the Morley Plan whilst incorporating the increase in seating capacity M.C.C. wants to achieve, with associated facilities in new Compton and Edrich stands, is to reduce the size of the Nursery Ground. Populous advise that, otherwise, there is insufficient space to deal with spectator circulation, over-crowding and overshadowing of the Nursery Ground outfield.

The scheme establishes a new street frontage on the Wellington Road, taking down the existing wall and broadening the pavement from 3m to 5.8m. On the first floor there will be a new Nursery Pavilion looking over the Nursery Ground, and on the ground floor there will be an entrance and lobby area for this facility, as well as five street-facing commercial units that could be rented by M.C.C. and also, potentially, by the neighbouring Wellington Hospital. Gardiner & Theobald advise that the construction of the residential blocks is likely to be completed in the first quarter of 2023; 2023 is an assumed Ashes Series year, and M.C.C. policy has been to avoid major works immediately before an Ashes Series, to remove any risk of the Ground's most important and profitable match being adversely impacted by delays.

David Morley Architects propose to create a new North Gate entrance, further west along Wellington Place away from the construction site, in the winter of 2019-20, so the Ground retains an access point close to St John's Wood tube.

M.C.C. could not pursue other planning applications that could either fetter or confuse the application for the Wellington Road land, such as for new Compton and Edrich stands, so would have to wait for RA's Morley Plan to be consented and any appeals/ reviews successfully dealt with, before pursuing other developments. This could be a matter of years.

Members are reminded that this is a more modest scheme from the Herzog & de Meuron "Vision for Lord's" that was proposed in 2008-11 with an undercroft at the Nursery End and larger residential blocks. It was this "Vision for Lord's" scheme that was the subject of the correspondence from M.C.C. to RLP in Appendix D.

THE RESIDENTIAL ELEMENT OF RA'S MORLEY PLAN:

This scheme incorporates 97 flats in two ten-storey blocks on the Wellington Road. The total net internal area of the development is 266,000 sq. ft. RA have been advised by their planning consultant that this quantity of residential is likely to be granted planning permission. DP9 and Ettwein Bridges, M.C.C.'s planning and heritage consultants, think that it will be challenging to secure planning permission for this configuration of development.

Planning and Heritage Issues

DP9 advise M.C.C. that Westminster City Council is unlikely to support the building of apartments which significantly exceed existing space standards, and therefore might recommend a reconfiguration of apartments which would bring more residents onto the estate, or a reduction in the overall volume. Ettwein Bridges have raised concerns about the blocks' relationships with both the existing buildings on the Lord's estate and within the context of St John's Wood

A view from the Pavilion showing the redeveloped Compton and Edrich stands – as envisaged by David Morley Architects

An aerial view showing how Lord's could look in 2034 with completed Nursery End development and SWP – as envisaged by David Morley Architects

Conservation Area, especially the Grade II*-listed St John's Wood Church. They also advise that planners would consider the historic significance of Lord's as a whole, which includes the character and function of the Nursery Ground, and that anything which affects M.C.C.'s ability to be awarded major matches would be an economic threat to a heritage asset, which is a material planning consideration.

Ettwein Bridges provided heritage and townscape advice to M.C.C. throughout the design process in 2016. RA's Morley Plan underwent a high level heritage assessment by Lichfields in April 2017. Ettwein Bridges' advice about this assessment included the following concerns:

- It does not reflect the modern heritage constraints, such as the J.P. Morgan Media Centre, Mound Stand and Grand Stand (which are now considered Undesignated Heritage Assets by Westminster City Council), nor take into account the importance placed on the views of the J.P Morgan Media Centre and other buildings from outside Lord's in the Council's Conservation Area Audit;

- There has been no inspection inside Lord's — because it was not asked for — therefore limiting Lichfields' understanding of the significance of Lord's;

- The precedent of the scale of the large blocks on the south side of St. John's Wood Road in the setting of the Grade II*-listed church to support the massing of the proposed RA blocks of flats does not acknowledge the harm they have caused — the cause of existing harm to the settings of heritage assets cannot be used to justify repetition of such harm from the proposals;

- Building the Compton and Edrich Stands higher to obscure the proposed residential blocks would compete for pre-eminence with the J.P. Morgan Media Centre. Such harm to its setting could mean it is listed.

M.C.C. also understands that there is likely to be significant local opposition to the establishment of residential blocks of accommodation at Lord's. That said, RA and David Morley Architects state that Westminster City Council has been positive in three pre-application meetings about their scheme — however these meetings would have been undertaken before the heritage impact assessment, and therefore any heritage issues would have been outside the scope of discussions. No written correspondence from Westminster City Council has been provided in this regard.

There is a further planning argument that the enabling nature of the development allows greater scope for massing (i.e. size / bulk of development) than if it was just a normal residential scheme. However, DP9 advise that this depends on the enabling development a) being the only source of funding and b) enhancing the townscape setting, to the point that substantial benefits are brought about that would outweigh any harm from a commercial residential development of blocks of flats. In the form of the Updated Masterplan, M.C.C. has the option to develop Lord's from its own reserves, other income-generating measures e.g. Life Memberships, and bank loans/overdraft. With regard to whether the enabling development enhances the setting of the Ground, the ambience of the Nursery Ground would certainly be altered by buildings of the scale proposed on one boundary.

The proposed residential scheme will, of course, carry a planning policy requirement for affordable housing. It may be possible to obviate Westminster City Council's requirement for affordable housing, but only if it can be demonstrated that all the receipts from the development will contribute towards delivery of the wider masterplan.

Security

Building residential accommodation blocks within the boundaries of the estate increases Lord's' vulnerability to security breaches, according to Metropolitan Police Counter-Terrorism advice. In their assessment of vulnerability, they consider myriad aspects of security, such as search and screening of visitors and vehicles, CCTV, planning and personnel.

