

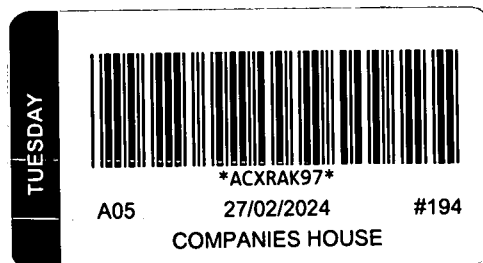
Southampton Football Club Limited

Annual Report and Financial Statements

Year Ended

30 June 2023

Company Number 00053301



Southampton Football Club Limited

Company Information

Directors	R Ankersen A T Young P J S Parsons HJ Kraft R Bogli D Solak
Company secretary	T Greenwell
Registered number	00053301
Registered office	St Mary's Stadium Britannia Road Southampton Hampshire SO14 5FP
Independent auditor	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Southampton Football Club Limited

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Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2023

The principal activity of the company is that of a football club (Southampton Football Club Limited (the "Club"), whose men's team participates in the English Football League Championship ("EFL Championship").

Football Overview

From a sporting perspective, the 2022/23 season was a disappointing one for the men's first team, which culminated in relegation from the Premier League to the EFL Championship, with the team finishing a disappointing 20th place in the League (2021/22: 15th), marking the end of an eleven-season stay in the Premier League.

In the Cup competitions, the Club fared well, knocking out Manchester City en route to reaching the semi-finals of the EFL Cup, before losing to Newcastle United (2021/22: fourth round), and it reached the fifth round of the FA Cup (2021/22: quarter finals).

In addition, during the year, the Club parted ways with three first team managers and associated support staff, including Ralph Hasenhuttl in November 2022, his replacement, Nathan Jones in February 2023, and his replacement, Ruben Selles, following the conclusion of the football season.

Russell Martin was subsequently hired as the first team manager ahead of the 2023/24 EFL Championship season, and at the time of writing, the first team has made a positive start to the season and are currently in the playoff positions, pushing towards promotion back to the Premier League at the first attempt.

The U21 team, participating in the U21 Premier League 2 Division 2 in season 2022/23, experienced a very positive season, culminating in the team winning the League, whilst also reaching the quarter-finals of the U21 Premier League Cup. At the time of writing, the U21 team has had a testing start to the 2023/24 Premier League 2 season and is currently 18th out of 26 teams in the newly-formatted Premier League 2 whilst also competing in the U21 Premier League International Cup.

The U18 team, participating in the U18 Premier League South in season 2022/23, experienced an equally positive season, culminating in the team finishing 8th in the League, whilst also reaching the semi-finals of the U18 FA Youth Cup. At the time of writing, the U18 team has experience a challenging start to the 2023/24 U18 Premier League season and is currently 11th in the league.

Financial Overview

The Company reports a loss before interest and tax of £68.9m (2022: loss of £4.1m), with net liabilities increasing to £82.1m (2022: £1.7m).

A summary of results is given below:

	2023 £000	2022 £000
Turnover	145,467	150,628
Operating costs	(170,023)	(151,235)
Other operating income before player trading	28	99
Loss before player trading	(24,528)	(508)
Player trading	(44,279)	(3,569)
Loss on disposal of assets	(53)	(29)
Loss before interest and tax	(68,860)	(4,106)

Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2023

Financial Overview (continued)

The men's first team finished in 20th place in the Premier League in season 2022/23 (2021/22: 15th), and consequently the Club has seen a £5.2m (3%) decrease in its turnover to £145.5m.

This decrease in turnover is primarily the result of a reduction to the merit-based broadcasting turnover due to the men's first team finishing 5 positions lower in the Premier League table, offset by an increased level of facility fee turnover associated with the number of live televised games in the year, which led to a net £7.2m (6%) decrease to the total broadcasting turnover from £115.2m to £108.0m.

Offsetting this reduction to turnover was an increase of £1.7m (10%) matchday income from £17.4m to £19.1m, which was largely the result of greater cup fixture ticket sales due to the Club's success in the EFL Cup, in addition to improved season ticket sales.

Commercial turnover fell slightly from £15.9m to £15.4m (a 3% reduction), largely due to a reduction to the Club's partnerships income, which was impacted by the Club's kit partner going into administration during the year, offset by greater turnover generated on the other Club's partnerships, notably the regional and international football coaching partnerships.

Moreover, the Company also incurred significant settlement and post-termination costs as a result of the changes to the first team coaching setup throughout the year, totalling approximately £14.6m to both the former clubs of managers subsequently employed by the Club, in addition to the managers and coaching staff with whom the Club parted company during the season, which compares adversely to similarly incurred costs of £1.1m in season 2021/22.

