



SHRIMPS TRUST MORECAMBE FC

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 profit that the Club made in the financial year to 31 May 2021

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	2020 £
Turnover	3	2,780,736	2,856,534
Cost of sales		(2,868,646)	(3,045,290)
Gross loss		(87,910)	(188,756)
Administrative expenses		(422,840)	(409,211)
Other operating income		1,616,110	352,209
Operating profit/(loss)	4	1,105,360	(245,758)
Interest receivable and similar income	7	8	-
Interest payable and similar expenses	8	(380,013)	(71,955)
Profit/(loss) before taxation		725,355	(317,713)
Tax on profit/(loss)	9	(332,689)	(25,106)
Profit/(loss) for the financial year		392,666	(342,819)

The Club's turnover decreased by £75k in 2021 despite hospitality income being decimated by Covid-19 restrictions (£80k from £512k in 2020). Football income rose by £114k and player sales contributed £121k (2020: £5k), offsetting this fall. Corporate income also increased by £94k despite football being behind closed doors.

Costs of the Club's day-to-day activities fell by £177k. The main cost of the Club is wages and salaries which totalled £2.3m in 2021 (increase of £45k from 2020). Average employee numbers fell from 192 to 163 in the same period. No further breakdown of costs is provided.

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 increased by £24k and are usually largely fixed year on year.

Interest payable of £380k is servicing the Club's debt. £377k of this amount is a related party transaction to those controlling the Company i.e. Bond Group Investments. At the year-end £1,824,991 (2020: £1,940,140) was owed to Bond Group Investments, as detailed in the related party transactions note.

The overall profit of £725k for the year is largely due to other operating income of £1.6m. This includes £448,610 of government grants, believed largely to be Covid related. The remaining balance is understood to be an insurance claim from Covid-19 disruption and associated lost income.

Tax Note: The movement in tax is deferred tax only which is an accounting adjustment and not tax that is actually payable. It should be ignored in comparing any trading profit/loss. This is a large number due to a change in the UK Corporation Tax Rate from 1 April 2023 to 25% and deferred tax is provided at the enacted rate.



Balance Sheet – this is a snapshot of the assets and liabilities of the Club at 31 May 2021

MORECAMBE FOOTBALL CLUB LIMITED

BALANCE SHEET AS AT 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	10	7,543,780		7,587,939	
Current assets					
Stocks	11	2,539		18,659	
Debtors	12	1,075,769		229,835	
Cash at bank and in hand		213,669		185,879	
		<u>1,291,977</u>		<u>434,373</u>	
Creditors: amounts falling due within one year	13	<u>(2,761,160)</u>		<u>(2,627,809)</u>	
Net current liabilities		<u>(1,469,183)</u>		<u>(2,193,436)</u>	
Total assets less current liabilities		<u>6,074,597</u>		<u>5,394,503</u>	
Creditors: amounts falling due after more than one year	14	<u>(120,650)</u>		<u>(165,911)</u>	
Provisions for liabilities					
Deferred tax liability	17	1,421,058		1,088,369	
		<u>(1,421,058)</u>		<u>(1,088,369)</u>	
Net assets		<u>4,532,889</u>		<u>4,140,223</u>	
Capital and reserves					
Called up share capital	19	4,823,260		4,823,260	
Share premium account		10,000		10,000	
Profit and loss reserves		(300,371)		(693,037)	
Total equity		<u>4,532,889</u>		<u>4,140,223</u>	

Fixed assets are mainly the Club's leasehold interest in the Stadium (£7.2m). Freehold land of £185k remains, representing the small area of land owned by the Club. Further plant and machinery of £182k is held, plus a motor vehicle (£16k).

Debtors have increased considerably to £1.1m. This is mainly "other debtors" which we understand to be the insurance payment discussed earlier, due at 31 May, but received post year end.

The Club has significant net current liabilities showing its reliance on Bond Group as the primary creditor. This means that it does not have the current assets (cash or debt/stock that can be converted to cash) to pay its current liabilities. This would be a concern were these loans recalled on demand by the creditors, but it would not be in Bond group's interest to do so as the Club's majority shareholder.

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

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:

- £53k – due to HMRC at 31 May 2021
- £112k – due to other suppliers at 31 May 2021
- £531k – accrued costs due at the year end
- £164k – other creditors
- £1.9m of other borrowings

'Accruals and deferred income' is likely to include season ticket income received before 31 May deferred to the next accounting period. This number is increased as the Club effectively offered to refund all 2020-21 season tickets (or allow rollover to 2021-22). 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 £1.8m is due to entities controlling the Company (Bond Group Investments). This balance has fallen by £115,149 suggesting repayments occurred in the year.

A further £119k is due to the EFL in a loan that will expire in April 2024. This is likely to relate to Covid cash flow support from the EFL and has not moved since 31 May 2020.

The final area not reviewed above is the capital and reserves. There was no movement in share capital in the year. The profit and loss reserves of the Club have strengthened due to the profits generated.



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

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2021

Notes	2021 £	£	2020 £	£
Cash flows from operating activities				
Cash generated from/(absorbed by) operations	24	622,936		(170,845)
Interest paid		(3,141)		(12,652)
Income taxes refunded/(paid)		81,975		-
Net cash inflow/(outflow) from operating activities		701,770		(183,497)
Investing activities				
Purchase of tangible fixed assets		(18,894)		(11,000)
Proceeds on disposal of tangible fixed assets		1,459		-
Interest received		8		-
Net cash used in investing activities		(17,427)		(11,000)
Financing activities				
Proceeds from issue of shares		-		50,000
Proceeds from borrowings		-		322,902
Repayment of borrowings		(647,681)		-
Payment of finance leases obligations		(8,872)		(34,769)
Net cash (used in)/generated from financing activities		(656,553)		338,133
Net increase in cash and cash equivalents		27,790		143,636
Cash and cash equivalents at beginning of year		185,879		42,243
Cash and cash equivalents at end of year		213,669		185,879

The Club generated £623k from operating activities in the year. This is lower than the profit before tax for the year due to balance sheet movement where cash movement has not yet occurred at 31 May.

The interest paid figure is small, suggesting that the interest charge to Bond Group was not physically paid, but added to the loan balance. As this loan balance has fallen, significant capital repayments must still have occurred.

During the year the Club received a tax credit from HMRC in income taxes of £82k.

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

During the year, the Club made repayments on borrowings of £648k and a further £9k repaying finance lease obligations.

There are no new proceeds from borrowings in the year, so the Club has not had to borrow further. Instead, it has managed to repay £657k of debt despite a challenging year impacted by Covid.

Overall the Club's net cash position improved fractionally by £28k and at the year end the Club had £214k in cash funds.

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 continued to disclose that this guarantee had been transferred to Bond Group Investments Limited. The accounts indicate that this is still a potential (*contingent*) liability on the Club i.e., one that will only arise if certain conditions occur, which have not yet happened.