Residential developments will bring unknown people and vehicles onto the estate, and while some possible weaknesses can be mitigated — for example security guards and concierges could be trained up to the same level as M.C.C.'s gate staff — it is impossible to have the same level of control or knowledge about residents and their visitors as M.C.C. has built up about the people who currently use the Ground. For example, it would be difficult — if not impossible — to justify searching residents and their guests on arrival, because of their rights to privacy.

Residential development would increase the number of potentially vulnerable access points into the Ground,

A view of the new corporate Wellington Road entrance – as envisaged by David Morley Architects

and the greater the number of access points, the more difficult an estate is to secure. The advice from the Metropolitan Police Counter-Terrorism unit is that public venues should not increase their risk if they can avoid it. This advice has hardened since, for example, Arsenal built flats around the Emirates, to reflect the changing nature of the threats — e.g. the use of vehicles as a weapon is now considered a major risk by the police and security services. As a result, crowded places such as Lord's are being encouraged to reduce the opportunities for this kind of attack to be undertaken. There would seem potential for greater crowding and conflict between vehicles and pedestrians around Wellington Place, given that would be the access point for residents' parking, deliveries and broadcast trucks, next to the busiest entrance to the Ground. This Review has not considered any mitigation of these risks, and were a residential option to be taken forward, it would be essential to put mitigation plans in place.

Complaints

While restrictive covenants can be placed on owners of apartments, they would still be able to complain to Westminster City Council about perceived nuisances e.g. food smells, noise, floodlights, amplified music, traffic and crowd congestion which will affect them living within the boundaries of an international sports ground. This is M.C.C.'s current situation with some neighbours in Century Court (the block of flats on the corner of St John's Wood Road and Grove End Road, built to fund the Tavern Stand in 1967), who are affected by noise and smells from the Lord's Tavern and Thomas Lord Building. Century Court is outside the curtilage of the Lord's estate, whereas the new apartments would be within it, and directly above the largest hospitality and event space in the Ground.

The advice M.C.C. has received from its lawyers, Slaughter and May, is that the Environmental Health Officer is obliged to investigate any complaints made. Upheld complaints could lead to fines or orders to cease certain operations, irrespective of any restrictive covenants imposed.

Restrictions on Match Hosting

M.C.C.'s cricket operations are already restricted compared to many other venues by conditions aimed at preserving residents' amenities — for example in the number of times it can use the floodlights each season. As cricket evolves, particularly in terms of the expected growth of T20 and associated music, entertainment and floodlighting, such restrictions are likely to have an increasing material impact on the number and type of matches Lord's can host. David Morley has stated that the balconies will be designed to protect residents from flying cricket balls; however bringing residents on-site does bring another complicating factor into hosting cricket.

Summary

This option promises a letter of credit for £100m to M.C.C. in return for the Club relinquishing the remaining 120-year lease to the strip of land on the Wellington Road. RA, will build residential development blocks, a new Nursery Pavilion for M.C.C., commercial outlets and a basement for services and broadcasters. M.C.C. would pay to fit out the Nursery Pavilion hospitality facilities and any other space it chose to lease at ground floor and above, and pay rent on them for the remainder of a new 120-year leasehold interest that will be granted by Charles Rifkind and Jonathan Levy.

The £100m would help fund other developments elsewhere at Lord's, such as new Compton and Edrich stands, albeit the terms of the letter of credit remain unclear and incorporating large-scale residential accommodation blocks will have significant ramifications on the ambience and visual impact of the Lord's estate, Ground operations and security. Populous advise that if the apartments were built as proposed, then either the Compton and Edrich stands could not be redeveloped to the scale M.C.C. is envisaging — with appropriate facilities for spectators and financial benefit to the Club — or the Nursery Ground must be reduced in size.

FINANCIAL ANALYSIS

M.C.C. has produced ten-year financial projections (as required by the 2015 AGM Resolution), but also, in an effort to help Members understand the finances for the entire redevelopment of Lord's, has extended these projections beyond that to 2035. By that date, both the Updated Masterplan and RA's Morley Plan are projected to have been finished (in 2032 and 2034 respectively) and M.C.C. will have completed another four-year debentures and Ashes Series cycle.

There are significant uncertainties in producing financial projections over a ten-year period to 2027 and indeed for a further eight years beyond that to 2035, particularly in a business environment where the Club is dependent on national and world governing cricket bodies to determine the allocation of major matches, which are the principal profit-making income streams of the Club.

Although there is substantial confidence that M.C.C. will continue to host two Tests p/a — and this is the Updated Masterplan assumption — it is prudent to consider what would happen should the Club only host one Test p/a. These figures are part of the sensitivities discussed later in the Financial Analysis section. Members may read more about post-2027 finances in Appendix C.

M.C.C. cash position at end of 2027:

If it undertook no development, the Club would have £112m in the bank at the end of 2027. Projected costs and income generation to the end of 2027, assuming M.C.C. retains two Tests and one ODI p/a:

Project / Income / Outgoing	Updated Masterplan	RA's Morley Plan
	Two Tests and one ODI p/a	Beginning work at the Nursery End as per the Updated Masterplan in 2023*
Cash Reserves at end of 2016	£22m	£22m
Cash from Normal Activities 2017–2027*	£54m	£54m
Net Cash from Debentures 2017–2027	£37m	£37m
Warner Stand and J.P. Morgan Media Centre Development 2017–2018	(£8m)	(£8m)
Cost of Development	(£89m)**	(£60m)***
Credit Drawdown	—	£60m
Tax Credits	£4m	£3m
Incremental Surplus from New Facilities	£12m	—
Bank Charges and Other	£1m	£3m
Projected Cash Reserves at end of 2027	**£33m**	**£111m**