In addition to the decrease in turnover and increase in operating costs, there was an increase in the loss before tax, primarily due to lower profit on the disposal of players, which fell by £23.8m to £7.4m in the year (2022: £31.2m). In the current year, net profit was generated on the sales of Romeu, Valery, Jay-Morgan, N. Lundulu and Orsic, together with contingent transfer receipts in relation to previously transferred players crystallising during the season, which compares adversely to the previous year, when profit on the disposal of players was generated from the sales of Alleyne, Beach, Gunn, Ings, Jankewitz, Lemina, Obafemi, Tchaptchet and Vestergaard, together with contingent transfer receipts similarly crystallised.

The amortisation of player registrations also increased, exacerbating the loss before interest and tax by £16.9m to £52.0m (2022: £35.1m), which was largely driven by the investments in player acquisitions in the Summer 2022 and Winter 2023 transfer windows, comprising Bazunu, Bella-Kotchop, Lavia, Aribo, Mara, Caleta-Car, Edozie, Larios, Orsic, Bree, Alcaraz, Sulemana and Onuachu, in addition to the loan of Maitland-Niles.

The Company's cash balance at the Statement of Financial Position date was £13.3m (2022: £20.8m) and amounts owed to group undertakings increased by £76m to £154.8m.

Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2023

Key Performance Indicators

Due to the nature of the Club's activities, the directors consider the Club's final league position at each season end as its principal key performance indicator.

As well as this, the directors consider further key performance indicators to be:

- the length of the men's first team playing contracts, with the average length remaining at the Statement of Financial Position date being 27 months (2022: 31 months);
- the all-staff wages to turnover ratio, which increased year-on-year from 75% in 2022 to 84% in 2023, with the increase being the result of the reduction in turnover and the compensation and post-termination payments as outlined in the Financial Overview. Excluding the compensation and post-termination costs for the first team managers and coaching staff would result in an all-staff wages to turnover ratio of 77% (75% in 2022). Year-on-year player remuneration for the men's first team increased slightly to £89.4m from £87.0m (61% of turnover in 2023, 58% in 2022);
- the number of players with international recognition at senior or U-21 level. The men's first team squad had 29 players with such recognition (2022: 23) and the women's first team squad had 7 players (2022: 4);
- international honours at youth level. 29 male players and 4 female players represented their country at international youth level during the 2022/23 season (15 and 8 respectively during the 2021/22 season);
- the number of male players signed on scholarship agreements. The Club had an average of 27 scholars across the 2022/23 season (27 during the 2021/22 season);
- academy players representing the first team. 9 male and 1 female academy players represented their respective first teams in a competitive fixture during the 2022/23 season (7 and 3 respectively during the 2021/22 season).

Infrastructure and People

The Club continues its investment at St Mary's Stadium, incurring expenditure on the new LED big screens in addition to infrastructure required to comply with Premier League regulations and further developments to the hospitality lounges.

Moreover, the Club also incurred software and development expenditure on its new website, which was also launched during the financial year.

At the Staplewood training facility the Club completed the development of a new state-of-the-art gym facility, trebling the floor space of the current men's first team facility.

The average number of employees during the year was 403 and decreased marginally compared to the prior year (408).

Following the conclusion of the 2022/23 season several organisational changes were made ahead of the 2023/24 season, most notably at the Board of Directors and Executive team level, with most changes coming into effect following the conclusion of the year-ended 30th June 2023.

The Club is delighted to continue to promote Saints Foundation, the Club's affiliated charity, and all its excellent work in the community. During the year the Club has continued to provide support and donations both in-kind and financially to support Saints Foundation's initiatives, which include work supporting numeracy and literacy in primary schools through to physical activity sessions for older people, and many activities in between. Overall, during the 2022/23 delivery season, the charity engaged over 5,300 individuals aged between 6-97, for more than 82,000 hours across their 15 different projects.

Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2023

Principal risks & uncertainties

Team performance risk

As is common with many professional football clubs, a principal risk is the performance of the men's first team and the league in which it operates. The Club manages the impact of this through close control and detailed forecasting of its direct costs and cash outgoings, relative to forecast income and cash incomings.

Liquidity risk

The Club reported a net cash position of £13.3m (2022: £20.8m). There is no debt excluding inter-group balances owed at year end.

Credit risk

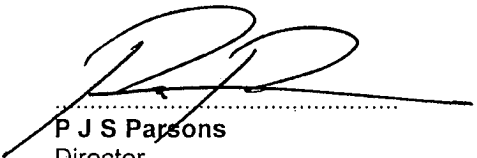
This relates primarily to trade debtors from commercial activities and player trading and the Club monitors this risk closely with the aim of minimising it at all times.

Political risk

The main political risks that are monitored by the Club are around the impact on the price of goods, services and utilities, in part due to the Russia/Ukraine conflict, and the consequent high levels of inflation within the UK, which it manages through close cost control and a detailed tendering and procurement process.

The directors have concluded, after reviewing the work performed and detailed above, that they can adopt the going concern basis in preparing these financial statements.

