

B22

Southampton Football Club Limited

Annual Report and Financial Statements

Year Ended

30 June 2020

Company Number 00053301



Southampton Football Club Limited

Company Information

Directors	Mr J Gao Ms J Gao M Semmens T Steele D Thomas
Company secretary	T Greenwell
Registered number	00053301
Registered office	St Mary's Stadium Britannia Road Southampton Hampshire SO14 5FP
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Southampton Football Club Limited

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Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2020

The principal activity of Southampton Football Club Limited (hereafter referred to as the “Club”, or the “Company”) is that of a football club that participates in the Premier League, and ancillary services.

Football Overview

Men’s

The 2019/20 season, and as a consequence the Club’s financial performance, was significantly impacted by the devastating COVID-19 pandemic (“the pandemic”). The measures imposed by the Government, including the nationwide lockdown in March 2020, required all Premier League matches to be postponed and did not resume until June 2020.

As a result of the pandemic the Club took the decision to close its sites on the 13th March 2020. All employees worked remotely for the remainder of the financial year, with the exception of those required to support the first team return to playing in June 2020. The Staplewood Campus and St Mary’s Stadium reopened in June 2020 in a COVID-19 secure environment, in order to enable the first team squad to train and conclude the 2019/20 season.

From a sporting perspective, the first team enjoyed a more successful season in the Premier League than the two preceding seasons, culminating in an 11th placed League finish on 26th July 2020 (2019: 16th). In the final 9 matches of the season the team performed strongly, picking up 18 points from a possible 27.

Prior to the Government measures being imposed in March 2020, 29 out of the 38 League matches had been played. 3 of the final 9 matches took place prior to the financial year-end and the final 6 matches took place in July 2020. Consequently, the financial year includes the revenue and costs associated with 32 Premier League matches played up to the 30th June. The revenue and costs associated with the remaining 6 matches will be reported in the financial year-ended 30th June 2021.

At the time of writing, the first team’s on-field performances in season 2020/21 have continued in the same positive vein as the finish to the 2019/20 season.

Unfortunately, following the Government measures in response to the pandemic, Premier League 2, the U18 Premier League and the Academy Games Programme did not resume for season 2019/20 after being postponed, and were officially curtailed in May 2020. Premier League 2 was concluded on a points per game method, with the men’s U23 Team (since renamed to the B-Team) achieving 11th place in Division 1 and remaining in that Division for season 2020/21.

At the time of writing, all competitions have resumed for the 2020/21 season and the Club continues to invest in, and commit to, youth development and the pathway from transitioning from the academy to the first team.

Women’s

The Club is delighted with the continuous development of the Girls & Women’s Programme, and it was with great regret that the first team’s season was curtailed in March 2020 as a result of the pandemic. At that point in time the team was unbeaten in the FA Women’s National League, Division One South West, having won 10 of their 11 matches, drawing the other. Unfortunately, the curtailment of the season involved all results being expunged and with it the opportunity of promotion denied.

The first team reached the 4th round of Women’s FA Cup, which was held at St Mary’s Stadium in front of a crowd of 4,000. Although the fixture resulted in a loss for the Club, a fine performance was delivered against a team from two divisions higher.

At the time of writing the 2020/21 season has commenced behind closed doors and the first team is currently top of the Division One South West, having won all 4 games played. Fixtures were temporarily suspended in November 2020 following Government and English FA guidelines relating to the pandemic. The first team are scheduled to play Portsmouth FC in the delayed Hampshire FA Women’s 2019/20 Senior Cup final and will recommence fixtures in the Women’s FA Cup, having already qualified for the 1st round.

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2020

Women's (continued)

The Girls & Women's Academy (Regional Talent Club) continues to go from strength to strength offering a proven pathway into the first team. During the year it became one of just four clubs to be awarded with Tier 1 Plus status by the English FA, recognising the Club's commitment to consistently exceed Tier 1 criteria over the course of two seasons.

Financial Overview

The Club reports a loss before interest and tax of £73.2m (2019: loss of £39.7m), with net assets of £12.7m (2019: £59.7m).