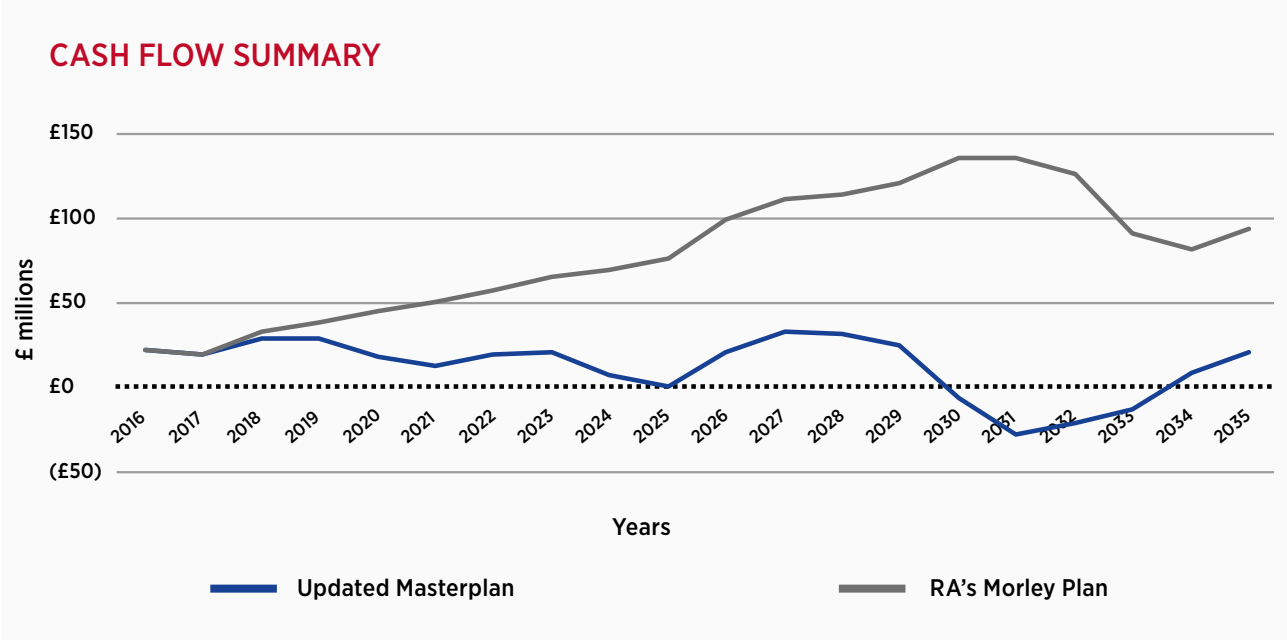
**These costs are illustrative because costs for the Morley Compton and Edrich stands/East Gate Building have not been confirmed.*
***Comprising new Compton and Edrich stands, a new East Gate Building, demolition of Nursery Pavilion and new Nursery Ground*
****Comprising new Compton and Edrich stands and East Gate enabling works. Although the entire development of the Nursery End would cost more, much of the expenditure is pushed out to beyond 2027*

M.C.C. cash flow to 2035:

A cash injection from RA means M.C.C. does not have to go into debt to deliver the Morley Plan and the remainder of the developments by 2034. The fact the cash must be drawn down against specific construction projects explains why there is not a £100m spike in the Club's cash flow — rather it funds projects up until 2032 (when it is exhausted), and M.C.C. then funds the remainder of the developments from its own resources. The £100m does not fund all developments in their entirety.

The soonest M.C.C. can complete the entire Updated Masterplan is 2032 — to do this, the Club must go into debt between 2030-33 inclusive; it could choose to remain debt free and take longer to complete the entire redevelopment. Should it deliver the entire Masterplan by 2032, the reserves recover from this point onward and the debt will be repaid by 2035.

The cash flow to 2035 under both scenarios benefits from two debenture issues and assumes Australia play at Lord's in 2031 and in 2035.



FINANCIAL ANALYSIS & CONSIDERATIONS

Updated Masterplan:

M.C.C. had reserves of £22m at the end of 2016. By the end of 2027, assuming it continues to host two Tests every year there are two touring teams, it will have generated another £91m in cash from normal activities and debenture sales, and spent £8m on the Warner Stand and the J.P. Morgan Media Centre.

The Club's principal income streams are subscriptions, major matches (tickets, hospitality, catering), commercial ventures (meeting and events, cricket academy, tours and sponsorship) and debentures. Major match income does depend on the touring team; for example, Australia and India will generate more income than other nations.

Looking ahead, it is assumed that from 2020 onwards M.C.C. will receive £1.3m p/a for supporting ECB's new T20 competition, plus associated income. However, it has been assumed that existing income from the NatWest T20 Blast will be adversely affected, because the proliferation of T20 matches.

It has been assumed that debenture sales will continue at the existing rate with price increases in line with historical levels.

Appropriate inflationary measures have been applied to income, capital expenditure and costs — on top of changes that can be predicted such as the rise in the National Living Wage (NLW) which will increase casual payroll costs.

RA's Morley Plan:

On 12th May, 2017, RA's lawyers issued a letter to the Club Chairman formally setting out the RA offer. This letter has been included at Appendix D of this report.

There are two principal issues to consider:

1. The quantum of the deal — whether RA are offering M.C.C. a fair amount of money
2. The terms of the deal — its structure and certainty

The RA offer can be summarised as per the table below; more detailed commentary follows.

