

Company Registration No. 00224792 (England and Wales)

MORECAMBE FOOTBALL CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016



MORECAMBE FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	Mr P McGuigan Mr R H Taylor Mr G A Howse Mr D Brockbank Mr C M Hinchcliffe Mr D R A Lemos	(Appointed 12 October 2016)
Secretary	Mr G A Howse	
Company number	00224792	
Registered office	Globe Arena Christie Way Westgate Morecambe LA4 4TB	
Auditor	Moore and Smalley LLP Richard House 9 Winckley Square Preston PR1 3HP	

MORECAMBE FOOTBALL CLUB LIMITED

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MORECAMBE FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2016

The directors present the strategic report for the year ended 31 May 2016.

Fair review of the business

The financial year 2015/16 has once more proved to be challenging with a loss for the year of £574,507 after tax (2014/15: £872,291 loss). Whilst it is a loss, this represents an improvement in matters and demonstrates the Board's endeavours to move towards break-even are approaching fruition, but there is work to be done. The 15/16 season was Morecambe's ninth consecutive season in League 2. Elimination in the first round of both the F.A. Cup and the League Cup was disappointing but in the League Trophy the club progressed to the area semi-final its best performance in the competition for eight years. Final League position was 21st (14/15 11th) with an average crowd of 1,572 (14/15: 1,998).

Turnover increased in part due to the sale of a player to Blackpool and players' salaries and expenses were down on 14/15 when there was a planned increase financed by the club's main shareholder. Losses are expected to continue to diminish with increased income from central funding and solidarity receipts together with the move to Category 3 status for the Academy. No account is taken in projections for increased attendances, a successful cup run or player sales which the Board feel is prudent.

Principal risks and uncertainties

The principal risks to the business are relegation from the Football League and the consequential loss of income, or if the company were unable to secure sufficient finance from either the directors or other sources to continue funding the cash flow requirements. These and other risks are monitored by the Board on a regular basis.

Going concern

The company has traded at a loss during the year and has been reliant on the support of directors in providing loans to maintain the cash flow of the business. In addition, the company entered into a sale and finance leaseback whereby finance of £160,000 was received on assets.

The Club's beneficial owner has signed an undertaking to the English Football League for the next two years covering 2017/18 and 2018/19 for which the Board are immensely appreciative and this gives some certainty in what has been a very uncertain period in the club's history.

The Club remains for sale, and the announcement on 2nd May 2017 that the ownership dispute had been resolved affords clarity to potential investors going forward.

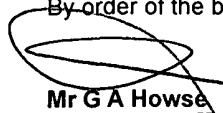
The directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis in preparing the reports and financial statements. The financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

Impact of transition to FRS 102

These financial statements are the first financial statements prepared in accordance with FRS 102 and so comparison to the previous year's published accounts is not simple as in prior years. The preparation of the financial statements under FRS 102 has resulted in additional accounting charges being recognised through the profit and loss account within interest payable.

A true reflection of the improvement in the loss for the year can be found by comparing the operating loss of £598,544 to the operating loss for the previous year of £812,777. This reflects an improvement in the operating loss of £214,233. More details about the impact of the transition to FRS 102 can be found in note 28.

By order of the board



Mr G A Howse
Secretary
15 August 2017

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2016

The directors present their annual report and financial statements for the year ended 31 May 2016.

Principal activities

The principal activity of the company continued to be that of a professional football club.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P McGuigan	
Mr N Adams	(Resigned 20 December 2016)
Mr R H Taylor	
Mr D R K Robinson	(Resigned 1 July 2016)
Mr M A W Dixon	(Resigned 16 February 2017)
Mr G A Howse	
Mr D Brockbank	
Mr G Taylor	(Resigned 14 June 2017)
Mr C M Hinchcliffe	
Mr D R A Lemos	(Appointed 12 October 2016)
Mr A Al-Hashemi	(Appointed 12 October 2016 and resigned 21 December 2016)

Results and dividends

The results for the year are set out on pages 7 and 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Post reporting date events

Post year end, G50 Holdings Limited acquired 82% of the company's share capital.