A summary of results is given below:

	2020 £000	2019 £000
Turnover	126,482	144,649
Operating costs	(150,431)	(151,657)
Other operating income	418	141
Loss before player trading	(23,459)	(6,867)
Player trading	(49,781)	(32,809)
Loss before interest and tax	(73,240)	(39,676)

Despite finishing five places higher in the Premier League compared to the 2018/19 season, the Club has seen a significant decrease in its turnover and an increase to the loss before interest and tax. This is a consequence of the temporary suspension of the 2019/20 season in March 2020, resulting in the revenue associated with 6 Premier League matches being reported in the financial year-ended 30th June 2021, and Premier League matches being played behind closed-doors thereby reducing commercial revenue.

Broadcasting revenue has fallen from £112.8m to £93.5m (17.1%), which is a direct result of the temporary suspension of the 2019/20 season due to the pandemic. Revenue has been reduced by £4.6m to reflect an anticipated rebate owed to the broadcasters, which was calculated based on an estimate around the Club's final league position. Additionally, because the financial year ended before the completion of the 2019/20 season, £19.3m of broadcasting revenue associated with the 6 games played after the year-end was deferred into the 2020/21 season and will be reflected in the year-ended 30th June 2021.

Match day revenue fell from £15.9m to £14.5m, being a direct result of both the postponement of season 2019/20 Premier League matches and the subsequent resumption of those matches with no fans in attendance.

As a result of the pandemic, £5.7m of commercial revenue was foregone. Despite this the Club's total commercial revenue grew by £2.5m to £17.0m (17.3%), driven by the integration of catering and event management services to the Club following the transfer of the trade and assets of St Mary's Catering Limited on 1st July 2019, as well as the Club creating and developing partnerships with greater value when compared to the prior year. However, £1.6m of revenue associated with these partnerships was deferred to the financial year-ended 30th June 2021, to reflect the revenue generated from the sponsorship rights attached to the 6 2019/20 Premier League matches which were played after the 30th June 2020.

At the time of writing, the total 2019/20 revenue foregone as a result of the pandemic in the financial year is £10.3m, with a further £20.9m revenue deferred into the year-ended 30th June 2021. If the revenue which should have been earned and recognised in the financial year had not been lost or deferred due to the pandemic, the revenue in the financial year would have totalled £157.6m, being a £13.0m (9.0%) increase on the previous season.

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2020

Financial Overview (continued)

The Club also took the decision to offer full refunds to all individual matchday ticket holders for the final games of the 19/20 season, which were played behind closed doors, including any travel costs incurred for away matches, regardless of whether the travel had been booked directly with the Club. Moreover, supporters with hospitality bookings for the home matches were offered the option of refunds, or credit against future matches. Finally, season ticket holders were offered the following options for the final four home matches of the season, all of which were played behind closed-doors: a pro-rata refund in full, credit towards a 20/21 season ticket equal to the refund they could have received in addition to a voucher to be used on future purchases with the Club, or either a full or part-donation towards the Saints Foundation, the Club's affiliated charity, with any balance being refunded or applied as credit to a future season ticket.

Not only has the pandemic impacted the Club's revenue, but also the ability to generate profit on the disposal of player registrations in the financial year as the Summer 2020 transfer window did not open until July 2020. When the Summer 2020 transfer window did open, it was evident that the financial impact of the pandemic restricted many clubs' ability, in particular outside the UK, to purchase player registrations and as a result, the pandemic's impact on the ability to generate profit on the disposal of player registrations is also expected to impact the financial performance of the Club in the financial year ended 30th June 2021.

The profit on the disposal of player registrations of £13.9m (2019: £20.9m) arose from the sales of Gallagher and Austin in the Summer 2019 transfer window, together with contingent transfer receipts in relation to previously transferred players crystallising during the season. However, the amortisation of player registrations increased to £56.7m (2019: £51.0m) as a result of the purchases of Adams, Djenebo and the loan of Danso in the summer 2019 transfer window.

In addition to this, it was deemed necessary to impair the registration of a member of the playing squad, and to provide for their remaining playing contract as being onerous, resulting in a total exceptional cost of £10.8m during the year (2019: £2.3m).