		RA Offer	M.C.C./CBRE Commentary
Letter of Credit		£100m	Uncertainty as to the source of the funds and strength of the covenant underpinning the letter
Value-in-Kind Facilities and Compensation for Loss of Hospitality Profit and Cost of Temporary Hospitality Facilities		Up to £35m	RA offer: £35m - Fit out costs: £4m - Loss of hospitality profit: £2m - Temporary hospitality facilities: £1m = Net benefit to M.C.C.: £28m Given M.C.C. value the facilities at £17m, RA would pay the Club an extra £11m to cover compensation and top the cash up to £35m.
Extra Payments		£15m for Members' subscriptions	£15m for Members' subscriptions will be absorbed into the running of the Club, and has no bearing on or relationship with land value
Deal as Percentage of Land Value		£150m ≡ 50:50 of estimated £300m land value	£128m ≡ 57% of estimated £225m land value. M.C.C.'s advisors say a fair split would be 70%-75% in the Club's favour
Lease	**Head:**	Option for M.C.C. to purchase the remaining 983-year Head Lease	The Head Lease is much less valuable to M.C.C. if it has already been developed
	Sub:	Option to retain the 120-year lease on the Nursery Pavilion at market rent (c. £340k-£350k p/a) with a wider user clause	M.C.C. currently pays £150k rent p/a to RA for the Nursery Pavilion, and can use it only for sports-related events
	Commercial:	Option to rent or buy commercial units on the Wellington Road at market value	M.C.C. currently has a Shop and Museum on its own land within Lord's

The £100m Letter of Credit

RA has not provided information about the identity of its financial backers or developers for this scheme, and neither have they explained the terms and conditions of the letter of credit, other than to advise that a reputable regulated bank approved by M.C.C. would provide it.

The Value of Other Facilities and Hospitality Compensation

In addition to the £100m letter of credit, RA will provide £35m of facilities in kind. They will include the subterranean facilities being provided on the leasehold land, e.g. the broadcasting compound, car-parking and servicing for the hospitality space above, and the new North Gate entrance. RA will also compensate M.C.C. for loss of profit and for the provision of temporary corporate hospitality facilities — most likely on stilts above the Food Village — during the period of construction of the Morley Plan; this is calculated to be c. £3m. RA state that in the event that the cost of providing these facilities and compensation is less than £35m, then the balance will be paid to M.C.C. as a cash payment.

RA will provide the shell for above-ground facilities e.g. for hospitality, which M.C.C. would have to pay c. £4m to fit out and then pay a market rent on under a new lease to be negotiated. Property advisors, CBRE, assess the likely annual rent for the resulting hospitality space, a new Lord's Shop and a Cricket Academy Gym to be around £340,000-£350,000 p/a in the current market (M.C.C. currently pays £150,000 p/a). The landlord would be able to lease out the other commercial spaces to third parties without the Club's control.

The Club's Quantity Surveyors, Gardiner & Theobald, value the facilities in kind at £17m. With M.C.C. paying £4m to fit out the Nursery Pavilion, the Club's advisors consider the net value of the facilities to be £13m. The £3m compensation payments replace income the Club would otherwise produce itself, so also has no net benefit. RA has stated that it would provide facilities and compensation up to £135m, so less the £4m fit out costs and £3m compensation costs, the net benefit to M.C.C. would be £128m.

Extra Payments

The letter offers to make a £15m "disturbance payment" — which M.C.C. must pass on in full — to cover the cost of all Full Members' subscriptions for a period of two years (with any excess donated to Middlesex C.C.C.), during which material external works would be carried out in building RA's Morley Plan. The £15m is of direct benefit to Members, but does not improve the financial position of the Club itself, and has no relevance to the value of the land.

The Structure of the Deal

RA values its offer to be £150m, which it considers to equate to half of its estimated land value of £300m.

Under RA's proposal, the £100m cash will be paid on, and subject to, the surrender of M.C.C.'s existing lease, the granting of a challenge-free planning consent of at least 266,000 sq. ft. of residential development, consent from Network Rail (as freeholder), Network Rail and TfL (as rail operators of the adjacent live tunnels) and the commencement of work.

RA has also clarified that the £100m payment is dependent on both M.C.C. and RA sharing the costs of obtaining planning consent, with M.C.C. being reimbursed its costs in the event consent is granted.

CBRE has advised M.C.C. that an equitable split of land value should be closer to 70:30 in the Club's favour. A second opinion was sought from Knight Frank, who advised it should be 75:25 in M.C.C.'s favour. Both advisors consider that the 70%-75% figure more fairly reflects the strength of M.C.C.'s position, in terms of the length of time remaining on the lease, the value the Club adds to the land by virtue of it being at Lord's, and the worth it extracts from the land both financially (events income) and operationally (as a Broadcasting Compound). This outweighs the fact that M.C.C. is the only possible interested party in the land. RA states that it has received professional advice stating that a 50:50 split of the land value is appropriate.

CBRE's advice is that in today's market, with planning consent for RA's Morley Plan, the land value is c. £225m. Therefore, assuming a 70:30 split in M.C.C.'s favour, an equitable proportion of this land value is judged to be c. £157.5m (or c. £168.7m based on Knight Frank's 75:25 split).

CBRE has also advised M.C.C. that the deal structure offered by RA is not acceptable and therefore, in the event that Members decide that the Club should move to the next stage of developing RA's Morley Plan, the Club would need to explore with RA a more equitable split of land value and also a more appropriate deal structure, granting M.C.C. control over certain matters (see below). It should not, however, be assumed that these changes to RA's proposals could be delivered.

In February 2017, M.C.C. wrote to RLP to ask for their best and final offer, in particular asking them to resolve the following issues to make the deal more acceptable:

- M.C.C. control of design, security, access, phasing and operations;
- M.C.C. leadership of the planning process;
- M.C.C. leadership in the selection process of a suitable developer/contractor;
- Return of the Head Lease interest to M.C.C.;
- An amended transaction structure, to remove third-party control of the above; and
- M.C.C. must control every aspect of any development on the leasehold land i.e. through a sale of the leasehold land to M.C.C.

In March 2017, RA confirmed that M.C.C. would not be given total control over any development proposals, but that if Members voted to pursue RA's Morley Plan they would be open to discussions about granting the Club more control over certain limited aspects of the process e.g. the planning application and appointment of the developer. This has been subsequently clarified in RA's lawyer's letter of 12th May, 2017 (Appendix D). M.C.C. would, however, require total rather than partial control.

M.C.C. notes that there is also the possibility that there will be a period where the £100m has been deposited but the Club is unable to draw down against it because it cannot start construction. This means the value of that £100m would depreciate over time, due to inflation. Should the land value have increased at the point RA and M.C.C. do a deal, then M.C.C. would have to accept an even lower share of value than what has been proposed and which M.C.C.'s advisors deem to be deficient.