Auditor

The auditor, Moore and Smalley LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board


Mr G A Howse
Secretary
15 August 2017

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2016

The directors are responsible for preparing the annual 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

MORECAMBE FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MORECAMBE FOOTBALL CLUB LIMITED

We have audited the financial statements of Morecambe Football Club Limited for the year ended 31 May 2016 set out on pages 6 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2016 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements and the strategic report concerning the company's ability to continue as a going concern. The company incurred a net loss of £574,507 during the year ended 31 May 2016 and, at that date, the company had net current liabilities of £3,567,689. These conditions, along with the other matters explained in note 1 to the financial statements and the strategic report, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

MORECAMBE FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MORECAMBE FOOTBALL CLUB LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.



**Damian Walmsley (Senior Statutory Auditor)
for and on behalf of Moore and Smalley LLP
Chartered Accountants
Statutory Auditor**

Richard House
9 Winckley Square
Preston
PR1 3HP

16 August 2017

MORECAMBE FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016 £	2015 £
Turnover	3	2,471,242	2,307,152
Cost of sales		(2,646,665)	(2,738,082)
Gross loss		(175,423)	(430,930)
Administrative expenses		(426,389)	(385,715)
Other operating income		3,268	3,868
Operating loss	4	(598,544)	(812,777)
Interest payable and similar charges	8	(117,577)	(84,537)
Loss before taxation		(716,121)	(897,314)
Taxation	9	141,614	25,023
Loss for the financial year		(574,507)	(872,291)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MORECAMBE FOOTBALL CLUB LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2016**

	Notes	2016 £	2015 £
Loss for the year		<u>(574,507)</u>	<u>(872,291)</u>
Other comprehensive income			
Exceptional (reversal cost)/gain on discount of liabilities at amortised cost	5	(944,372)	165,521
Tax relating to other comprehensive income		<u>188,874</u>	<u>(33,104)</u>
Other comprehensive income for the year		<u>(755,498)</u>	<u>132,417</u>
Total comprehensive income for the year		<u>(1,330,005)</u>	<u>(739,874)</u>

MORECAMBE FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 31 MAY 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	10		7,828,470		7,879,910
Current assets					
Stocks	12	22,810		14,890	
Debtors	13	95,468		148,938	
Cash at bank and in hand		19,637		18,163	
		137,915		181,991	
Creditors: amounts falling due within one year	14	(3,705,604)		(933,549)	
Net current liabilities			(3,567,689)		(751,558)
Total assets less current liabilities			4,260,781		7,128,352
Creditors: amounts falling due after more than one year	15		(297,581)		(1,503,390)
Provisions for liabilities	18		(1,085,989)		(1,416,478)
Deferred income	20		(18,650)		(21,918)
Net assets			2,858,561		4,186,566
Capital and reserves					
Called up share capital	22	1,802,585		1,800,585	
Share premium account		10,000		10,000	
Profit and loss reserves		1,045,976		2,375,981	
Total equity			2,858,561		4,186,566

The financial statements were approved by the board of directors and authorised for issue on 15 August 2017 and are signed on its behalf by:


Mr P McGuigan
Director

Company Registration No. 00224792

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2016

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2014		1,489,585	10,000	3,591,895	5,091,480
Effect of transition to FRS 102		-	-	(476,040)	(476,040)
As restated		<u>1,489,585</u>	<u>10,000</u>	<u>3,115,855</u>	<u>4,615,440</u>
Year ended 31 May 2015:					
Loss for the year		-	-	(872,291)	(872,291)
Other comprehensive income:					
Exceptional gain on discount of liabilities at amortised cost		-	-	165,521	165,521
Tax relating to other comprehensive income		-	-	(33,104)	(33,104)
Total comprehensive income for the year		-	-	(739,874)	(739,874)
Issue of share capital	22	311,000	-	-	311,000
Balance at 31 May 2015		<u>1,800,585</u>	<u>10,000</u>	<u>2,375,981</u>	<u>4,186,566</u>
Year ended 31 May 2016:					
Loss for the year		-	-	(574,507)	(574,507)
Other comprehensive income:					
Exceptional reversal cost on discount of liabilities at amortised cost	5	-	-	(944,372)	(944,372)
Tax relating to other comprehensive income		-	-	188,874	188,874
Total comprehensive income for the year		-	-	(1,330,005)	(1,330,005)
Issue of share capital	22	2,000	-	-	2,000
Balance at 31 May 2016		<u><u>1,802,585</u></u>	<u><u>10,000</u></u>	<u><u>1,045,976</u></u>	<u><u>2,858,561</u></u>

