

Company Registration No. 00224792 (England and Wales)

MORECAMBE FOOTBALL CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

MORECAMBE FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	Mr R H Taylor Mr G A Howse Mr J Whittingham Mr C A Goldring Mr M Horton Mr J T Wakefield Mr C E Appleyard	(Appointed 9 December 2019) (Appointed 19 December 2019)
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Secretary	Mr G A Howse
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Company number	00224792
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Registered office	Mazuma Stadium 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 2020

The directors present the strategic report for the year ended 31 May 2020.

Fair review of the business

The financial year 2019/20 showed some improvement but has once more proved to be challenging, with a loss for the year of £317,713 before tax (2018/19: £573,596). The 19/20 season was Morecambe's thirteenth consecutive season in League 2.

The 19/20 season represented the club's third year operating a Category 3 Academy.

Key performance indicators

The club was eliminated in the first round of the F.A. Cup after losing away at Blackpool, in the League Cup a first-round success at Mansfield after navigating a penalty shoot-out was followed by a 4-0 away defeat at Burton Albion. In the EFL Trophy the club was eliminated at the group stage registering 4 points. The season was curtailed on the 13th March due to the Covid-19 pandemic and on 15th May League 2 clubs voted to end the season early with average points per game applied to the remaining fixtures. Final league position was 22nd (18/19: 18th).

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, owners or other sources to continue funding the cashflow requirements. These and other risks are monitored by the Board on a regular basis.

In addition to the above, the uncertainty surrounding the Covid-19 pandemic continues to pose a risk and uncertainty for the Club and its ability to continue football activities.

Future developments

At the date of approving these financial statements, the club has been affected by the Covid-19 pandemic with the whole 20/21 season being completed without fans being permitted to watch games at the Mazuma Stadium, behind closed doors.

It goes without saying that the Covid-19 pandemic has had, and will have, a significant impact on the operations of the club, not just on the field but off it too with the club's ability to generate revenue being adversely affected. The club has along with support from the EFL and Premier League looked at innovative approaches to ensuring that we emerge from the pandemic stronger with structures and plans in place to function effectively. The uncertainty around Covid-19 constitutes a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

By order of the board

Mr G A Howse
Secretary

25 May 2021

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2020

The directors present their annual report and financial statements for the year ended 31 May 2020.

Principal activities

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

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.

Directors

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

Mr R H Taylor

Mr G A Howse

Mr J Whittingham

Mr C A Goldring

Mr M Horton

Mr J T Wakefield

(Appointed 9 December 2019)

Mr C E Appleyard

(Appointed 19 December 2019)

Auditor

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of future developments.

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

25 May 2021

MORECAMBE FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2020

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

Opinion

We have audited the financial statements of Morecambe Football Club Limited (the 'company') for the year ended 31 May 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which highlights that the company's operations are affected by the Covid-19 pandemic. As stated in note 1.2, the impact of Covid-19 on the company indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

MORECAMBE FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MORECAMBE FOOTBALL CLUB LIMITED

Use of our report

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

Paul Williams (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 2021

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 £	2019 £
Turnover	3	2,856,534	2,818,391
Cost of sales		(3,045,290)	(2,973,342)
Gross loss		(188,756)	(154,951)
Administrative expenses		(409,211)	(362,228)
Other operating income		352,209	34
Operating loss	4	(245,758)	(517,145)
Interest payable and similar expenses	7	(71,955)	(56,451)
Loss before taxation		(317,713)	(573,596)
Tax on loss	8	(25,106)	7,484
Loss for the financial year		(342,819)	(566,112)

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

MORECAMBE FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 31 MAY 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Tangible assets	9		7,587,939		7,655,653
Current assets					
Stocks	10	18,659		25,104	
Debtors	11	229,835		151,746	
Cash at bank and in hand		185,879		42,243	
		<u>434,373</u>		<u>219,093</u>	
Creditors: amounts falling due within one year	12	<u>(2,627,809)</u>		<u>(2,441,939)</u>	
Net current liabilities			<u>(2,193,436)</u>		<u>(2,222,846)</u>
Total assets less current liabilities			5,394,503		5,432,807
Creditors: amounts falling due after more than one year	13		(165,911)		(18,477)
Provisions for liabilities					
Deferred tax liability	16	<u>1,088,369</u>	<u>(1,088,369)</u>	<u>981,288</u>	<u>(981,288)</u>
Net assets			<u>4,140,223</u>		<u>4,433,042</u>
Capital and reserves					
Called up share capital	18		4,823,260		4,773,260
Share premium account			10,000		10,000
Profit and loss reserves			<u>(693,037)</u>		<u>(350,218)</u>
Total equity			<u>4,140,223</u>		<u>4,433,042</u>