Leasehold Interest

With regard to the leasehold interest, in 2008, RLP proposed that on completion of the "Vision for Lord's", the Head Lease would be passed to M.C.C. as well as the £100m in reward for M.C.C surrendering their remaining lease. The current proposals from RA, set out in the Macfarlanes letter (Appendix D), makes it clear that the Head Lease would not now be passed to M.C.C., although RA has indicated that it might be possible for M.C.C. to purchase the Lease on commercial terms.

The Macfarlanes letter clarifies that should Members vote in favour of the Club entering into a deal with RA, then a new 120-year lease with a limited permitted use clause and a rent at market rate would be provided to M.C.C. The Macfarlanes letter further clarifies that the new Nursery Pavilion (which RA build the shell and core of only, and which M.C.C. will have to pay to be fitted out) would be leased to M.C.C. at open-market rent. RA will also give M.C.C. the option, at practical completion of the shell and core of the Nursery Pavilion, to purchase this building at open-market rent.

M.C.C. will also be given the opportunity to purchase the Head Lease with 983 years unexpired in the Wellington Road leasehold land subject to apartment leases (granted for 175-year terms) and commercial lettings on the ground floor.

SENSITIVITY ANALYSIS

It is useful to consider what effects certain events, economic issues etc. could have on each redevelopment option — both negatively (downsides) and positively (upsides). Figures should be considered to be reasonable assumptions rather than cast-iron projections.

This gives Members a sense of the financial impact to the closing cash balance in 2027 of the Updated Masterplan if there were small changes in the assumptions used. The total figures are purely illustrative given the improbability of every single up- or downside occurring.

Assumption	Description	Impact on Closing Cash Balance at end of 2027*	
		Favourable Movement (by £m)	Adverse Movement (by £m)
Subscription Income – Inflation of 4% in 2018 and 3% p/a thereafter. Average increase in 5 years (2013-17): 3.2%	1% p/a movement from 2019 onwards	£3.4m	(£3.4m)
Ticket Pricing – Produced on individual match basis based on historical receipts and attendances of each touring side	5% movement (non-cumulative)	£5.8m	n/a
Other Income – Mix of Match (excluding Tickets) and Non-Match related income	1% p/a movement	£13.5m	(£12.8m)
ECB city-based T20 Tournament from 2020 with profit share from 2025. Total surplus to 2027 is £12m	Hosting fees of £0.2m p/a from 2020 and share of tournament surplus from 2025 (£1.5m p/a) reduces by one-third	n/a	(£5.6m)
Payroll Costs – Inflation of 2.3% (including National Living Wage impact) p/a. Full Time payroll costs increased by 2.3% 2015 to 2016	1% p/a movement	£9.6m	(£10.2m)
Overheads - Inflation of 2% p/a	1% p/a movement	£6.6m	(£7.0m)
Normal Capital Expenditure – c. £2.5m p/a. Spend in 2016 and 2015 was £2.3m and £3.8m respectively. 2015 included Grand Stand refurbishment.	Reduce by 10% p/a (non-cumulative)	£2.4m	n/a
Debenture Proceeds – Assumes 1,820 Debentures are sold compared to 1,581 active Debentures at 28 Mar 17	10% movement (non-cumulative)	£3.8m	(£3.9m)
Development Costs – Construction inflation is 3% p/a as advised by G&T	1% movement in inflation (non-cumulative)	£0.9m	(£0.9m)
Major Sponsorship Income – Inflation of 2% p/a. J.P. Morgan deal has 5% p/a increase in 2018 and 2019	Reduces by one-third from 2018 onwards	n/a	(£2.6m)
Total Sensitivities impact to closing cash balance at end of 2027		**£46m**	**(£46.4m)**

**Sensitivities from 2018 to 2027 unless stated*

ONE TEST MATCH SENSITIVITY

It is prudent to consider what would happen should the Club only host one Test p/a. It is important to understand that this is very much a sensitivity, because it is predicated on M.C.C. only hosting one Test every year for fifteen years, which is a situation the Club has not been in for a prolonged period of time and the projections are therefore much more illustrative and somewhat hypothetical.

Should M.C.C. lose a Test Match each year, the Club would have to adjust its business model, cost base and capital expenditure. Although it is assumed that a lost Test would be replaced by an ODI, M.C.C. would, in all likelihood, reconsider the scope and phasing of the developments, spreading them out over more years to reduce any borrowing needed, whilst taking account of any extra inflationary costs. The cash injection from RA means extra financing measures will not be necessary to deliver the Morley Plan and M.C.C.'s subsequent developments, even if just one Test is played at Lord's each year.

Should the Club host only one Test per annum from 2020, it can deliver the new Compton and Edrich stands and East Gate Building before 2027 with a manageable overdraft facility. The value of debentures would decrease by a third. Development beyond 2027 would be considered only once the 2019-2027 development phase is nearing completion, and assessed against the then financial position and outlook for international cricket.

The Club would not embark on a £97m schedule of works in 2028 with less than £2m in the bank and with only £62m of cash (including debentures but before bank interest payable) expected to be generated over the next eight years. For that reason, the post-2027 figures for the one Test p/a should be considered illustrative.