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash absorbed by operations	27	(344,825)		(672,128)	
Interest paid		(31,553)		(17,055)	
Net cash outflow from operating activities		(376,378)		(689,183)	
Investing activities					
Purchase of tangible fixed assets		(34,864)		(21,620)	
Net cash used in investing activities		(34,864)		(21,620)	
Financing activities					
Proceeds from issue of shares		2,000		311,000	
Proceeds from borrowings		95,792		401,588	
Repayment of borrowings		(80,140)		(43,792)	
Proceeds from finance lease obligations		160,000		-	
Payment of finance lease obligations		(38,697)		(2,233)	
Net cash generated from financing activities		138,955		666,563	
Net decrease in cash and cash equivalents		(272,287)		(44,240)	
Cash and cash equivalents at beginning of year		(320,856)		(276,616)	
Cash and cash equivalents at end of year		(593,143)		(320,856)	
Relating to:					
Cash at bank and in hand		19,637		18,163	
Bank overdrafts included in creditors payable within one year		(612,780)		(339,019)	

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

Company information

Morecambe Football Club Limited is a private company limited by shares incorporated in England and Wales. The registered office is Globe Arena, Christie Way, Westgate, Morecambe, LA4 4TB.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 May 2016 are the first financial statements of Morecambe Football Club Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 June 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 28.

1.2 Going concern

The company's ability to remain a going concern is dependent on the on-going support of its directors and its current financiers.

As detailed in the strategic report, the Club's beneficial owner has signed an undertaking to the English Football League for the next two years covering 2017/18 and 2018/19 for which the board of directors are immensely appreciative and this gives some certainty in what has been a very uncertain period in the Club's history.

The Club remains for sale, and the announcement on 2nd May 2017 that the ownership dispute had been resolved affords clarity to potential investors going forward. The Club's bankers have indicated that they will maintain their support at current levels whilst the Club is for sale, but should no sale be agreed, discussions will be held around reducing the debt through budget surpluses and any available exceptional income streams.

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approving the accounts. For this reason, and for the reasons referred to in the strategic report, the directors continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover represents income receivable, net of VAT, from football and related commercial activities. Sponsorship and similar income are recognised over the duration of the respective contracts. Gate and other match day revenues are recognised over the period of the football season as games are played. Other corporate and hospitality revenues are recognised at the time of the event.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land	No depreciation provided
Leasehold property	2% straight line
Plant and machinery	15% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

The company does not have any assets which fall under the definition of other financial assets.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

The company does not have any liabilities which fall under the definition of other financial liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.14 Sale and finance lease back

FRS 102 requires that where a sale and leaseback transaction results in a finance lease the seller shall not recognise immediately, as income, any excess of sale proceeds over carrying amount but should instead defer such excess and amortise it over the lease term. However it is silent on the treatment of any deficit of sale proceeds over carrying amount. Therefore in formulating an accounting policy the directors have looked up the hierarchy of accounting standards to IFRS 16 which requires that the seller continues to recognise the assets and to recognise a financial liability equal to the transfer proceeds.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Classification of finance and operating leases

At the inception of each lease, management undertake an assessment of the terms of the lease including payments to be made over the life of the lease, the fair value of the asset subject to the lease, the length of the lease and whether the terms of the lease transfer substantially all of the risks and rewards of ownership.

Based on this assessment, management will determine whether the lease should be classified as a finance or operating lease.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

The residual value and estimated useful life of leasehold property

At the acquisition date of the property, management made an assessment of the useful life of the property. They have used their knowledge of the business, geographical area and the property itself in reaching a decision of a useful life of 50 years.

Management have also assessed the estimated residual value of the property at the end of its 50 year useful life. Using the factors noted above as well as the property market in the area they have reached an appropriate residual value which has been applied in the depreciation calculation.

Net present value of loans under non commercial terms

The directors have considered the long term loans, which have been received on an interest free basis, and have discounted them to their net present value using a rate of 7%. This rate has been reached by taking into account rates of interest suffered by the company on other external borrowings, as well as any additional risk involved for the loan holders.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Football	1,435,941	1,224,245
Shop	75,976	62,737
Corporate	114,136	194,947
Hospitality	775,587	720,412
Other	69,602	104,811
	<u>2,471,242</u>	<u>2,307,152</u>

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	<u>2,471,242</u>	<u>2,307,152</u>

4 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	11,000	8,250
Depreciation of owned tangible fixed assets	55,331	87,632
Depreciation of tangible fixed assets held under finance leases	30,973	-
(Profit)/loss on disposal of tangible fixed assets	-	153
	<u></u>	<u></u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

5 Exceptional reversal of discount on financial liabilities at amortised cost

FRS 102 requires the company to discount to a net present value loans received on non-commercial terms that are due for repayment more than one year after the year end.