The pandemic has also resulted in additional costs of sales and administrative expenses in order to enable the men's first team squad to train and conclude the 2019/20 season in a COVID-19 secure environment. These have been partially offset by some cost savings in certain areas, as a result of fewer home fixtures in the financial year. Additionally, certain costs that would ordinarily have been incurred in the financial year have also been deferred to the financial year ended 30th June 2021, as they're directly linked to the matches played.

Taking account of the impact on both revenue and costs, the total value of foregone profit before tax because of the pandemic is estimated to be £11.8m (which does not include the impairment of the player registration and associated onerous contract provision), with a further £17.3m profit being deferred into the financial year-ended 30th June 2021. If the profit which should have been earned and recognised in the financial year had not been lost or deferred due to the pandemic then the Club's net loss before interest and tax position for the financial year would be £44.2m.

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2020

Financial Overview (continued)

A summary of the estimated direct impact of the pandemic on the Club's revenue and net loss before interest and tax is shown below:

	2019/20 Turnover	2019/20 Net loss before interest and tax
	£000	£000
Results presented in these financial statements	126,482	(73,240)
Add: broadcasting revenue foregone	4,585	4,585
Add: broadcasting revenue deferred to 2020/21	19,327	19,327
Add: commercial revenue foregone*	5,680	5,680
Add: commercial revenue deferred to 2020/21	1,557	1,557
Add: net costs incurred	-	1,525
Less: costs deferred to 2020/21	-	(3,612)
Results excluding the estimated effect of the pandemic	157,631	(44,178)

* based on estimated contracted future revenue

The Club's cash balance at the Statement of Financial Position date was £41.4m greater than the prior year, which is largely attributable to the term loan accessed during the year for reasons described in detail in the 'Principal risks & uncertainties' section below. As the term loan is held by the Club's immediate parent company, St Mary's Football Group Ltd, and the working capital facility it replaced was held by the Club directly, the Statement of Financial Position shows a reduction of loans payable of £20.0m, but an increase in the amounts due to group undertakings of £73.2m.

As a result of the pandemic, the Club elected to utilise the Government's COVID VAT payment deferral measure, with the VAT owed at the Statement of Financial Position date to be repaid across the financial year ended 30th June 2021. Consequently the Club's taxation and social security liability at the Statement of Financial Position date increased by £12.4m compared to the prior year.

Key Performance Indicators

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

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

- the length of the men's first team playing contracts, with the average length remaining at the Statement of Financial Position date being 26 months (2019: 30 months);
- the all-staff wages to turnover ratio, which grew year-on-year from 77% to 90% in 2020, with the growth almost entirely driven by the reduced turnover and the provision for the onerous contract recognised in conjunction with the player impairment, as outlined in the Financial Overview. Excluding the impact of the pandemic on the Club's turnover and the impact of the pandemic and the onerous contract on the total of all-staff wages, the all-staff wages to turnover ratio would have fallen year-on-year to 72%. Year-on-year player remuneration for the men's first team increased from £86.1m to £89.8m (71% of turnover versus 60% in 2019), largely driven by the recognition of the onerous contract. Excluding the impact of the pandemic on the Club's turnover, and the impact of the pandemic and the onerous contract on player remuneration, the player remuneration to turnover ratio would have fallen year-on-year to 56%;
- the number of players with international recognition at senior or U-21 level. The men's first team squad had 23 players with such recognition (2019: 24);
- international honours at youth level. 23 male players and 23 female players represented their country at international youth level during the 2019/20 season (26 and 19 respectively during the 2018/19 season);

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2020

Key Performance Indicators (continued)

- the number of male players signed on scholarship agreements. The Club had an average of 29 scholars across the 2019/20 season (27 during the 2018/19 season);
- academy players representing the first team. 7 male and 8 female academy players represented their respective first teams in a competitive fixture during the 2019/20 season (11 and 3 respectively during the 2018/19 season).