The financial statements were approved by the board of directors and authorised for issue on 25 May 2021 and are signed on its behalf by:

Mr G A Howse
Director

Company Registration No. 00224792

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2018		4,023,260	10,000	215,894	4,249,154
Year ended 31 May 2019:					
Loss and total comprehensive income for the year		-	-	(566,112)	(566,112)
Issue of share capital	18	750,000	-	-	750,000
Balance at 31 May 2019		4,773,260	10,000	(350,218)	4,433,042
Year ended 31 May 2020:					
Loss and total comprehensive income for the year		-	-	(342,819)	(342,819)
Issue of share capital	18	50,000	-	-	50,000
Balance at 31 May 2020		<u>4,823,260</u>	<u>10,000</u>	<u>(693,037)</u>	<u>4,140,223</u>

MORECAMBE FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash absorbed by operations	23	(170,845)		(323,963)	
Interest paid		(12,652)		(16,983)	
Net cash outflow from operating activities		(183,497)		(340,946)	
Investing activities					
Purchase of tangible fixed assets		(11,000)		(37,683)	
Proceeds on disposal of tangible fixed assets		-		79	
Net cash used in investing activities		(11,000)		(37,604)	
Financing activities					
Proceeds from issue of shares		50,000		750,000	
Proceeds from borrowings		322,902		1,496,142	
Repayment of borrowings		-		(1,288,245)	
Payment of finance leases obligations		(34,769)		(18,292)	
Net cash generated from financing activities		338,133		939,605	
Net increase in cash and cash equivalents		143,636		561,055	
Cash and cash equivalents at beginning of year		42,243		(518,812)	
Cash and cash equivalents at end of year		185,879		42,243	

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

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 Mazuma Stadium, 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

At the date of approving these financial statements, the club has been affected by the Covid-19 pandemic with the whole 20/21 has being completed without fans being permitted to watch games at the Mazuma Arena, behind closed doors.

It goes without saying that the Covid-19 pandemic has had, and will have, a significant impact on the operations of the club, not just on the field but off it too with the club's ability to generate revenue being adversely affected. The club has along with support from the EFL and Premier League looked at innovative approaches to ensuring that we emerge from the pandemic stronger with structures and plans in place to function effectively.

The directors have prepared projections covering several scenarios but there is now more clarity over the way forward for football club with fans now being allowed back for test events and the 20/21 play offs. The club are making use of relevant Government initiatives that are available to them as well as support offered from the EFL to manage the business.

The club's owners and financiers have confirmed their intention to continue to support the club over the next 12 months but in the opinion of the directors, continued support will be required not just from the club's owners but also the governing bodies to help clubs through these uncertain times.

Whilst the directors believe that the company will be able to continue to operate and meet its obligations over the next 12 months, the impact of Covid-19 naturally brings uncertainty as to when the club will return to some form of normality.

Based on the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, the uncertainty around Covid-19 constitutes a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

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

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).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks 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.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

(Continued)

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.

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 2020

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors 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.

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 transaction 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. 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 2020

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 profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 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 2020

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.

3 Turnover and other revenue

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

	2020 £	2019 £
Turnover analysed by class of business		
Football	2,126,397	2,020,486
Shop	63,292	62,208
Corporate	89,966	59,167
Hospitality	511,686	534,796
Other	60,193	37,802
Player sales	5,000	103,932
	<u>2,856,534</u>	<u>2,818,391</u>
	2020 £	2019 £
Other significant revenue		
Grants received	297,209	-
	<u>297,209</u>	<u>-</u>
	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	<u>2,856,534</u>	<u>2,818,391</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

4 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging/(crediting):		
Government grants	(297,209)	-
Fees payable to the company's auditor for the audit of the company's financial statements	11,500	11,000
Depreciation of owned tangible fixed assets	76,135	59,230
Depreciation of tangible fixed assets held under finance leases	2,579	20,738
Profit on disposal of tangible fixed assets	-	(79)
	<u> </u>	<u> </u>