At the date of transition, the company recognised a discount of £932,357 which was credited to the profit and loss account reserve. This discount was due to unwind over the term of the loan, being approximately 10 years at the date of transition.

In the comparative year, the company received a further non-commercial loan and recognised a discount of £165,521 which was credited to the profit and loss account reserve. In addition, the company recognised a discounting charge on the loans in place at the date of transition of £67,482.

The discounting charge on the loans in place at the date of transition recognised in the current year was £86,024.

Post year end, the loans subject to the discounting were converted into share capital ahead of their expected repayment date. Therefore, at 31 May 2016, the company has unwound the discounts applied to the loans to recognise the loans at their actual value, rather than their discounted net present value. As a result, a discounting charge of £944,372 has been charged against the profit and loss account reserve.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Playing and management staff	26	29
Other football related staff	31	31
Shop staff	2	1
Hospitality staff	15	17
Support and administrative staff	10	9
	<u>84</u>	<u>87</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	1,829,188	1,899,978
Social security costs	156,177	154,064
Pension costs	5,575	5,934
	<u>1,990,940</u>	<u>2,059,976</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	40,000	39,167
Company pension contributions to defined contribution schemes	400	400
	<u>40,400</u>	<u>39,567</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

8 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	17,338	13,452
Interest on finance leases and hire purchase contracts	11,214	-
	<u>28,552</u>	<u>13,452</u>
Other finance costs:		
Reversal of discount on liabilities at amortised cost	86,024	67,482
Other interest	3,001	3,603
	<u>117,577</u>	<u>84,537</u>

9 Taxation

	2016 £	2015 £
Deferred tax		
Origination and reversal of timing differences	(20,949)	(25,023)
Changes in tax rates	(120,665)	-
	<u>(141,614)</u>	<u>(25,023)</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

9 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Loss before taxation	(716,121)	(897,314)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(143,224)	(179,463)
Tax effect of expenses that are not deductible in determining taxable profit	1,173	1,560
Change in unrecognised deferred tax assets	116,041	155,730
Depreciation on assets not qualifying for tax allowances	8,805	8,677
Rolled over gain timing difference	(3,744)	(11,527)
Change in deferred tax rate	(120,665)	-
Taxation credit for the year	(141,614)	(25,023)

In addition to the amount credited to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £	2015 £
Deferred tax arising on:		
Movement on discounted liabilities at amortised cost	(188,874)	33,104

Factors affecting future tax and charges

In his budget speech on 8 July 2015, the UK Chancellor of the Exchequer announced changes which have an effect on the company's future tax position. He announced a reduction in the rate of UK corporation tax to 18% from 1 April 2020. A reduction in the rate of UK corporation tax from 20% to 19% from 1 April 2017 had previously been announced.

As at the balance sheet date, the reductions in the rate of corporation tax had been substantively enacted and therefore any deferred tax has been provided at these rates.

Post year end, a change in the rate of UK corporation tax to 17% from 1 April 2020 was substantively enacted.

As at the balance sheet date, the company had tax losses carried forward of £6,217,629 (2015: £5,530,343). The company has not recognised a deferred tax asset in respect of these losses due to the uncertainty as to when future profits will arise.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

10 Tangible fixed assets

	Freehold land £	Leasehold property £	Plant and machinery £	Total £
Cost				
At 1 June 2015	185,133	7,636,334	586,847	8,408,314
Additions	-	-	34,864	34,864
At 31 May 2016	185,133	7,636,334	621,711	8,443,178
Depreciation and impairment				
At 1 June 2015	-	212,368	316,036	528,404
Depreciation charged in the year	-	44,025	42,279	86,304
At 31 May 2016	-	256,393	358,315	614,708
Carrying amount				
At 31 May 2016	185,133	7,379,941	263,396	7,828,470
At 31 May 2015	185,133	7,423,966	270,811	7,879,910

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Plant and machinery	142,459	13,953
Leasehold property	285,810	-
	<u>428,269</u>	<u>13,953</u>
Depreciation charge for the year in respect of leased assets	<u>30,973</u>	<u>-</u>

Tangible fixed assets with a carrying amount of £7,828,470 (2015 - £7,879,910) have been pledged to secure borrowings of the company.

