

Company Registration No. 00224792 (England and Wales)

MORECAMBE FOOTBALL CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

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 G S Burnard Mr J Whittingham Mr C A Goldring	(Appointed 10 November 2017) (Appointed 14 May 2018) (Appointed 14 May 2018)
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Secretary	Mr G A Howse
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Company number	00224792
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Registered office	Globe Arena Christie Way Westgate Morecambe LA4 4TB
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Auditor	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP
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MORECAMBE FOOTBALL CLUB LIMITED

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MORECAMBE FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present the strategic report for the year ended 31 May 2017.

Fair review of the business

The financial year 2016/17 has once more proved to be challenging with a loss for the year of £378,159 after tax (2015/16: £574,507). Turnover includes the sale of a player to Preston North End in November 2016.

The 16/17 season was Morecambe's tenth consecutive season in League 2. The club was eliminated in the first round of the F.A. Cup following a replay, in the League Cup a dramatic extra time victory in the first round was rewarded with a home tie against Premier League opposition who won the game at The Globe Arena. In the EFL Trophy the club successfully negotiated the group stage before being narrowly eliminated on penalties away against League 1 opposition.

The final league position for the 16/17 season was 18th (15/16: 21st) with an average crowd of 1,704 (15/16: 1,572). Post year end, the club has retained its League status and will be playing in League 2 in the 18/19 season and has made the successful move to Category 3 status for the Academy.

Principal risks and uncertainties

The risks identified by the directors that would have an adverse impact of the companies future trading or financial position include:

- Relegation from the Football League and the consequential loss of income; and
- If the company were unable to secure sufficient finance from either the directors, beneficial owners or other sources to continue funding the cashflow 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, the beneficial owner and other financiers in providing loans to maintain the cashflow of the business. No account is taken in the projections for increased attendances, a successful cup run or player sales which the Board feel is prudent.

Post year end, the club's beneficial owner, G50 Holdings Limited, has agreed a sale of the majority shareholding in the company to Bond Group Investments Limited, which is awaiting ratification. The prospective new owners have signed an undertaking with the English Football League for the next two years to cover the cash flow requirements in 2018/19 and 2019/20 for which the board are immensely appreciative. There will also be a significant investment in new share capital which will materially strengthen the balance sheet. This allows the club to move forward with certainty and represents what all concerned believe is a new and stable period for the club.

The club's bankers have continued to support the club whilst a new owner was confirmed for which the board would register their appreciation.

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 statement. The financial statements do not include any adjustment that would result from the going concern basis of preparation being inappropriate.

By order of the board

Mr G A Howse
Secretary
24 May 2018

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2017

The directors present their annual report and financial statements for the year ended 31 May 2017.

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 and resigned 12 October 2017)
Mr A Al-Hashemi	(Appointed 12 October 2016 and resigned 21 December 2016)
Mr G S Burnard	(Appointed 10 November 2017)
Mr J S Burnard	(Appointed 10 November 2017 and resigned 3 April 2018)
Mr J Whittingham	(Appointed 14 May 2018)
Mr C A Goldring	(Appointed 14 May 2018)

Results and dividends

The results for the year are set out on pages 6 and 7.

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

Auditor

The auditor, MHA Moore and Smalley, 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

24 May 2018

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2017

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 2017 set out on pages 6 to 26. 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 2017 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 1.2 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 £378,159 during the year ended 31 May 2017 and, at that date, the company had net current liabilities of £1,782,357. These conditions, along with the other matters explained in note 1.2 to the financial statements, 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 matters prescribed by the Companies Act 2006

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

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

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 and the Directors' Report.

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 MHA Moore and Smalley
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

25 May 2018

MORECAMBE FOOTBALL CLUB LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MAY 2017**

	Notes	2017 £	2016 £
Turnover	3	2,699,657	2,471,242
Cost of sales		(2,620,417)	(2,646,665)
Gross profit/(loss)		<u>79,240</u>	<u>(175,423)</u>
Administrative expenses		(432,245)	(426,389)
Other operating income		2,798	3,268
Operating loss	5	<u>(350,207)</u>	<u>(598,544)</u>
Interest payable and similar expenses	8	(96,988)	(117,577)
Loss before taxation		<u>(447,195)</u>	<u>(716,121)</u>
Tax on loss	9	69,036	141,614
Loss for the financial year		<u><u>(378,159)</u></u>	<u><u>(574,507)</u></u>