Infrastructure and People

Investment off the pitch continued where possible, with the majority being undertaken prior to March 2020. During the year the Club continued the significant investment in the hospitality offering at St Mary's Stadium (principally the 1885 Lounge, the Fanzone and kitchen facilities) as well as a redesign and refurbishment of the home dressing room, which had begun in the previous financial year. The Club continues to focus on improving its technological infrastructure, with investment made on a new ticketing and access system, development of a new retail website and an expansion of data storage and network capabilities.

The average number of employees grew compared with the prior year to 431 employees (2019: 385 employees), however this was primarily driven by a transfer of the trade and assets of St Mary's Catering Limited, and with it the provision of catering and event management services, to the Club on 1st July 2019. This resulted in 31 employees transferring to the Club on that date.

In addition, the assets of St Mary's Stadium Limited transferred to the Club on 1st July 2019 bringing the ownership of St Mary's Stadium directly into the Club.

The Club is delighted to continue to promote the Saints Foundation, the Club's affiliated charity, and all its excellent work in the community. During the year the Club has continued to provide support and financial donations to support the Saints Foundation's initiatives, notably the Saints As One campaign, launched to support the Southampton community during the pandemic. This outreach and engagement project has been designed to help fans and members of society who find themselves isolated and vulnerable at this time, as well as educating, entertaining and uniting the Club's family as a whole.

Principal risks & uncertainties

Team performance risk

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

Liquidity risk

The Club reported a net cash position of £86.3m at the Statement of Financial Position date (2019: £25.0m).

In order to mitigate against anticipated further losses as a result of the pandemic, the Club gained access to a term loan totalling £78.8m immediately prior to the Statement of Financial Position date, which is held by its immediate parent company, St Mary's Football Group Ltd. This term loan facility replaces the Club's working capital facility, which totalled £32.0m in the financial year and was repaid in full prior to the Statement of Financial Position date (2019: £20.0m drawn).

Within the Club itself, gross debt has fallen to £Nil at the Statement of Financial Position date compared with £20.0m in 2019.

Credit risk

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

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2020

Principal risks & uncertainties (continued)

Political & COVID-19 risk

Following the UK's decision to leave the EU, the Club considers the implications on the free movement of EU citizens to the UK and volatility in foreign exchange currencies as factors most likely to affect it. The Club continues to monitor all implications of Brexit for the Club in both the short and long term.

At the time of writing the COVID-19 pandemic continues to impact the Club's financial performance significantly, and the continued impact of matches being played behind closed-doors is closely monitored and regularly reforecast. The Club maintains close dialogue with the Premier League on numerous matters, most notably the anticipated return of fans.

In assessing the appropriateness of the going concern assumption, the directors have produced a detailed cash flow forecast which extends to the end of the 2021/2022 football season. These acknowledge that the global and UK outbreak of COVID-19 has had a profound impact on the 2019/20 and 2020/21 football seasons in a number of respects. At the time of issue of these financial statements, the Premier League 2020/21 season is ongoing, albeit with the Club's home fixtures being completed with significantly reduced attendances, as reflected in the cash flow forecast.

In addition, the financial impact of the anticipated rebate owed to the broadcasters has been reflected within both the financial statements for the year-ended 30th June 2020 and the year-ended 30th June 2021 and is included within the cash flow forecast. The directors have concluded, after reviewing the work performed and detailed above, that they can adopt the going concern basis in preparing these financial statements.

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



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T Steele

Director

Date: 22 Dec 2020

Southampton Football Club Limited

Section 172 Statement for the Year Ended 30 June 2020

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

- Relations with key stakeholders such as employees, shareholders, customers, the local community and suppliers are considered in more detail in the Strategic Report, specifically within the "Employee Involvement" and "Infrastructure & People" sections.
- The directors are fully aware of their responsibilities to promote the success of the Club in accordance with section 172 of the Companies Act 2006 and this is promoted at every Board meeting. As required, the Managing Director, the Finance Director and the Company Secretary will provide further support to the Board to help ensure that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)-(f).
- The Board regularly reviews the Club's principal stakeholders and how it engages with them. This is achieved through information provided by senior management, in particular within monthly departmental board papers, and also by direct engagement with stakeholders themselves.
- The Board has enhanced its methods of engagement with the workforce and Board updates are provided to all employees at regular intervals. Since the pandemic there have been regular virtual meetings and question and answer sessions during which the Board has provided business and strategic updates to all employees.
- We aim to work responsibly with our stakeholders, including suppliers. The Board has recently reviewed its anti-corruption and anti-bribery, equal opportunities and whistleblowing policies and regular training is undertaken on such matters.