This report was approved by the board and signed on its behalf:



P J S Parsons

Director

Date: 22nd February 2024

Southampton Football Club Limited

Section 172 Statement for the Year Ended 30 June 2023

Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders and other matters in their decision making. The directors continue to have regard to the interests of the Club's employees and other stakeholders, the impact of its activities on the community, the environment and the Club's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the Club for its members in the long term. We explain in these financial statements, and below, how the Board engages with stakeholders:

- Relations with key stakeholders such as employees, shareholders, customers, the local community and suppliers are considered in more detail within the "Employee Involvement" section of the Director's Report and the "Infrastructure & People" section of the Strategic Report.
- The directors are fully aware of their responsibilities to promote the success of the Club in accordance with section 172 of the Companies Act 2006 and this is promoted at every Board meeting. As required, the Chief Financial Officer, the Group Finance Director and the Company Secretary will provide further support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Club's principal stakeholders and how it engages with them. This is achieved through information provided by the executive and senior leadership teams, in particular within fortnightly executive team and leadership team meetings, and also by direct engagement with stakeholders themselves, notably with multiple forums across the year.
- The Board has enhanced its methods of engagement with the workforce and Board updates are provided to all employees at regular intervals. There are fortnightly all-staff in-person meetings, which include question and answer sessions during which the Board provides business, operational and strategic updates to all employees, as well as a bi-annual all-staff interactive strategy sessions..
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies and regular training is undertaken on such matters.

The key Board decisions made in the year are set out below:

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Relegation of the Club from the Premier League to the EFL Championship	Employees, customers/fans, suppliers,	<ul style="list-style-type: none"> • Extensive financial modelling and scenario analysis was undertaken from an early stage and discussed with the Board of Directors and ownership group, and any working capital funding requirements were highlighted, including a refinancing of the MSD bank loan, which was undertaken during the year. • An internal email was circulated to employees outlining the impact of relegation on operational matters & an announcement was made regarding any internal restructuring processes that would be undertaken. • Individual and group staff meetings were held to give the opportunity for information to be shared and allow for questions regarding the restructuring process. • A press release was shared externally via media outlets and the Club's website once the relegation was officially confirmed, outlining the continued commitment of the ownership group and organisational changes that would be taken in order to give the Club the best chance possible to be promoted back to the Premier League at the first attempt.

Southampton Football Club Limited

Section 172 Statement (continued) for the Year Ended 30 June 2023

Termination of the employment, and recruitment of three first team managers (and associated staff) during the season.	Employees, customers/fans	<ul style="list-style-type: none"> During the season the Club terminated the employment of Ralph Hassenhuttl and supporting staff as members of the men's first team coaching staff before replacing them with Nathan Jones, Chris Cohen & Alan Sheehan. Their employment was subsequently terminated and Ruben Selles was hired as a replacement, before his employment was also terminated. Russell Martin was subsequently hired as his replacement, together with Matthew Gill and Dean Thornton as members of the first team coaching staff. An internal memo was circulated to all employees prior to the news of each employee termination and replacement hire being released externally, at which point formal statements were posted on the Club's official website announcing the news.
Development of a gym at Staplewood Campus.	Employees, suppliers	<ul style="list-style-type: none"> An employee working group assessed the long-term viability of the existing first team gym A third-party design company was engaged to provide alternative solutions. Planning permission was obtained from New Forest District Council for a new standalone building within available space at the Staplewood Campus site. Construction work began and any impact on working space at Staplewood was notified to employees on a regular basis. Expenditure incurred and work undertaken by the suppliers was closely monitored by the working group with a view to ensuring the gym opened during the season.
Postponement of a Premier League match due to the passing of Queen Elizabeth II	Employees, customers/fans	<ul style="list-style-type: none"> An internal email was circulated to employees outlining the impact on operational matters. A formal statement was posted on the Club's official website indicating the postponement of the team's matches on the weekend of the Queen's passing

Southampton Football Club Limited

Directors' Report for the Year Ended 30 June 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Results and dividends

The loss for the year, after taxation, amounted to £80.4m (2022: loss of £4.4m).

No dividend (2022: £Nil) is proposed.

Employment of disabled persons

The Company ensures that all full and part time employees, and job applicants (actual or potential), are treated fairly in accordance with company policies and values. Selection for employment, promotion, training or any other benefit is assessed objectively against the requirements for each job role, taking account of any reasonable adjustments that may be required for those with disabilities.

Employee involvement

The Club holds regular senior management, operational management and department meetings to ensure a flow of information across all levels. Alongside this are a number of company-wide communication channels, most notably monthly all-staff meetings and our intranet, Team Talk Live. Company Handbooks, Performance and Development Reviews and strategic email communication supplement these.

The Club continues to put in place measures directly aimed at promoting the health and wellbeing of employees, including the continuation and promotion of an Employee Assistance programme.

Finally, the Club continues to encourage all staff members to present their suggestions and views at all levels on the Club's performance, encouraging creativity for improvement through feedback forums.