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 2017**

	Notes	2017 £	2016 £
Loss for the year		<u>(378,159)</u>	<u>(574,507)</u>
Other comprehensive income			
Exceptional (reversal cost)/gain on discount of liabilities at amortised cost	4	-	(944,372)
Tax relating to other comprehensive income		-	188,874
Other comprehensive income for the year		<u>-</u>	<u>(755,498)</u>
Total comprehensive income for the year		<u>(378,159)</u>	<u>(1,330,005)</u>

MORECAMBE FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 31 MAY 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10		7,754,072		7,828,470
Current assets					
Stocks	12	15,128		22,810	
Debtors	13	154,708		95,468	
Cash at bank and in hand		57,976		19,637	
		<u>227,812</u>		<u>137,915</u>	
Creditors: amounts falling due within one year	14	<u>(2,010,169)</u>		<u>(3,705,604)</u>	
Net current liabilities			<u>(1,782,357)</u>		<u>(3,567,689)</u>
Total assets less current liabilities			5,971,715		4,260,781
Creditors: amounts falling due after more than one year	15		(237,933)		(297,581)
Provisions for liabilities	18		(1,016,953)		(1,085,989)
Deferred income	20		<u>(15,852)</u>		<u>(18,650)</u>
Net assets			<u>4,700,977</u>		<u>2,858,561</u>
Capital and reserves					
Called up share capital	22		4,023,160		1,802,585
Share premium account			10,000		10,000
Profit and loss reserves			<u>667,817</u>		<u>1,045,976</u>
Total equity			<u>4,700,977</u>		<u>2,858,561</u>

The financial statements were approved by the board of directors and authorised for issue on 24 May 2018 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 2017

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2015		1,800,585	10,000	2,375,981	4,186,566
Year ended 31 May 2016:					
Loss for the year		-	-	(574,507)	(574,507)
Other comprehensive income:					
Exceptional gain on discount of liabilities at amortised cost		-	-	(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		1,802,585	10,000	1,045,976	2,858,561
Year ended 31 May 2017:					
Loss and total comprehensive income for the year		-	-	(378,159)	(378,159)
Issue of share capital	22	2,220,575	-	-	2,220,575
Balance at 31 May 2017		4,023,160	10,000	667,817	4,700,977

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	27		(496,967)		(344,825)
Interest paid			(96,988)		(31,553)
Net cash outflow from operating activities			(593,955)		(376,378)
Investing activities					
Purchase of tangible fixed assets		(10,190)		(34,864)	
Net cash used in investing activities			(10,190)		(34,864)
Financing activities					
Proceeds from issue of shares		-		2,000	
Proceeds from borrowings		804,982		95,792	
Repayment of borrowings		(99,048)		(80,140)	
Proceeds from finance lease obligations		-		160,000	
Payment of finance lease obligations		(37,022)		(38,697)	
Net cash generated from financing activities			668,912		138,955
Net increase/(decrease) in cash and cash equivalents			64,767		(272,287)
Cash and cash equivalents at beginning of year			(593,143)		(320,856)
Cash and cash equivalents at end of year			(528,376)		(593,143)
Relating to:					
Cash at bank and in hand			57,976		19,637
Bank overdrafts included in creditors payable within one year			(586,352)		(612,780)

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2017

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.

1.2 Going concern

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

As detailed in the strategic report, the club's beneficial owner has agreed a sale of the majority shareholding in the company to Bond Group Investments Limited, which is awaiting ratification. The prospective new owners have signed an undertaking with the English Football League for the next two years to cover the cash flow requirements in 2018/19 and 2019/20 for which the board are immensely appreciative. There will also be a significant investment in new share capital which will materially strengthen the balance sheet. This allows the Club to move forward with certainty and represents what all concerned believe is a new and stable period for the club.

The club's bankers have continued to support the club whilst a new owner was confirmed for which the board would register their appreciation.

The directors have formed a judgment, 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 12 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, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost 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

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

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.

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.

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 at bank and in hand

Cash at bank and in hand 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.

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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

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.

Basic financial liabilities

Basic financial liabilities, including creditors 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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

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.

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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

1 Accounting policies

(Continued)

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.

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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

2 Judgements and key sources of estimation uncertainty

(Continued)

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.

3 Turnover and other revenue

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

	2017 £	2016 £
Turnover analysed by class of business		
Football	1,750,331	1,435,941
Shop	61,152	75,976
Corporate	111,618	114,136
Hospitality	699,834	775,587
Other	76,722	69,602
	<u>2,699,657</u>	<u>2,471,242</u>
	2017 £	2016 £
Turnover analysed by geographical market		
United Kingdom	<u>2,699,657</u>	<u>2,471,242</u>

4 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.