Project / Income / Outgoing	Updated Masterplan with One Test Match Sensitivity (from 2020 onwards)
Cash Reserves at end of 2016	£22m
Cash from Normal Activities 2017-2027*	£38m
Net Cash from Debentures 2017-2027	£25m
Warner Stand and J.P. Morgan Media Centre Development 2017-2018	(£8m)
Cost of Development	(£89m)
Tax Credits from New Facilities	£4m
Incremental Surplus from New Facilities	£11m
Bank Charges and Other	(£1m)
Projected Cash Reserves at end of 2027	**£2m**

POTENTIAL UPSIDES TO THE FINANCES

The following table illustrates some of the opportunities which, if realised, could produce an improved financial position in 2027:

Opportunity	Comments:	Impact on Closing Cash Balance at end of 2027
Major match ticket income	Major match ticket receipts 5% higher in each year (non-cumulative)	£5.8m
Debenture pricing	Upside from Bronze Debentures under lower pricing and higher take-up	£3.8m
New Debenture category	Upside from moving Grand Stand Debentures to new Compton & Edrich Stands and creation of new Platinum category — assume 10% increase	£3.7m
Monetise Candidates' waiting list	Charge £50 p/a (£42 net) to 10,000 Candidates on waiting list from 2019 onwards in return for additional benefits with negligible cost/cannibalisation given the length of the waiting list	£3.7m
Pensions deficit	Pension deficit contribution paid for three years beyond current agreement but ceases from 2023	£1.5m
Sale of nos. 4 and 6, and Car Park No. 6 Grove End Road*	Sale to property developer as single unit for residential development (values as per CBRE advice) — Tax is not applicable due to rollover relief	£20.0m
Sale of No. 12 Grove End Road	Proceeds after tax	£4.5m
Potential upside to closing cash balance at end 2027		**£43.0m**

**Members would have to be content with residential on the Lord's estate for this to happen*

SUMMARY OF BDO REPORT

In accordance with the 2015 AGM Resolution, the accountants, BDO, have been appointed as independent assessor of the Ground Development Review. Their terms of reference are set out in Appendix A.

As is normal for such due diligence work, the BDO Independent Report has been prepared on a private and confidential basis for the M.C.C. Committee. Members may read the full 40-page BDO Independent Report by prior appointment at Lord's provided they first sign BDO's "no reliance/release" letter. Appointments to read the full report may be made by contacting the Chief Executive & Secretary's PA, Janet Fisher on janet.fisher@mcc.org.uk or 020 7616 8512.

BDO has consented to the inclusion of the Headlines and Findings summaries below (the "Report Summary") within this document subject to the following conditions:

- The BDO Independent Report contains information and advice that has not been captured in the Report Summary below. Any Member wishing to see the full version of the BDO Independent Report can do so by appointment as set out above and BDO accepts no responsibility for the consequences of any Member choosing not to do so.
- The BDO Independent Report (from which the Report Summary is derived) was prepared by BDO solely in accordance with instructions from M.C.C. and for the sole use of M.C.C. Accordingly, BDO accepts no duty or responsibility to any other party (including any Member) for any use of or reliance placed on the Report Summary.
- The BDO Independent Report (from which the Report Summary is derived) was prepared on a confidential basis. Accordingly, the Report Summary (or any part thereof) must not be shared with any third party or copied or reproduced in whole or in part.
- Any reliance placed on the Report Summary is entirely at the reader's own risk.

[BDO define the Updated Masterplan as Option 1 and RA's Morley Plan as Option 2]

The BDO Report Summary follows:

SUMMARY

Area	Headline	Key observations
Depth of review process	M.C.C. has conducted a modelling process that has drawn upon third-party specialist advice where possible and included internal challenge and input from various committees.	▪ The process has progressed over an 18-month period and incorporates advice and inputs from a range of committees and third-party advisors. The Review, and underlying model (the "Model"), has been reviewed significantly internally by M.C.C. as well as being subject to our independent financial review. ▪ This provides a good level of comfort as to the reasonableness and completeness of assumptions and options included in the Model and in the Review.
Underlying Model – structure	BDO has checked the accuracy of the Model outputs through a full re-calculation based on M.C.C. model's inputs and assumptions.	▪ Inconsistencies and risks identified through our initial review were fed back to M.C.C. and the Model was updated as a result. The current version of the Model does not contain any material errors based on a full recalculation carried out by BDO. ▪ The Model includes a significant amount of manual adjustment and requires manual intervention and calculations to ensure functionality, which places inherent restriction on its underlying robustness.

Underlying Model – assumptions	The assumptions incorporated in the Model reflect third-party inputs where relevant, and is compiled on the basis of underlying assumptions made by M.C.C. The M.C.C. model assumptions reflect a reasonable level of detail for the purposes of an assessment of the development options as set out in the Review over the next ten years. There are some areas of financial risk inherent in M.C.C.'s assumptions, as would be expected in an operating model and a long-term development project.	▪ Compiling projection assumptions over a ten year period is difficult, and it is likely that there will be unforeseen ups and downs in both costs and income. M.C.C.'s process therefore reflects a pragmatic level of granularity that is sufficient to provide an indication as to potential future cash flows. ▪ Specific assumptions are incorporated with respect to Major Matches, ECB bid costs, development costs, incremental income and costs arising from the development Options, the potential impact of National Living Wage increases and debentures, albeit inherent uncertainty regarding future fixtures, the ECB Match allocation and costing process, development timing and development costing exists. ▪ Other areas are broadly subject to a 2% inflationary increase. This is a less detailed assumption, which is potentially less accurate as it does not account for some known business changes (i.e. the current casual staff cost harmonisation process and new labour scheduling system).
Non-financial uncertainty	There are areas of underlying non-financial uncertainty that apply to each Option.	▪ Each Option is subject to clear overarching risks, which are inherent in the process given the scope of the Review, the uncertainty regarding the future outlook for cricket and the restriction on M.C.C.'s ability to compile more detailed findings due to cost (i.e. for full structural designs and costings for each Option) and confidentiality (i.e. unable to request planning permission etc.).
Option 2 **(RA's Morley Plan)**	Option 2 is currently subject to wider ranging uncertainties due to there being more limited information. This gives rise to uncertainty and risk regarding the potential cost of the project, the terms and availability of the letter of credit and the overall timetable and phased plan.	▪ Rifkind Associates ("RA") has not provided M.C.C. with; (i) detailed architectural drawings that would enable a high-level costing exercise; (ii) any detailed costing estimates; (iii) any indication as to the terms of the letter of credit ("LoC"); (iv) sufficient clarity as to their plans for a detailed phasing of its residential development timetable. ▪ Without this information M.C.C. has had to utilise very high-level assumptions in its Review, which cannot be relied upon as an accurate representation of the Morley Plan.