Directors

The directors who served during the year were:

M Semmens	(resigned 9 June 2023)
T Steele	(resigned 4 October 2023)
D Thomas	(resigned 27 January 2023)
D Solak	
H J Kraft	
R Ankersen	
M Butler	(resigned 28 May 2023)
M Crocker	(resigned 28 May 2023)
T Greenwell	(resigned 28 May 2023)
R Bogli	(appointed 28 May 2023)

The following directors were appointed after the year end:

P J S Parsons	(appointed 1 July 2023)
A T Young	(appointed 1 July 2023)

Future developments

No significant change in the principal activities of the Company is expected in the foreseeable future.

Charitable donations

During the year the company made charitable donations totalling £51,000 (2022: £112,000).

Southampton Football Club Limited

Directors' Report (continued) for the Year Ended 30 June 2023

Environmental matters and energy and carbon reporting

The Company has taken the available exemption to not disclose a separate energy and carbon report in these financial statements as it is included in the financial statements of its indirect parent company, Sport Republic Holding Limited.

The Company has the Environmental Standard ISO 14001 accreditation.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

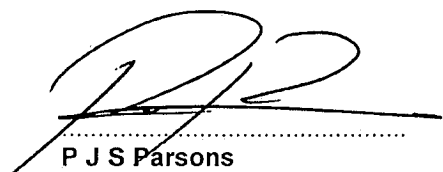
Post Statement of Financial Position events

A full description of the events after the Statement of Financial Position date is stated in note 30.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf:



P J S Parsons
Director
Date: 22nd February 2024

Southampton Football Club Limited

Directors' Responsibilities Statement for the Year Ended 30 June 2023

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Southampton Football Club Limited

Independent Auditors' Report to the members of Southampton Football Club Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Southampton Football Club Limited ("the Company") for the year ended 30 June 2023 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Southampton Football Club Limited

Independent Auditors' Report to the members of Southampton Football Club Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Southampton Football Club Limited

Independent Auditors' Report to the members of Southampton Football Club Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on our understanding of the Company and the industry in which it operates we considered the significant laws and regulations such as the Companies Act 2006 and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Our procedures in respect of the above included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation, and
- We reviewed and assessed the appropriateness of management estimates and exercised professional scepticism in considering the impact of those estimates in the financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Southampton Football Club Limited

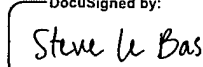
Independent Auditors' Report to the members of Southampton Football Club Limited (continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Stephen Le Bas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK

22 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Southampton Football Club Limited

Statement of Comprehensive Income for the Year Ended 30 June 2023

	Note	Operations excluding player trading 2023 £000	Player trading* 2023 £000	Total 2023 £000	Total 2022 £000
Turnover	4	145,467	-	145,467	150,628
Cost of sales		(155,094)	(51,987)	(207,081)	(173,426)
Gross loss		(9,627)	(51,987)	(61,614)	(22,798)
Administrative expenses		(14,929)	-	(14,929)	(12,943)
Other operating income	5	28	265	293	461
Operating loss	6	(24,528)	(51,722)	(76,250)	(35,280)
Loss on disposal of assets		(53)	-	(53)	(29)
Profit on disposal of players		-	7,443	7,443	31,203
Loss on ordinary activities before interest		(24,581)	(44,279)	(68,860)	(4,106)
Interest receivable and similar income	9	1,554	-	1,554	1,633
Interest payable and similar charges	10	(7,141)	-	(7,141)	(3,345)
Loss on ordinary activities before taxation		(30,168)	(44,279)	(74,447)	(5,818)
Tax on loss	11	(5,918)	-	(5,918)	1,460
Loss and total comprehensive loss for the year		(36,086)	(44,279)	(80,365)	(4,358)

**Player trading represents the amortisation, loan fees payable, exceptional impairment, foreign exchange on player purchases and the profit or loss on disposal of player registrations*

The notes on page 19 to 38 form part of these financial statements.

Southampton Football Club Limited

Registered number: 00053301

Statement of Financial Position as at 30 June 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Intangible assets	12		128,617		82,428
Tangible assets	13		17,269		15,507
Investments	14		-		-
			<u>145,886</u>		<u>97,935</u>
Current assets					
Stocks	15	322		-	
Debtors: amounts falling due within one year	16	22,517		26,031	
Debtors: amounts falling due after more than one year	16	12,033		27,963	
Cash at bank and in hand		13,261		20,807	
		<u>48,133</u>		<u>74,801</u>	
Creditors: amounts falling due within one year	17	(229,437)		(138,694)	
Net current liabilities			<u>(181,304)</u>		<u>(63,893)</u>
Total assets less current liabilities			<u>(35,418)</u>		<u>34,042</u>
Creditors: amounts falling due after more than one year	18		(43,329)		(30,055)
Provisions for liabilities					
Other provisions	20		(3,319)		(5,688)
Net liabilities			<u>(82,066)</u>		<u>(1,701)</u>
Capital and reserves					
Share capital	22		501		501
Capital contribution reserve	23		29,767		29,767
Profit and loss account	23		(112,334)		(31,969)
Liabilities attributable to the owner of the parent Company			<u>(82,066)</u>		<u>(1,701)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf:

P J S Parsons

Director

Date:

22nd February 2024

The notes on pages 19 to 38 form part of these financial statements.

