



The Shrimps Trust is a minority shareholder in Morecambe Football Club Limited and as a result, on behalf of our own members and shareholders, we attend the Club's AGM each year. At each visit, we are provided with the Club's annual financial statements which are also publicly available at Companies House.

The aim of this report is to analyse the financial statements and provide comment in a more user-friendly format for the benefit of Trust members, who are also stakeholders in the Football Club.

Statement of Comprehensive Income – This is an income and expenditure account which shows the loss that the Club made in the financial year to 31 May 2018

MORECAMBE FOOTBALL CLUB LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2018**

	Notes	2018 £	2017 £
Turnover	3	2,794,805	2,699,657
Cost of sales		(2,777,467)	(2,620,417)
Gross profit		17,338	79,240
Administrative expenses		(399,549)	(432,245)
Other operating income		2,378	2,798
Operating loss	4	(379,833)	(350,207)
Interest payable and similar expenses	7	(100,271)	(96,988)
Loss before taxation		(480,104)	(447,195)
Tax on loss	8	28,181	69,036
Loss for the financial year		(451,923)	(378,159)

The Club's turnover increased by £95k despite a £161k fall in hospitality income. Football income rose by £268k. The accounts note this was the first year a Category 3 Academy was operated which may have contributed to this increase.

Costs of the Club's day to day activities rose by £157k. The main cost of the Club is wages and salaries which totalled £2m in 2018 (increase of £80k from 2017). Average employee numbers rose from 84 to 89 in the same period.

Admin costs are the costs that the Club incurs which are not directly related to the day to day operations of the Club (Football, Hospitality etc). These have fallen by £32k and could be explained by the ceased director's remuneration in note 6 of the accounts (£30k). Admin costs are usually largely fixed.

Interest payable of £100k is servicing the Club's debt. £20k was paid on the overdraft and £11k on other leases. Further interest was paid in the period of £69k which is not specifically explained in the accounts. Following Bond Group repaying the overdraft, these costs may fall in 2019.

The overall loss for the year of £480k (before tax, see below) represents an increased loss of £33k on 2017. This is after depreciation of £82k which is a non-cash expense. The cash flow statement (to follow) shows how this loss has been funded.

Tax Note: As the Club has a large amount of taxable losses, the movement in tax is deferred tax only which is an accounting adjustment that should be ignored in comparing any trading losses.



Balance Sheet – this is a snapshot of the assets and liabilities of the Club at 31 May 2018

MORECAMBE FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 31 MAY 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	9		7,697,938		7,754,072
Current assets					
Stocks	10	24,734		15,128	
Debtors	11	208,822		154,708	
Cash at bank and in hand		45,889		57,976	
		279,445		227,812	
Creditors: amounts falling due within one year	12	(2,532,838)		(2,010,189)	
Net current liabilities			(2,253,393)		(1,782,357)
Total assets less current liabilities			5,444,545		5,971,715
Creditors: amounts falling due after more than one year	13		(193,145)		(237,933)
Provisions for liabilities	16		(988,772)		(1,016,953)
Deferred income	19		(13,474)		(15,852)
Net assets			4,249,154		4,700,977
Capital and reserves					
Called up share capital	20		4,023,260		4,023,160
Share premium account			10,000		10,000
Profit and loss reserves			215,894		667,817
Total equity			4,249,154		4,700,977

Fixed assets are predominantly the Club's leasehold interest in the Globe Arena (£7.3m). The freehold is held by JB Christie Trust, and this reverts to the Town should the Company cease to operate 'Morecambe Football Club'. Freehold land of £180k remains representing the final area of land owned by the Club. Further plant and machinery of £233k is held at 31 May.

The Club has significant net current liabilities showing its reliance on its creditors. This means that it does not have the current assets (cash or liquid debt/stock that can be converted to cash) to pay its current liabilities (i.e. liabilities that fall due within one year). This would be a concern were these creditors recalled on demand by the parties to whom they are payable.

Provisions for liabilities is a deferred tax balance that relates to a potential tax liability that would arise if the Globe Arena was ever sold. It arose due to the Club rolling over the gain on the sale of Christie Park.