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

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Transfer of trade and assets of St Mary's Stadium Ltd and St Mary's Catering Limited into Southampton Football Club Ltd on 1 st July 2019	Shareholders, employees, customers, suppliers	<ul style="list-style-type: none"> • Shareholder consultation took place in accordance with regulatory requirements. • Impacted employees were consulted regarding their change of employer and new employment contracts were issued. • Customers and suppliers were informed in writing of the change of ownership and contracts were novated, where relevant.
Restructuring the commercial team	Employees	<ul style="list-style-type: none"> • Decisions were made by the Senior Management Team in consultation with the Board after carefully considering the impact on employees. • Impacted employees were consulted in respect of changes to job descriptions.
Closing the Staplewood Campus, St Mary's Stadium and other sites in response to the Government's measures with regards the pandemic	Employees, customers, suppliers	<ul style="list-style-type: none"> • Employees were informed by management of the closure and received regular contact from management and the Board from the date of closure through to the year-end.

Southampton Football Club Limited

Section 172 Statement (continued) for the Year Ended 30 June 2020

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Refunds relating to the Premier League matches that were postponed and rescheduled behind closed doors	Customers	<ul style="list-style-type: none"> • Customers were notified via numerous communication channels, including over the telephone, on the website and the Club's social media channels and via email. • Customers with hospitality bookings and season tickets were offered a variety of options as outlined in the "Financial Overview" above.
Continuance of wage payments and non-furlough of employees throughout the period of lockdown	Employees	<ul style="list-style-type: none"> • Employees were notified that they would not be furloughed and would not receive a pay cut during the period of lockdown via a Company-wide communication, with the exception of those who offered to defer a percentage of their remuneration. • All casual employees were paid in full throughout the period of lockdown and "regular" casual workers were paid amounts equivalent to their average pay received over a period of time leading up to lockdown.

Southampton Football Club Limited

Directors' Report for the Year Ended 30 June 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Results and dividends

The loss for the year, after taxation, amounted to £62,040,000 (2019: loss of £34,236,000).

No dividend (2019: £Nil) is proposed.

Employment of disabled persons

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

Employee involvement

The Club holds regular senior management, operational management and department meetings to ensure a flow of information across all levels and has continued to do so remotely following the Government restrictions imposed on working arrangements. Alongside this are a number of company wide communication channels, most notably our intranet, Team Talk Live. Company Handbooks, Performance and Development Reviews and strategic email communication supplement these, all of which have been used innovatively since the closure of the operational sites in March.

The Club has taken numerous financial measures to safeguard the welfare and promote the wellbeing of its employees during the year, with additional measures being put in place since March. Notably the Club has taken the decision not to take advantage of the government furlough scheme, but instead has continued to pay all permanent and fixed term members of staff their full salary, with the exception of those who offered to defer a percentage of their remuneration. Moreover, the Club committed to paying all casual employees in full throughout the period of lockdown and "regular" casual workers were paid wages that equated to their "average" pay received in over a period of time leading up to lockdown.

Furthermore, the Club has also put in place many non-financial measures directly aimed at promoting the health and wellbeing of employees, including the continuation and promotion of an Employee Assistance programme to support staff, together with supplementary welfare calls to employees in groups deemed to be at high risk and the provision of regular mental health support and guidance to managers and associated documentation published to staff. Working equipment has been delivered to employees who have been working from home, an internal engagement group has been established to promote social interactions and boost morale during lockdown, and regular online, collaborative staff forums have been held with all members of staff, including the Board and first team management.