Southampton Football Club Limited

Statement of Changes in Equity for the Year Ended 30 June 2023

	Share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Equity £000
At 1 July 2021	501	29,767	(27,611)	2,657
Comprehensive loss for the year				
Loss for the year	-	-	(4,358)	(4,358)
At 30 June 2022	501	29,767	(31,969)	(1,701)
Comprehensive loss for the year				
Loss for the year	-	-	(80,365)	(80,365)
At 30 June 2023	501	29,767	(112,334)	(82,066)

The notes on pages 19 to 38 form part of these financial statements.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2023

1. General information

Southampton Football Club Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activity is disclosed in the Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of St Mary's Football Group Limited, as at 30 June 2023, and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Going concern

In assessing the appropriateness of the going concern assumption, the directors have produced detailed cash flow forecasts for the Group in which the Club is part of, which extend for the period of 12 months from the approval of the financial statements. The cash flow forecasts assume that the men's first team retains EFL Championship status at the end of the 2023/24 season, and does not get promoted to the Premier League. Within this scenario there is a funding requirement from the Group's shareholders to enable the Group to continue to meet its obligations as they fall due for a period of not less than 12 months from the approval of these financial statements. Such funding is expected to be in the form of equity and, further to the equity injection of £85m in the year-ended 30th June 2023, the shareholders have indicated their willingness and intention to continue to provide financial support to the Group. In addition, the directors consider that the market value of the first team squad is in excess of its carrying value in the financial statements, with player transfers remaining a source of liquidity, if required.

The directors have concluded, after reviewing the work performed and detailed above, that they can adopt the going concern basis in preparing these financial statements.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

2. Accounting policies (continued)

2.4 Turnover

Turnover represents the total amount receivable from the principal activities of the Company, excluding transfer fees receivable, and is stated net of value added tax. The fixed element of broadcasting turnover is recognised as games are performed over the length of the football season, whilst facility fees for live coverage or highlights are recognised as and when the point of broadcast occurs. Merit payments are accounted for once known at the end of the season to which they relate and accrued if not received by the end of the financial year. Match day turnover and those elements of commercial activities relating to matches are recognised when related matches are played; turnover from advance ticket sales is deferred accordingly. Other commercial turnover is recognised on a receivable basis once the contracted events have taken place.

2.5 Intangible assets

The element of each player's transfer fee which relates to his registration is capitalised as an intangible asset and amortised over the period of his contract including any agreed extensions, subject to any provision for impairment. Where there are deferred payment terms and no interest is charged, the future cash flows are discounted to their present value at the date of the transition using the prevailing market rate for such instruments. Contingent fees payable, which are dependent upon factors such as the number of first team appearances and international debuts being made, are capitalised in the year when it is considered probable that the conditions of the transfer agreement will be satisfied.

The Company does not consider it to be possible to determine value in use of an individual player in isolation as that player cannot generate cash flows on his own. As such, the Company considers the smallest cash-generating unit to contain all of the first team players, the stadium and the training facilities.

However, management may consider that an individual player is highly unlikely to play for the first team again, either due to serious injury or other circumstances outside the Club's control, and therefore will not contribute to the future cash flows earned by the cash generating unit. In these instances, the Company compares the carrying value of the asset to its recoverable amount. To the extent that the carrying value exceeds the recoverable amount, the asset is impaired and the impairment loss is recognised in the Statement of Comprehensive Income.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives are as follows:

Motor vehicles	- between 4 and 5 years
Fixtures, fittings and equipment	- between 4 and 10 years
Stadium	- between 5 and 50 years

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "administrative expenses" in the Statement of Comprehensive Income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, for example trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, for example the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Club would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At the Statement of Financial Position date foreign currency monetary items are translated using the closing rate.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

2. Accounting policies (continued)

2.14 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

2.15 Pensions

The Company is one of a number of employers in a shared defined benefit scheme for former staff. The Company recognises a liability for the present value of future contributions to the scheme's deficit.

Contributions payable by the Company to employees' (including executive directors) personal pension schemes are charged to the Statement of Comprehensive Income in the year to which they relate. The schemes are defined contribution schemes, the assets of which are held separately from the Company.

2.16 Government grants

Grants are accounted for under the accruals model, as permitted by FRS 102.

Grants of a turnover nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.17 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

2. Accounting policies (continued)

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following key judgements and estimates:

- determined which players are included within the first team squad for cash generating unit purposes. The assessment is based on whether players are considered to be within the first team squad and available for selection as at the Statement of Financial Position date. Factors taken into consideration are whether the player has sustained any long term, career threatening injury or is highly unlikely to play for the first team again and is held only for sale;
- where players are considered to be outside of the first team squad for cash generating unit purposes, determined the net realisable value of the player registration. This is based on an agreed selling price in the event that the player has been transferred subsequent to the Statement of Financial Position date or, if there has been no such transfer, management's best estimate of the disposal proceeds (less associated costs) based on recent player transactions;
- if a player is considered to be outside of the first team squad and highly unlikely to play for the first team again, determined whether the contract is onerous and any associated provision required as a result of obligations at the Statement of Financial Position date. Such onerous contract provisions are estimated based on the unavoidable cost (least net cost) of exiting the contract (see note 20);
- determined whether contingent liabilities exist in relation to contingent transfer fees payable (see note 20);
- assessed whether it is probable that the conditions in respect of the contingent transfer fees payable will be met based on experience and the circumstances of the player concerned; and
- recognised a deferred tax asset based on an expectation of sufficient future profits based on promotion to the Premier League (see note 21).