KEY FINDINGS

Fundamental uncertainties

- It is clear that there are some fundamental uncertainties in the Review, which will require clarification as part of continued development planning. These include:
  - Planning permission has not yet been granted on any project except the South Western Project ("SWP") (noting that the initial feedback from DP9 challenged the potential for the Morley Plan to achieve permission);
  - The Options have not been formally discussed with Westminster City Council, or any other key stakeholders (e.g. Historic England or ECB). These stakeholders could mount a challenge at a later stage of the process;
  - It is not clear from the Review what terms M.C.C. will be able to negotiate with RA (e.g. the terms of the LoC, rental terms for shared premises, or the assumed cost/profit share from developments);
  - The Review does not mention the consequences should the Morley Plan not be undertaken (e.g. with respect to the lease).
- The Option "overlays" themselves vary in depth;
  - The SWP plan (which is the final stage of each Option) incorporates a fully detailed costing plan, which includes review from structural engineers and specific works phasing in line with match timings etc. The plan includes detailed work performed by Populous, Gardiner & Theobald ("G&T") and DP9 that was built up over 18 months;
  - The Morley Plan Option was reviewed by G&T with a view to establishing a reasonable construction timetable only (this is the basis of the Option 2 timetable included in the Model). The costing and phasing of Nursery End works that will be undertaken by M.C.C has been based on the cost estimate for Option 1 adjusted for inflation (due to the delayed commencement). It is not therefore based on the actual drawings provided by Morley, which are not to a sufficiently detailed level to facilitate detailed cost analysis. On the basis that the Morley Plan includes a significantly different structure for the new Compton and Edrich stands (i.e. a steeper design etc.) and given the potential overlap between residential and grounds works, this cost assumption could be materially misstated.
  - The Nursery End phase of Option 1 is based on detailed architect drawings provided by Populous, which G&T used to build up a relatively high level costing and build plan. Whilst the level of accuracy in this costing is clearly lower than that for the SWP, the experience leveraged by G&T and time invested in providing an accurate estimate provide comfort.

- There is therefore a limitation in the level of comfort that can be taken as to the accuracy of the costing assumptions. Notwithstanding this, we appreciate that without further details of the Morley Plan, or more time and funding with respect to the Nursery End plan, it is difficult to see how more detailed estimates could be made.
- It is also worth noting that Options 1 and 2 in the Review are not directly comparable in terms of objectives, benefits to Members and the public, impact on UK cricket, impact on stakeholders, and depth of planning.
- The operating model includes high-level, top-down assumptions over a ten-plus year period, which are inherently uncertain. Although the uncertainties apply to all Options, they are most pertinent to the extent they could turn a positive cash flow into a negative one, or to the extent that the forecast maximum funding requirement for a given Option is disproportionately impacted (i.e. the impact of a c£5m difference has a more material impact on Option 1 2027 minimum cash of £1m than Option 2 2027 minimum cash of £20m).
- At an "input" level, while the Model benefits from input from external advisors on certain development assumptions, some risks and uncertainties are unavoidable, e.g.:
  - Timing delays to projects, which could lead to increased development costs (inflationary elements as well as overruns) and loss of revenue (for example if stands are not completed during the off-season). This also does not take into account the qualitative impacts (such as spectator experience);
  - The potential impact of the loss of one of the annual Test Matches (this sensitivity was specifically considered by M.C.C.);
  - General economic uncertainty; e.g. land and house prices, residential vs commercial property demand, etc.; and
  - Potential impacts of macro-economic factors such as Brexit, which could have various impacts, such as the cost of labour, building costs etc.

Option specific uncertainties

- The Options are also subject to a number of Option-specific risks that are non-quantifiable.
- Option 1 is dependent on external funding (albeit this is post 2027) in order to complete by the end of 2032. There is inherent uncertainty as to the availability of such finance, and the terms thereof. It is noted that no funding would be required under a deferred timetable.
- Option 2 is subject to the following specific areas of uncertainty (not an exhaustive list);
  - Lack of visibility of potential terms included in the LoC proposed by RA that may include contingencies or restrictions that could restrict M.C.C.'s ability to access the funds or draw down funds at the right time. Any such issues would restrict the Option's key upside;
  - Additional security or environmental challenges could render the Option infeasible at a later point;
  - Residential risks, such as disputes with local residents (i.e. noise or light complaints) and enfranchisement;
  - Fundamental uncertainties with regard to the anticipated timetable for the build (i.e. it is not clear whether the build timetable is sufficiently detailed to include pauses for Major Matches);
  - Lack of M.C.C. control over implementation of a component of the scheme (i.e. timing, costs, specific designs, planning and commercial implications);
  - Joint venture issues; and
  - The timetable of works included in Option 2 is not in line with the original Morley Plan, which included SWP works first; the updated phasing provided by G&T has been shared with RA.

The Model

- The Option outputs are based on an underlying operating model (reflecting business as usual trading and no new ground works), to which Option specific overlays have been applied. Each Option was built up in a separate model focused on the period from 2017 to 2027.
- 2028 to 2035 cash flows were built up based on more simplistic calculations as set out on the next page.
- The "operating model" covers revenue to operating free cash flow and includes tax payable and debenture income. The assumptions incorporated in the Model, as discussed on the prior page, are relatively high level, comprising a global inflationary increase of 2% per annum on both costs and income. More material items, such as Major Match ticketing income, debenture sales and ECB bid costs were built up in more detail outside of the operating model by Management.
- The overlays contain specific assumptions made to reflect the financial impact of each Option, reflecting input from external advisors, other employees at M.C.C. and various committees. These overlays comprise: (i) development costs for each Option; and (ii) adjustments to on-going "operating model" trading which are specific to each Option (e.g. increased income from new seats).
- Our review of the robustness of the Model outputs comprised two phases; (i) a walk through of each output line on a granular level (i.e. Major Match ticket revenue, advertising costs etc.); and (ii) BDO constructed a shadow model based on the operating model's inputs and assumptions, in order to test the Model's accuracy, structural integrity and identify any inconsistencies (i.e. testing through recalculation).
- The detailed run-through and Model recalculation identified some inconsistencies and risk areas that were fed back to M.C.C. and updated in a later version of the Model where possible. Our check of third party schedules to inputs included in the Model identified no errors.