During the year, the loans subject to the discounting were converted into share capital ahead of their expected repayment date. Therefore, at 31 May 2016, the company 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 was charged against the profit and loss account reserve in the previous year.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

5 Operating loss

	2017	2016
	£	£
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	10,000	11,000
Depreciation of owned tangible fixed assets	57,485	55,331
Depreciation of tangible fixed assets held under finance leases	27,102	30,973
	<u> </u>	<u> </u>

6 Employees

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

	2017	2016
	Number	Number
Playing and management staff	22	26
Other football related staff	34	31
Shop staff	2	2
Hospitality staff	17	15
Support and administrative staff	9	10
	<u> </u>	<u> </u>
	<u>84</u>	<u>84</u>

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	1,784,569	1,829,188
Social security costs	141,503	156,177
Pension costs	5,465	5,575
	<u> </u>	<u> </u>
	<u>1,931,537</u>	<u>1,990,940</u>

7 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	30,000	40,000
Company pension contributions to defined contribution schemes	240	400
	<u> </u>	<u> </u>
	<u>30,240</u>	<u>40,400</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1).

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

8 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	41,777	17,338
Interest on finance leases and hire purchase contracts	11,014	11,214
	<u>52,791</u>	<u>28,552</u>
Other finance costs:		
Reversal of discount on liabilities at amortised cost	-	86,024
Other interest	44,197	3,001
	<u>96,988</u>	<u>117,577</u>

9 Taxation

	2017	2016
	£	£
Deferred tax		
Origination and reversal of timing differences	(9,216)	(20,949)
Changes in tax rates	(59,820)	(120,665)
	<u>(69,036)</u>	<u>(141,614)</u>

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:

	2017	2016
	£	£
Loss before taxation	(447,195)	(716,121)
	<u>(447,195)</u>	<u>(716,121)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19.83% (2016: 20.00%)	(88,694)	(143,224)
Tax effect of expenses that are not deductible in determining taxable profit	-	1,173
Change in unrecognised deferred tax assets	72,571	116,041
Depreciation on assets not qualifying for tax allowances	8,732	8,805
Other permanent differences	7,391	-
Rolled over gain timing difference	(9,216)	(3,744)
Change in deferred tax rate	(59,820)	(120,665)
	<u>(69,036)</u>	<u>(141,614)</u>
Taxation credit for the year	<u>(69,036)</u>	<u>(141,614)</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

9 Taxation

(Continued)

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:

	2017 £	2016 £
Deferred tax arising on:		
Movement on discounted liabilities at amortised cost	-	(188,874)

Factors affecting future tax and charges

In his budget speech on 16 March 2016, 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 17% 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.

At the balance sheet date, the company had tax losses carried forward of £6,688,542 (2016: £6,217,629). 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.

10 Tangible fixed assets

	Freehold land £	Leasehold property £	Plant and machinery £	Total £
Cost				
At 1 June 2016	185,133	7,636,334	621,711	8,443,178
Additions	-	-	10,190	10,190
At 31 May 2017	185,133	7,636,334	631,901	8,453,368
Depreciation and impairment				
At 1 June 2016	-	256,393	358,316	614,709
Depreciation charged in the year	-	44,025	40,562	84,587
At 31 May 2017	-	300,418	398,878	699,296
Carrying amount				
At 31 May 2017	185,133	7,335,916	233,023	7,754,072
At 31 May 2016	185,133	7,379,941	263,396	7,828,470

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

10 Tangible fixed assets

(Continued)

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

	2017 £	2016 £
Plant and machinery	121,074	142,459
Leasehold property	280,093	285,810
	<u>401,167</u>	<u>428,269</u>
Depreciation charge for the year in respect of leased assets	<u>27,102</u>	<u>30,973</u>

Tangible fixed assets with a carrying amount of £7,754,072 (2016 - £7,828,470) have been pledged to secure borrowings of the company.

11 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	<u>131,561</u>	<u>62,040</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>2,179,103</u>	<u>3,922,098</u>

12 Stocks

	2017 £	2016 £
Finished goods and goods for resale	<u>15,128</u>	<u>22,810</u>

13 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	34,752	3,274
Other debtors	96,809	58,766
Prepayments and accrued income	23,147	33,428
	<u>154,708</u>	<u>95,468</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

14 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	16	586,352	612,780
Obligations under finance leases	17	32,000	37,023
Other borrowings	16	887,242	2,374,235
Trade creditors		143,811	165,958
Other taxation and social security		68,999	81,087
Other creditors		14,902	230,000
Accruals and deferred income		276,863	204,521
		<u>2,010,169</u>	<u>3,705,604</u>

Included within other borrowings is £635,582 (2016: £nil) owed to group undertakings.