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Broadcasting	107,959	115,192
Match day	19,109	17,368
Commercial	15,425	15,916
Other	2,974	2,152
	<hr/>	<hr/>
	145,467	150,628
	<hr/>	<hr/>

Materially all turnover arose within the United Kingdom.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

5. Other operating income

Items included within other operating income are as follows:

	2023 £000	2022 £000
Business interruption insurance claim	-	93
Coronavirus job retention scheme grant	-	6
Other	28	-
	<u>28</u>	<u>99</u>

6. Operating loss

The operating loss is stated after charging:

	2023 £000	2022 £000
Stock recognised as an expense	451	81
Depreciation of tangible fixed assets	2,892	3,037
Impairment of tangible fixed assets	798	-
Amortisation of intangible assets	51,987	35,134
Other operating lease rentals	244	214
Defined contribution pension cost	591	568
	<u>59,963</u>	<u>74,034</u>

The operating loss is stated after crediting:

	2023 £000	2022 £000
Amortisation of grants	93	93
Foreign exchange gains	265	362
	<u>358</u>	<u>455</u>

The auditor was remunerated by the Club on behalf of the Group of which the Club is a member. The total remuneration for the Group amounted to £67,500 (2022: £59,000).

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2023 £000	2022 £000
Wages and salaries	105,478	98,872
Social security costs	15,036	14,009
Cost of defined contribution pension scheme	591	568
	<u>121,105</u>	<u>113,449</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2023 No.	2022 No.
Administrative	147	130
Football	256	278
	<u>403</u>	<u>408</u>

In addition the Company employs approximately 181 temporary staff on match days (2022: 191).

8. Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	3,256	2,682
Company contributions to defined contribution pension schemes	43	37
Compensation for loss of employment	500	-
Total	<u>3,799</u>	<u>2,719</u>

The average number of directors serving during the year was 6 (2022: 6).

There were 5 directors in the Company's defined contribution pension scheme during the year (2022: 4). The total amount payable to the highest paid director in respect of emoluments was £1,005,000 (2022: £831,000). Company pension contributions of £Nil (2022: £2,000) were made to a money purchase scheme on their behalf.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

9. Interest receivable and similar income

	2023 £000	2022 £000
Imputed interest charge on transfer fees receivable	974	1,438
Other interest receivable	8	134
Bank interest receivable	572	61
	<u>1,554</u>	<u>1,633</u>

10. Interest payable and similar charges

	2023 £000	2022 £000
Imputed interest charge on transfer fees payable	6,609	2,858
Interest payable on transfer fees	452	446
Hire purchase interest payable	31	38
Other interest payable	49	3
	<u>7,141</u>	<u>3,345</u>

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

11. Taxation

	2023 £000	2022 £000
Current tax		
Adjustment in respect of previous periods	(120)	-
Total current tax (credit)	(120)	-
Deferred tax		
Origination and reversal of timing differences	6,032	(1,448)
Adjustment in respect of previous periods	6	(12)
Total deferred tax charge/(credit)	6,038	(1,460)
Total tax charge/(credit)	5,918	(1,460)

Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK of 20.50% (2022: 19%). The differences are explained below:

	2023 £000	2022 £000
Loss on ordinary activities before tax	(74,447)	(5,818)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.50% (2022: 19%)	(15,262)	(1,105)

Effects of:

Fixed asset differences	191	-
Expenses not deductible for tax purposes	37	(31)
Income not taxable for tax purposes	(25)	(18)
Adjustments to tax charge in respect of prior periods – current tax	(120)	-
Adjustments to tax charge in respect of prior periods – deferred tax	6	(12)
Other permanent differences	-	63
Effect of rate change	(213)	(357)
Movement in deferred tax not recognised	21,304	-

Total tax charge/(credit) for the year	5,918	(1,460)
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The Finance Act 2021 was substantively enacted in May 2021 and increased corporation tax rate from 19% to 25% with effect from 1 April 2023. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

11. Taxation (continued)

At 30 June 2023, the Company had taxable losses amounting to £132,534,000 (2022: £63,724,000) available for utilisation against future taxable profits. At 30 June 2023 the Company had an unrecognised deferred tax asset of £24,455,000 (2022: £Nil) in relation to these losses due to the uncertainty as to when these losses may reverse.