For those employees who did return to the sites to work, numerous measures were put in place to ensure a COVID-secure environment and to protect the health and wellbeing of these employees and their families. For example, screening forms were introduced before anyone was allowed on site, regular risk assessments were completed for anyone who was working on site, temperature checks were conducted before entry, PPE and sanitising stations were put in place across sites, and individual packs including gloves, sanitisers, masks and snoods were provided to all employees. Additionally, members of the playing staff and the support staff around them participated in the Premier League COVID testing programme and continue to do so.

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

Southampton Football Club Limited

Directors' Report (continued) for the Year Ended 30 June 2020

Directors

The directors who served during the year were:

Mr J Gao
Ms J Gao
M Semmens
T Steele
D Thomas

Future developments

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

Disclosure of information to auditors

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

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

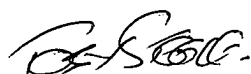
Post Statement of Financial Position events

A full description of the events after the Statement of Financial Position date is stated in note 31.

Auditors

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

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



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T Steele

Director

Date: 22 Dec 2020

Southampton Football Club Limited

Directors' Responsibilities Statement for the Year Ended 30 June 2020

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

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

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

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

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

Southampton Football Club Limited

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

Opinion

We have audited the financial statements of Southampton Football Club Limited ("the Company") for the year ended 30 June 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Southampton Football Club Limited

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

Other information

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

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 the audit:

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

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 Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Director's 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.

Southampton Football Club Limited

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

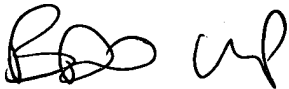
Auditor's responsibilities for the audit of the financial statements

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

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.

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.



Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

Date . 22/12/20

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

Southampton Football Club Limited

Statement of Comprehensive Income for the Year Ended 30 June 2020

	Note	Operations excluding player trading 2020 £000	Player trading* 2020 £000	Total 2020 £000	Total 2019 £000
Turnover	4	126,482	-	126,482	144,649
Cost of sales (including exceptional costs of £10,792,000 (2019: £2,327,000) (Note 5))		(140,082)	(63,070)	(203,152)	(193,033)
Gross loss		(13,600)	(63,070)	(76,670)	(48,384)
Administrative expenses		(10,349)	(644)	(10,993)	(12,349)
Other operating income		418	-	418	141
Operating loss	6	(23,531)	(63,714)	(87,245)	(60,592)
Profit on disposal of subsidiary & assets		72	-	72	-
Profit on disposal of players		-	13,933	13,933	20,916
Loss on ordinary activities before interest		(23,459)	(49,781)	(73,240)	(39,676)
Interest receivable and similar income	9	412	-	412	1,628
Interest payable and similar charges	10	(3,096)	-	(3,096)	(3,171)
Loss on ordinary activities before taxation		(26,143)	(49,781)	(75,924)	(41,219)
Tax on loss	11	13,884	-	13,884	6,983
Loss and total comprehensive loss for the year		(12,259)	(49,781)	(62,040)	(34,236)

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

The note on page 20 to 38 form part of these financial statements.


Southampton Football Club Limited

Registered number: 00053301

Statement of Financial Position as at 30 June 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Intangible assets	12		97,578		137,641
Tangible assets	13		15,960		7,559
Investments	14		-		-
			113,538		145,200
Current assets					
Stocks	15	256		702	
Debtors: amounts falling due within one year	16	36,756		44,011	
Debtors: amounts falling due after more than one year	16	4,158		4,979	
Cash at bank and in hand		86,314		44,959	
		127,484		94,651	
Creditors: amounts falling due within one year	17	(197,676)		(127,773)	
Net current liabilities			(70,192)		(33,122)
Total assets less current liabilities			43,346		112,078
Creditors: amounts falling due after more than one year	18		(21,325)		(43,136)
Provisions for liabilities					
Other provisions	21	(9,288)		(4,372)	
Deferred tax	22	-		(4,878)	
			(9,288)		(9,250)
Net assets			12,733		59,692
Capital and reserves					
Share capital	23		501		501
Capital contribution reserve	24		29,767		14,686
Profit and loss account	24		(17,535)		44,505
Equity attributable to the owner of the parent Company			12,733		59,692

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



T Steele
 Director
 Date: 22 Dec 2020

The notes on pages 20 to 38 form part of these financial statements.