5 Employees

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

	2020 Number	2019 Number
Playing and management staff	51	49
Other football related staff	71	67
Shop staff	2	2
Hospitality staff	63	66
Support and administrative staff	5	6
Total	<u>192</u>	<u>190</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	2,071,936	2,019,368
Social security costs	170,792	165,941
Pension costs	21,163	13,103
	<u>2,263,891</u>	<u>2,198,412</u>

6 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	<u>16,661</u>	<u>11,490</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	800	4,295
Other interest on financial liabilities	59,303	39,468
	<u>60,103</u>	<u>43,763</u>
Other finance costs:		
Interest on finance leases and hire purchase contracts	11,852	11,014
Other interest	-	1,674
	<u>71,955</u>	<u>56,451</u>

8 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	(43,267)	-
Adjustments in respect of prior periods	(38,708)	-
	<u>(81,975)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(7,484)	(7,484)
Changes in tax rates	114,565	-
	<u>107,081</u>	<u>(7,484)</u>
Total tax charge/(credit)	<u>25,106</u>	<u>(7,484)</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

8 Taxation

(Continued)

The actual charge/(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:

	2020 £	2019 £
Loss before taxation	(317,713)	(573,596)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(60,365)	(108,983)
Tax effect of expenses that are not deductible in determining taxable profit	127	1,629
Change in unrecognised deferred tax assets	51,873	98,989
Depreciation on assets not qualifying for tax allowances	8,365	8,365
Research and development tax credit	(43,267)	-
Under/(over) provided in prior years	(38,708)	-
Rolled over gain timing difference	(7,484)	(7,484)
Change in deferred tax rate	114,565	-
Taxation charge/(credit) for the year	25,106	(7,484)

Factors affecting future tax and charges

The Finance Act 2016 announced a reduction in the rate of the UK corporation tax to 17% from 1 April 2020. The Chancellor then stated his intention to maintain the main rate of corporation tax at 19%. This change to previously announced policy was substantively enacted on 17 March 2020 and therefore deferred tax has been provided for at 19% (2019: 17%).

At the balance sheet date, the company had tax losses carried forward of £7,839,374 (2019: £7,647,959). 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 2020

9 Tangible fixed assets

	Freehold land	Leasehold property	Plant and machinery	Total
	£	£	£	£
Cost				
At 1 June 2019	185,133	7,636,334	695,795	8,517,262
Additions	-	-	11,000	11,000
At 31 May 2020	185,133	7,636,334	706,795	8,528,262
Depreciation and impairment				
At 1 June 2019	-	388,469	473,140	861,609
Depreciation charged in the year	-	44,025	34,689	78,714
At 31 May 2020	-	432,494	507,829	940,323
Carrying amount				
At 31 May 2020	185,133	7,203,840	198,966	7,587,939
At 31 May 2019	185,133	7,247,865	222,655	7,655,653

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

	2020	2019
	£	£
Plant and machinery	15,275	94,784
Leasehold property	-	269,030
	15,275	363,814

Tangible fixed assets with a carrying amount of £7,587,939 (2019 - £7,665,653) have been pledged to secure borrowings of the company.

10 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	18,659	25,104

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

11 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	11,165	35,486
Corporation tax recoverable	81,975	-
Other debtors	89,142	82,075
Prepayments and accrued income	47,553	34,185
	<u>229,835</u>	<u>151,746</u>

12 Creditors: amounts falling due within one year

	Notes	2020	2019
		£	£
Obligations under finance leases	15	6,339	37,231
Other borrowings	14	2,143,626	1,861,321
Trade creditors		162,115	216,186
Taxation and social security		172,161	74,890
Other creditors		20,911	9,235
Accruals and deferred income		122,657	243,076
		<u>2,627,809</u>	<u>2,441,939</u>

13 Creditors: amounts falling due after more than one year

	Notes	2020	2019
		£	£
Obligations under finance leases	15	4,600	8,477
Other borrowings	14	109,900	10,000
Other creditors		51,411	-
		<u>165,911</u>	<u>18,477</u>

14 Loans and overdrafts

	2020	2019
	£	£
Other loans	<u>2,253,526</u>	<u>1,871,321</u>
Payable within one year	2,143,626	1,861,321
Payable after one year	<u>109,900</u>	<u>10,000</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

14 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 £560,646 (2019: £418,639) is secured by way of a fixed and floating charge over the property and assets of the company.