Creditors represent amounts that the Club owe to other entities or persons. They are split as due within one year and due in more than one year. Most balances appear as repayable on demand. Creditors are split as follows:

- £565k – amounts owed to the Bank (overdraft/loans)
- £64k – amounts due in hire purchase debt
- £65k – due to HMRC at 31 May 2018
- £181k – due to other suppliers at 31 May 2018
- £228k – other accruals, deferred income and other creditors.
- £1.6m of other borrowings

'Accruals and deferred income' is likely to include season ticket income received before 31 May deferred to the next accounting period. Amounts due to suppliers and HMRC are usually timing and paid relatively quickly after the year end.

Other borrowings

From the related party note we can identify that of this balance £636k is due to entities controlling the Company (G50 at the balance sheet date). A further £219k was owed to key management personnel – likely to be directors in place at 31 May 2018. These were reassigned to Bond Group post year end.

The remaining £770k is due to 3rd parties not controlling the Club at 31 May 2018 and therefore appears to be external debt.

The final area not reviewed above is the capital and reserves. There was minimal share movement in the year but £750,000 shares were issued to Bond Group post year end, strengthening the balance sheet. The profit and loss reserves of the Club continue to fall for the losses being generated.



Cash Flow Statement – this shows how the Clubs cash position has changed over the financial year

STATEMENT OF CASH FLOWS					
FOR THE YEAR ENDED 31 MAY 2018					
	Notes	2018		2017	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	25	(394,836)		(496,967)	
Interest paid		(100,271)		(96,988)	
Net cash outflow from operating activities		(495,107)		(593,955)	
Investing activities					
Purchase of tangible fixed assets		(26,211)		(10,190)	
Net cash used in investing activities		(26,211)		(10,190)	
Financing activities					
Proceeds from issue of shares	100			-	
Proceeds from borrowings		635,527		804,982	
Repayment of borrowings		(72,746)		(99,048)	
Payment of finance leases obligations		(31,999)		(37,022)	
Net cash generated from financing activities		530,882		668,912	
Net increase in cash and cash equivalents		9,564		64,767	
Cash and cash equivalents at beginning of year		(528,376)		(593,143)	
Cash and cash equivalents at end of year		(518,812)		(528,376)	
Relating to:					
Cash at bank and in hand			45,889		57,976
Bank overdrafts included in creditors payable within one year			(564,701)		(586,352)

Cash used by the Club in its day to day operations in the year fell by almost £100k to £395k in 2018. This is the net cash spent in Club's normal day to day operations in the year.

A further £100k was spent paying interest in the servicing of debt as previously noted.

Total cash outflow from operating activities was £495k.

The financing activities in the Cash Flow give us an indication of how the annual loss was financed, and how it is servicing existing debt.

Net proceeds from further borrowings of £635k were received in the year to cover the losses and interest repayments. From the creditors note 12 we can see that 'other borrowings' increased by £563k. This financing has therefore come from entities/persons who did not control the Football Club (i.e. third-party debt at 31 May).

During the year, the Club made repayments on borrowings of £73k and a further £32k repaying finance lease obligations.

Overall in 2018 the loss suffered by the Football Club was funded by loans or advances from third parties which did not control the Company at 31 May 2018.

Overall the Club's net cash position improved fractionally by £10k and at the year end the Club had £46k in cash funds, but also had an overdraft facility which £565k in the "red". As we understand Bond Group have repaid this overdraft post year end, the cash position of the Club will be much improved in 2019.

Other matters – finance guarantees

In previous financial statements it had been noted that the Club had given a guarantee to Peter McGuigan in respect of G50's obligations for the sale of Peter's shareholdings in the Club and PMG Leisure Limited (the company in liquidation which owns the training pitches). The total guarantee was £500,000 plus costs and interest.

These financial statements disclose that this guarantee had been transferred to Bond Group Investments Limited and that it is still under review. It is not clear whether this is still a potential (*contingent*) liability on the Club.