- Through the construction of a shadow model it was clear that the Model has a number of structural limitations that largely derive from the significant amount of manual input required to update it:
  - There are a large number of hard coded adjustments, meaning that the outputs of c. 50 lines (a large proportion) do not reflect the expected balance based on taking the input and applying the relevant assumption; and
  - Furthermore, the formulae used in the model are not dynamic, meaning that updating is a highly manual process. For example, if a key assumption were to change it would require a member of the finance team to work through the Model in its entirety to ensure the change had gone through correctly, which increases risk.
- Notwithstanding the above, after application of the manual adjustments we have not identified any material errors in the outputs of the Model. This reflects the significant amount of time invested in the Model review by Management.

Taxation

- The most material area of the taxation calculation is capital allowances in respect of the ground development spend. The underlying input assumptions are based on calculations carried out by a specialist from G&T. The calculation methodology used in the Model differs to that used for our re-calculation (straight line apportioning versus reducing balance); however, over the ten-year period the difference is not material.
- Our review of the taxation calculations identified some inconsistencies that were fed into M.C.C.; however the impacts were not material. M.C.C. did not update one area (Members' allowances), which utilises a flat 20% rate as opposed to the effective rate; this was not updated as the existing assumption is more prudent.

Post 2027 cash flows

- Post 2027 cash flows were calculated based on the average cash flows generated under each Option in the four-year period to 2027. This average annual cash amount was then assumed to be generated in each year from 2028 to 2035, with net debenture receipts added in and development spend deducted to arrive at a closing cash balance.
- The basis of preparation of these figures is at a high level and does not consider income or cost inflation, nor any Major Match schedule or other specific assumptions. On the basis that these assumptions reflect operations ten to twenty years in the future, which is inherently highly uncertain, this is a reasonable approach.
- Updated capex estimates (i.e. reflecting the significant timetable change from a start date of 2019 as originally expected, to a start date in 2027 or 2031) were provided at a high level by G&T. The calculations are based on the initial estimate provided for works beginning in 2019, with the primary update reflecting buildings inflation at c. 3%.
- Under Option 1 the maximum funding requirement is £28m in 2031. There is no funding requirement under Option 2.

Review Sensitivities

- M.C.C. has set out a number of high-level sensitivities in the Review. The sensitivities broadly reflect the key risk areas, albeit the quantification is non-specific (i.e. it reflects arbitrary 1% or similar movements and not specific expectations or Options).
- The sensitivities were built up through flexing assumptions in the Model and noting the impact on cash flows.
- We set out further potential sensitivities within our full report.

Review upsides

- M.C.C. has set out a number of high-level upsides in the Review. The upsides reflect options available to M.C.C. that could generate additional cash flows in the event that funding requirements exist.
- The upsides related to Grove End Road sales are based on estimates provided by CBRE where possible. The other areas are based on higher level assumptions.

Other funding sources

- A number of the Options have net cash outflows and/or mid-period funding requirements. Against this, Management has investigated possible external funding and mitigating actions, albeit these have inherent uncertainties, including, inter-alia:
  - Availability of funding – currently no terms or facility size estimates have been provided by a lender (although a lender has been contacted). Furthermore, the ability to raise external financing will differ both from: (i) Option to Option (because M.C.C.'s financial position and performance differs under each); and (ii) depending on other key unknowns, such as market conditions at that time;
  - Deliverability of other mitigating actions - life membership, mini-bonds, additional debentures etc. Not only are these uncertain but it is unlikely that these could be implemented in combination (e.g. external financiers and pension holders could find themselves subordinated as a result of a bond issue); and
  - The resulting impact of the actions on the Model is not accounted for (for example the sale of additional lifetime memberships could reduce ticket sales etc.).
- We note that Management is confident that external funding can be secured if required.

PART 4

NEXT STEPS

The Club wants feedback from as many Members as possible on this vitally important issue. Members are invited to consider not just their current preferences, but the future well-being of the Ground and degree of risk they are comfortable with the Club taking.

Essentially the matter boils down to whether Members are content to accept large-scale residential development within the Lord's boundary in return for a cash injection and the entire Masterplan being completed in 2034, or pay for the development of the entire Ground by 2032 (or over a longer time frame from Club resources as funds permit) but without accepting residential development.

A short survey accompanies this Review. A hard copy is enclosed, and a link to the online version will be emailed to Members; Members are encouraged to complete the survey online wherever possible. The deadline for survey responses is Tuesday 4th July, 2017.

Members' consultation events will be held on:

- Monday 19th June, 18.30–20.00: Lord's (Nursery Pavilion)
- Tuesday 20th June, 19.30–21.00: Old Trafford (Press West (Players' and Media Building))
- Wednesday 21st June, 18.30–20.00: Trent Bridge (Boundary's Edge Suite)
- Thursday 22nd June, 18.30–20.00: County Ground, Bristol (Jessop Room)
- Monday 26th June, 18.30–20.00: Lord's (Nursery Pavilion)

Members wishing to attend are asked to RSVP to roadshows@mcc.org.uk or contact the Deputy Secretary's Office in 020 7616 8733.

Members' views — from the survey and consultation events — will be collated and presented to the Committee in July. The Committee will then make a recommendation and that will be considered and voted upon by the membership at a Special General Meeting in autumn 2017.


LA Morgan Media Centre

Marylebone Cricket Club, Lord's Ground, London, NW8 8QN
www.lords.org