11 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>62,040</u>	<u>100,698</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>3,922,098</u>	<u>2,340,920</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

12 Stocks

	2016	2015
	£	£
Finished goods and goods for resale	22,810	14,890

13 Debtors

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	3,274	40,244
Other debtors	58,766	60,454
Prepayments and accrued income	33,428	48,240
	<u>95,468</u>	<u>148,938</u>

14 Creditors: amounts falling due within one year

	2016	2015
	£	£
	Notes	
Bank loans and overdrafts	16	612,780
Obligations under finance leases	17	37,023
Other borrowings	16	2,374,235
Trade creditors		165,958
Taxation and social security		81,087
Other creditors		230,000
Accruals and deferred income		204,521
		<u>3,705,604</u>
		<u>933,549</u>

Included within other creditors above is £180,000 which is secured by way of a fixed and floating charge over the freehold and leasehold property assets of the company.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

15 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Obligations under finance leases	17	96,000	5,023
Other borrowings	16	201,581	1,498,367
		<u>297,581</u>	<u>1,503,390</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	98,620	129,228
Payable other than by instalments	103,959	1,273,857
	<u>202,579</u>	<u>1,403,085</u>

16 Loans and overdrafts

	2016 £	2015 £
Bank overdrafts	612,780	339,019
Other loans	2,575,816	1,529,767
	<u>3,188,596</u>	<u>1,868,786</u>
Payable within one year	2,987,015	370,419
Payable after one year	201,581	1,498,367

Bank overdrafts above are secured by way of a fixed and floating charge over the property and assets of the company.

Of the other loan balance above £2,449,816 (2015: £1,488,767) are secured by way of a fixed and floating charge over the property and assets of the company.

On 21 September 2016 directors' loan accounts balances of £2,220,575 were converted into share capital. This amount is included in other loans due within one year.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

17 Finance lease obligations

	2016 £	2015 £
Future minimum lease payments due under finance leases:		
Within one year	37,023	6,697
In two to five years	96,000	5,023
	<u>133,023</u>	<u>11,720</u>

The above finance lease obligations are secured over the assets to which they relate.

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

During the year the company has entered into a sale and finance leaseback whereby they received finance of £160,000 on assets with a carrying value at that date of £445,289.

In accordance with the company's accounting policy detailed in note 1.14, the proceeds of the sale and leaseback have been recognised as a financial liability.

At the year end the balance of this finance lease was £128,000 and the carrying value of the assets to which it relates was £416,409.

18 Provisions for liabilities

	Notes	2016 £	2015 £
Deferred tax liabilities	19	1,085,989	1,416,478
		<u>1,085,989</u>	<u>1,416,478</u>

19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Balances:		
Rolled over gains	1,085,989	1,210,399
Discount on liabilities at amortised cost	-	206,079
	<u>1,085,989</u>	<u>1,416,478</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

19 Deferred taxation (Continued)

	2016
	£
Movements in the year:	
Liability at 1 June 2015	1,416,478
Credit to profit or loss	(20,949)
Credit to other comprehensive income	(188,874)
Effect of change in tax rate - profit or loss	(120,666)
Liability at 31 May 2016	<u>1,085,989</u>

Of the deferred tax liability set out above £19,000 is expected to reverse within 12 months and relates to FRS 102 transition adjustments that are expected to mature within the same period.

20 Deferred income

	2016	2015
	£	£
Arising from government grants	18,650	21,918
	<u>18,650</u>	<u>21,918</u>

21 Retirement benefit schemes

	2016	2015
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>5,575</u>	<u>5,934</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
1,746,404 Ordinary of £1 each	1,746,404	1,744,404
56,181 Ordinary 'A' of £1 each	56,181	56,181
	<u>1,802,585</u>	<u>1,800,585</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

22 Share capital

(Continued)

Reconciliation of movements during the year:

	Ordinary Number	Ordinary 'A' Number
At 1 June 2015	1,744,404	56,181
Issue of fully paid shares	2,000	-
At 31 May 2016	<u>1,746,404</u>	<u>56,181</u>

During the year the company issued 2,000 (2015: 311,000) Ordinary shares of £1 each. The consideration received amounted to £2,000 (2015: £311,000).