Other loans include a £119,800 interest free loan from the EFL repayable in installments with the final payment due on 1 October 2023.

15 Finance lease obligations

	2020 £	2019 £
Future minimum lease payments due under finance leases:		
Within one year	6,339	37,231
In two to five years	4,600	8,477
	<u>10,939</u>	<u>45,708</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.

16 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 2020 £	Liabilities 2019 £
Balances:		
Rolled over gains	<u>1,088,369</u>	<u>981,288</u>
Movements in the year:		2020 £
Liability at 1 June 2019		981,288
Credit to profit or loss		(7,484)
Effect of change in tax rate - profit or loss		114,565
Liability at 31 May 2020		<u>1,088,369</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

16 Deferred taxation (Continued)

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.

17 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	21,163	13,103

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.

18 Share capital

	2020 Number	2019 Number	2020 £	2019 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	4,767,079	4,717,079	4,767,079	4,717,079
Ordinary 'A' shares of £1 each	56,181	56,181	56,181	56,181
	<u>4,823,260</u>	<u>4,773,260</u>	<u>4,823,260</u>	<u>4,773,260</u>

During the year the company issued 50,000 (2019: 750,000) Ordinary shares of £1 each. The consideration received amounted to £50,000 (2019: £750,000).

19 Financial commitments, guarantees and contingent liabilities

During the year ended 31 May 2017, 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.

During the previous year, Mr P McGuigan transferred the rights under the guarantee to Bond Group Investments Limited.

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

20 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:

	2020 £	2019 £
Within one year	8,865	12,464
Between two and five years	2,252	11,116
	<u>11,117</u>	<u>23,580</u>

21 Related party transactions

Transactions with related parties

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

	Sales		Purchases	
	2020 £	2019 £	2020 £	2019 £
Key management personnel	4,390	7,752	-	-
Other related parties	7,397	9,785	-	114
	<u>11,787</u>	<u>17,537</u>	<u>-</u>	<u>114</u>

	Interest payable	
	2020 £	2019 £
Entities with control, joint control or significant influence over the company	<u>59,303</u>	<u>39,467</u>

The following amounts were outstanding at the reporting end date:

	2020 £	2019 £
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	1,940,140	1,757,541
Key management personnel	10,000	-
	<u>1,950,140</u>	<u>1,757,541</u>

The following amounts were outstanding at the reporting end date:

	2019 £
Amounts due from related parties	
Other related parties	(498)
	<u>(498)</u>

MORECAMBE FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

21 Related party transactions

(Continued)

Additionally, during the year 50,000 (2019: 750,000) ordinary shares were issued to Bond Group Investments Limited, as detailed in the share capital note.

22 Ultimate controlling party

As at 31 May 2018, G50 Holdings Limited owned 80% of the company's share capital. During the previous year, control of the company passed to Bond Group Investments Limited. As at 31 May 2020, Bond Group Investments Limited owned 80% of the company's share capital. Bond Group Investments Limited are also the ultimate controlling party.

23 Cash absorbed by operations

	2020 £	2019 £
Loss for the year after tax	(342,819)	(566,112)
Adjustments for:		
Taxation charged/(credited)	25,106	(7,484)
Finance costs	71,955	56,451
Gain on disposal of tangible fixed assets	-	(79)
Depreciation and impairment of tangible fixed assets	78,714	79,968
Decrease in deferred income	-	(13,474)
Movements in working capital:		
Decrease/(increase) in stocks	6,445	(370)
Decrease in debtors	3,886	57,076
(Decrease)/increase in creditors	(14,132)	70,061
Cash absorbed by operations	(170,845)	(323,963)

24 Analysis of changes in net debt

	1 June 2019 £	Cash flows £	Market value movements £	31 May 2020 £
Cash at bank and in hand	42,243	143,636	-	185,879
Borrowings excluding overdrafts	(1,871,321)	(441,508)	59,303	(2,253,526)
Obligations under finance leases	(45,708)	34,769	-	(10,939)
	<u>(1,874,786)</u>	<u>(263,103)</u>	<u>59,303</u>	<u>(2,078,586)</u>

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