12. Intangible assets

	Player registrations £000
Cost	
At 1 July 2022	179,681
Additions	105,706
Disposals	(46,255)
	<hr/>
At 30 June 2023	239,132
	<hr/>
Amortisation	
At 1 July 2022	97,253
Charge for the year	51,987
On disposals	(38,725)
	<hr/>
At 30 June 2023	110,515
	<hr/>
Net book value	
At 30 June 2023	128,617
	<hr/>
At 30 June 2022	82,428
	<hr/>

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

13. Tangible fixed assets

	Stadium £000	Fixtures, fittings and vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation				
At 1 July 2022	7,701	16,014	1,624	25,339
Additions	-	1,507	4,197	5,704
Disposals	-	(1,107)	(246)	(1,353)
Transfers	-	4,651	(4,651)	-
At 30 June 2023	7,701	21,065	924	29,690
Depreciation				
At 1 July 2022	413	9,419	-	9,832
Charge for the year	137	2,755	-	2,892
Disposals	-	(1,101)	-	(1,101)
Impairment	-	-	798	798
At 30 June 2023	550	11,073	798	12,421
Net book value				
At 30 June 2023	7,151	9,992	126	17,269
At 30 June 2022	7,288	6,595	1,624	15,507

The net book value of tangible fixed assets includes an amount of £195,000 (2022: £728,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £83,000 (2022: £69,000).

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

14. Fixed asset investments

Subsidiary undertakings

Subsidiary companies which are either directly or indirectly held by the Company are as follows:

Name of company	Country of incorporation	Class of shares	Holding	Nature of business
¹ St Mary's Training Ground Limited	UK	Ordinary	100 %	Trading
¹ Southampton Girls and Women's Football Club Limited	UK	Ordinary	100 %	Trading
¹ St Mary's Catering Limited	UK	Ordinary	100 %	Dormant
¹ St Mary's Stadium Limited	UK	Ordinary	100 %	Dormant

¹ The registered office of the above companies is St Mary's Stadium, Britannia Road, Southampton, SO14 5FP.

15. Stocks

	2023 £000	2022 £000
Goods for resale	322	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

16. Debtors

	2023 £000	2022 £000
Due within one year:		
Trade debtors	2,542	3,873
Amounts owed by group undertakings	10,505	10,698
Other debtors	2,817	2,884
Prepayments and accrued income	3,372	3,112
Corporation tax receivable	80	449
Transfer fees receivable	2,472	4,841
Value added tax receivable	-	174
Deferred tax asset (note 21)	729	-
	<u>22,517</u>	<u>26,031</u>
Due after more than one year:		
Transfer fees receivable	1,355	10,518
Deferred tax asset (note 21)	10,678	17,445
	<u>12,033</u>	<u>27,963</u>

17. Creditors: amounts falling due within one year

	2023 £000	2022 £000
Trade creditors	3,377	3,081
Amounts owed to group undertakings	154,829	78,817
Taxation and social security	6,250	5,146
Obligations under finance lease and hire purchase contracts	92	83
Transfer fees payable	52,321	24,894
Other creditors	1,412	668
Accruals and deferred income	11,156	26,005
	<u>229,437</u>	<u>138,694</u>

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

18. Creditors: amounts falling due after more than one year

	2023 £000	2022 £000
Obligations under finance lease and hire purchase contracts	93	566
Transfer fees payable	40,607	26,641
Accruals and deferred income	2,629	2,848
	<u>43,329</u>	<u>30,055</u>

Football Trust grants of £2,529,000 (2022: £2,622,000) are classified as accruals and deferred income within creditors falling due after more than one year, with £93,000 (2022: £93,000) falling due within one year, being the amortisation that will be credited in the next accounting period.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £000	2022 £000
Within 1 year	92	83
Between 2 to 5 years	93	566
	<u>185</u>	<u>649</u>

Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

20. Provisions for liabilities

	Contingent transfer Fees £000	Provision for other costs £000	Total £000
At 1 July 2022	5,195	493	5,688
Arising in the year	1,780	3,319	5,099
Utilised in the year	(6,795)	(493)	(7,468)
	<u>-</u>	<u>3,319</u>	<u>3,319</u>
At 30 June 2023	-	3,319	3,319

The provision for other costs relates to the contractual wage obligations on employees that have since left the Club.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

21. Deferred taxation

	Deferred tax £000
Deferred tax asset at 1 July 2022	17,445
Charged to Statement of Comprehensive Income	(6,038)
	<hr/>
Deferred tax asset at 30 June 2023	11,407
	<hr/> <hr/>

The deferred tax asset is made up as follows:

	2023 £000	2022 £000
Unutilised losses	8,678	15,895
Short term timing differences	253	87
Gains rolled over into intangible assets	(414)	(996)
Accelerated capital allowances	2,890	2,459
	<hr/>	<hr/>
	11,407	17,445
	<hr/> <hr/>	<hr/> <hr/>

22. Share capital

	2023 £000	2022 £000
Allotted, called up and fully paid		
501,000 Ordinary shares of £1 each	501	501
	<hr/>	<hr/>

23. Reserves

The Company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Capital contribution reserve

During a previous year, capital contributions arose from the receipt of loan waivers from the parent company and a shareholder of a parent company respectively. In addition, a further capital contribution was recognised as a consequence of the transfer of the trade and assets of St Mary's Catering Limited and St Mary's Stadium Limited from St Mary's Football Group Limited to the Company on 1 July 2019.