23 Financial commitments, guarantees and contingent liabilities

After the year end, the company gave a guarantee to Mr P McGuigan, a director, in respect of G50 Holdings Limited's obligations under agreements between Mr P McGuigan and G50 Holdings Limited for the sale and purchase of his shareholdings in both Morecambe Football Club Limited and PMG Leisure Limited.

The guarantees were entered into by the company for £500,000 in total plus any costs and interest to ensure promised investment in the football club by G50 Holdings Limited and this therefore represents a contingent liability at the date of the directors' approval of these financial statements.

24 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	9,220	12,628
Between two and five years	13,703	17,942
	<u>22,923</u>	<u>30,570</u>

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2016 £	2015 £
Aggregate compensation	<u>44,798</u>	<u>43,870</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

25 Related party transactions

(Continued)

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2016	2015	2016	2015
	£	£	£	£
Key management personnel	8,380	9,687	-	-
Other related parties	25,855	62,808	47,680	62,598

The following amounts were outstanding at the reporting end date:

Amounts owed to related parties	2016	2015
	£	£
Key management personnel	2,389,196	1,322,489
Other related parties	31,425	18,099

At the year end the directors have offered personal guarantees totalling £262,000 (2015: £262,000) as security over the bank overdraft.

During the previous year the company issued 310,000 Ordinary £1 shares to the directors. The consideration received was £310,000.

As detailed in note 23 above, post year end, the company entered into two guarantees on behalf of a third party in respect of the acquisition of the Club with the potential beneficiary of the obligation being a director of the Club.

26 Controlling party

Post year end, G50 Holdings Limited acquired 82% of the company's share capital.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

27 Cash generated from operations

	2016 £	2015 £
Loss for the year after tax	(574,507)	(872,291)
Adjustments for:		
Taxation credited	(141,614)	(25,023)
Finance costs	117,577	84,537
(Gain)/loss on disposal of tangible fixed assets	-	153
Depreciation and impairment of tangible fixed assets	86,304	87,632
(Decrease) in deferred income	(3,268)	(3,868)
Movements in working capital:		
(Increase)/decrease in stocks	(7,920)	2,363
Decrease/(increase) in debtors	53,470	(3,089)
Increase in creditors	125,133	57,458
Cash absorbed by operations	(344,825)	(672,128)

28 Reconciliations on adoption of FRS 102

Reconciliation of equity

	Notes	1 June 2014 £	31 May 2015 £
Equity as reported under previous UK GAAP		5,091,480	4,572,648
Adjustments arising from transition to FRS 102:			
Discounting of long term loans	1	745,886	824,317
Deferred tax on rolled over gains	2	(1,221,926)	(1,210,399)
Equity reported under FRS 102		<u>4,615,440</u>	<u>4,186,566</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

28 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of loss for the financial period

	Notes	2015 £
Loss as reported under previous UK GAAP		(829,832)
Adjustments arising from transition to FRS 102:		
Discounting of long term loans	1	(53,986)
Deferred tax on rolled over gains	2	11,527
Loss reported under FRS 102		<u>(872,291)</u>

Notes to reconciliations on adoption of FRS 102

1. Discounting of long term loans

Prior to applying FRS 102, the company held long term loans not at a commercial rate of interest at their transaction amount. On transition to FRS 102, the company has discounted these loans to their net present value, using a discount rate of 7%. This has resulted in them reducing the values of these loans by £932,357 with a related deferred tax liability of £186,471.

The comparative figures have been amended to recognise the unwind of the discount of these loans from the transition date to 31 May 2015. The amount charged to the profit and loss account in respect of the movement on the net present value was £67,482 with a related deferred tax credit of £13,496.

A further discount on new loans received in the year ended 31 May 2015 of £165,521 has been recognised as a capital contribution through the statement of other comprehensive income with a related deferred tax liability being recognised of £33,104.

2. Deferred tax on rolled over gains

Prior to applying FRS 102, the company did not account for the deferred tax on the rolled over gain from the sale of their previous football ground, Christie Park. On transition to FRS 102, the company recognised a deferred tax liability of £1,221,926 in respect of the potential future chargeable gain at the transition date.

The comparative figures have been amended to recognise the movement on the deferred tax liability from the transition date to 31 May 2015. The amount credited to the profit and loss account in respect of the movement was £11,527.