15 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Obligations under finance leases	17	64,000	96,000
Other borrowings	16	173,933	201,581
		<u>237,933</u>	<u>297,581</u>

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

Payable by instalments	70,972	98,620
Payable other than by instalments	45,360	103,959
	<u>116,332</u>	<u>202,579</u>

16 Loans and overdrafts

	2017 £	2016 £
Bank overdrafts	586,352	612,780
Other loans	1,061,175	2,575,816
	<u>1,647,527</u>	<u>3,188,596</u>
Payable within one year	1,473,594	2,987,015
Payable after one year	173,933	201,581

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

16 Loans and overdrafts

(Continued)

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 £211,593 (2016: £2,449,816) are secured by way of a fixed and floating charge over the property and assets of the company.

17 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	32,000	37,023
In two to five years	64,000	96,000
	<u>96,000</u>	<u>133,023</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.

18 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	19	<u>1,016,953</u>	<u>1,085,989</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 2017 £	Liabilities 2016 £
Balances:		
Rolled over gains	<u>1,016,953</u>	<u>1,085,989</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

19 Deferred taxation (Continued)

	2017 £
Movements in the year:	
Liability at 1 June 2016	1,085,989
Credit to profit or loss	(9,216)
Effect of change in tax rate - profit or loss	(59,820)
Liability at 31 May 2017	<u>1,016,953</u>

Due to the level of trading losses carried forward, deferred tax is not recognised on fixed asset timing differences. The movement on deferred tax in respect of the rolled over gain is not expected to change materially in the next reporting period.

20 Deferred income

	2017 £	2016 £
Arising from government grants	15,852	18,650
	<u>15,852</u>	<u>18,650</u>

21 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	5,465	5,575
	<u>5,465</u>	<u>5,575</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

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
3,966,979 Ordinary of £1 each	3,966,979	1,746,404
56,181 Ordinary 'A' of £1 each	56,181	56,181
	<u>4,023,160</u>	<u>1,802,585</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

22 Share capital

(Continued)

Reconciliation of movements during the year:

	Ordinary Number	Ordinary 'A' Number
At 1 June 2016	1,746,404	56,181
Issue of fully paid shares	2,220,575	-
At 31 May 2017	3,966,979	56,181

During the year the company issued 2,220,575 (2016: 2,000) Ordinary shares of £1 each. The consideration received amounted to £2,220,575 (2016: £2,000).

23 Financial commitments, guarantees and contingent liabilities

During the year, 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:

	2017 £	2016 £
Within one year	10,002	9,220
Between two and five years	21,275	13,703
	31,277	22,923

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2017 £	2016 £
Aggregate compensation	33,539	44,798

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2017

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	
	2017	2016	2017	2016
	£	£	£	£
Key management personnel	10,356	8,380	-	-
Other related parties	9,509	25,855	34,258	47,680
	<u>19,865</u>	<u>34,235</u>	<u>34,258</u>	<u>47,680</u>

The following amounts were outstanding at the reporting end date:

	2017	2016
	£	£
Amounts owed to related parties		
Entities with control, joint control or significant influence over the company	635,582	-
Key management personnel	162,621	2,389,196
Other related parties	7,700	31,425
	<u>805,903</u>	<u>2,420,621</u>

At the year end the directors have offered personal guarantees totalling £262,000 (2016: £262,000) as security over the bank overdraft.

During the year the company issued 2,220,575 Ordinary £1 shares to the directors. The consideration receivable was £2,220,575 and this was settled from existing amounts owed by the company to the directors.

As detailed in note 23 above, during the year, 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

As at the date of approval of the financial statements, G50 Holdings Limited owns 82% of the company's share capital. Control of the company will pass to Bond Group Investments Limited once EFL approval has been granted. The Board expects this to take place imminently.

MORECAMBE FOOTBALL CLUB LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MAY 2017****27 Cash generated from operations**

	2017	2016
	£	£
Loss for the year after tax	(378,159)	(574,507)
Adjustments for:		
Taxation credited	(69,036)	(141,614)
Finance costs	96,988	117,577
Depreciation and impairment of tangible fixed assets	84,587	86,304
(Decrease) in deferred income	(2,798)	(3,268)
Movements in working capital:		
Decrease/(increase) in stocks	7,682	(7,920)
(Increase)/decrease in debtors	(59,240)	53,470
(Decrease)/increase in creditors	(176,991)	125,133
Cash absorbed by operations	(496,967)	(344,825)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.