Retained losses

Retained losses represent cumulative profits or losses, net of any dividends paid and other adjustments.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

24. Pensions

The Club participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. The Club is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2020 where the total deficit on the on-going valuation basis was £27.6 million.

The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accrual. The Club pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

The results of the 2020 valuation were rolled forward to 30 June 2023 on the same assumptions as detailed above, and the Club's notional share of the deficit was £215,000 (£320,000 as at 30 June 2022).

As at 30 June 2023, the Club was paying total contributions of £10,000 per month (increasing by 5% p.a. on 1 September each year) and based on the actuarial valuation assumptions detailed above will be sufficient to pay off the deficit by 30 April 2025.

As at 30 June 2023, based on an appropriate discount rate of 6.39% per annum (3.34% per annum as at 30 June 2022), the present value of the Club's outstanding contributions (i.e. their future liability) is £231,000 (£352,000 as at 30 June 2022). This amounts to £131,000 (30 June 2022: £124,000) due within one year and £100,000 (30 June 2022: £228,000) due after more than one year and is included within other payables.

Present Value of Defined Benefit Obligation

	2023 £000	2022 £000
Present Value of Defined Benefit Obligation	231	352

25. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2023 the Company had a liability to pay up to £61.8m (2022: £35.9m) to other clubs in respect of players under contract, dependent upon a number of factors but principally first team appearances.

At 30 June 2023 the Company had contingent sums receivable from other clubs in respect of players sold. Due to the uncertainty of receipt of these contingent assets it is not practicable to disclose the amount likely to be received.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

26. Capital commitments

At 30 June 2023 the Company had capital commitments as follows:

	2023 £000	2022 £000
Contracted for but not provided in these financial statements	583	3,513

27. Commitments under operating leases

At 30 June 2023 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £000	2022 £000
Not later than 1 year	121	196
Later than 1 year and not later than 5 years	79	102
Total	200	298

28. Related party transactions

Management charges of £Nil (2022: £175,000) were issued during the year by Southampton Football Sports Development Co. Limited to the Company; all transactions were previously conducted on an arm's length basis on normal trading terms. The Company also incurred expenses on behalf of Southampton Football Sports Development Co. Limited, in the ordinary course of business, at a cost of £Nil (2022: £4,000), all of which were recharged in full. The two parties were previously related by virtue of common control. At 30 June 2023, £Nil (2022: £Nil) was owed by the Company.

Management charges of £106,000 (2022: £97,000) were issued during the year by MALI International AG to the Company and all transactions were conducted on an arm's length basis, on normal trading terms. The Company also incurred expenses on behalf of MALI International AG, in the ordinary course of business, at a cost of £16,000 (2022: £23,000) and expenses on behalf of Katharina Liebherr, a common shareholder, of £1,000 (2022: £1,000). The two parties are related by influence of the common shareholder. The amount owed by MALI International AG to the Company at the reporting date was £Nil (2022: £3,000). These amounts all relate to trading balances.

Management charges of £850,000 (2022: £448,000) were issued during the year by Sport Republic Holding Limited to the Group and all transactions were conducted on an arm's length basis, on normal trading terms. Sport Republic Holding Ltd owns 100% of Sport Republic UK Ltd, which itself is the majority shareholder of the Club.

During the year the Company incurred expenses on behalf of Sport Republic Holding Ltd in the ordinary course of business at a cost of £941,000 (2022: £632,000) and expenses on behalf of Dragan Solak of £2,000 (2022: £Nil). Sport Republic Holding Ltd also incurred expenses on behalf of the Company at a cost of £443,000 (2022: £Nil). Sport Republic Holding Ltd is a company over which Dragan Solak exerts significant influence. The amount owed by the Company to Sport Republic Holding Ltd at the reporting date was £Nil (2022: £Nil) and the amount owed by Dragan Solak to the Company at the reporting date was £1,000 (2022: £Nil). These amounts all relate to trading balances, all recharged to the relevant related party.

Southampton Football Club Limited

Notes to the Financial Statements (continued) for the Year Ended 30 June 2023

29. Ultimate parent company and parent undertaking of larger group

The smallest group in which the results of the Company are consolidated is that headed by St Mary's Football Group Limited, incorporated in Great Britain. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The largest group in which the results of the Company are consolidated is that headed by Sport Republic Holding Ltd, which is incorporated in Great Britain.

The directors consider the ultimate controlling party at the Statement of Financial Position date to be Mr D Solak.

30. Post Statement of Financial Position events

Since the Statement of Financial Position date, the Company has entered into sale and purchase agreements for players with net transactions amounting to £111.0m receivable (2022: £100.5m payable).