Southampton Football Club Limited

Statement of Changes in Equity for the Year Ended 30 June 2020

	Share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Equity £000
At 1 July 2018	501	14,686	78,741	93,928
Loss and total comprehensive loss for the year	-	-	(34,236)	(34,236)
At 30 June 2019	501	14,686	44,505	59,692
Comprehensive loss for the year				
Loss for the year	-	-	(62,040)	(62,040)
Total comprehensive loss for the year	-	-	(62,040)	(62,040)
Contributions by and distributions to owners				
Capital contribution: loan waiver from parent company	-	8,000	-	8,000
Hive up of trade and assets of subsidiary	-	5,081	-	5,081
Capital contribution: forgiveness of shareholder loan	-	2,000	-	2,000
Total contributions by and distributions to owners	-	15,081	-	15,081
At 30 June 2020	501	29,767	(17,535)	12,733

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

1. General information

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Lander Sports (UK) International Investment Co., Limited as at 30 June 2020 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

2.3 Going concern

In assessing the appropriateness of the going concern assumption, the directors have produced a detailed cash flow forecast which extends to the end of the 2021/2022 football season. These acknowledge that the global and UK outbreak of COVID-19 has had a profound impact on the 2019/20 and 2020/21 football seasons in a number of respects. At the time of issue of these financial statements, the Premier League 2020/21 season is ongoing, albeit with the Club's home fixtures being completed with significantly reduced attendances, as reflected in the cash flow forecast.

In addition, the financial impact of the anticipated rebate owed to the broadcasters has been reflected within both the financial statements for the year-ended 30th June 2020 and the year-ended 30th June 2021 and is included within the cash flow forecast. The directors have concluded, after reviewing the work performed and detailed above, that they can adopt the going concern basis in preparing these financial statements.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

2. Accounting policies (continued)

2.4 Turnover

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

In respect of the conclusion of the 2019/20 Premier League season, the Company's turnover is net of a rebate to broadcasters relating to the reduction in commercial value to have arisen from playing nice matches behind closed doors. Consequently, the rebate has been apportioned to the appropriate revenue streams, resulting in a reduction of broadcasting turnover pro-rata to the proportion of games played behind closed doors at the Statement of Financial Position date.

2.5 Intangible assets

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

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

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

2. Accounting policies (continued)

2.6 Tangible fixed assets

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

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

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

The estimated useful lives are as follows:

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

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

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

2.7 Stocks

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

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

2.8 Debtors

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

2.9 Cash

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

2. Accounting policies (continued)

2.10 Financial instruments

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

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

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

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

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

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

2.11 Creditors

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

2.12 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

2. Accounting policies (continued)

2.13 Finance costs

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

2.14 Leased assets

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

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

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

2.15 Pensions

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

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

2.16 Interest income

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

2.17 Borrowing costs

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

2.18 Provisions for liabilities

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

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

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

2.19 Current and deferred taxation

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

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

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

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

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

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

- as a consequence of the season having not concluded at the Statement of Financial Position date, an estimate was required as to the Club's anticipated final league position. This estimate impacted both accrued broadcasting turnover, specifically the merit element, and accrued costs of sales, specifically performance-related bonuses. Had the estimate been two positions higher, the impact on revenue and cost of sales would have been an increase of £4.1m and £1.2m respectively. Conversely, had the estimate been two places lower, revenue and cost of sales would have reduced by £4.1m and £1.2m respectively;
- determined which players are included within the first team squad for cash generating unit purposes. The assessment is based on whether players are considered to be within the first team squad and available for selection as at the Statement of Financial Position date. Factors taken into consideration are whether the player has sustained any long term, career threatening injury or is highly unlikely to play for the first team again and is held only for sale (see note 12);
- where players are considered to be outside of the first team squad for cash generating unit purposes, determined the net realisable value of the player registration. This is based on an agreed selling price in the event that the player has been transferred subsequent to the year end or, if there has been no such transfer, management's best estimate of the disposal proceeds (less associated costs) based on recent player transactions;
- if a player is considered to be outside of the first team squad and highly unlikely to play for the first team again, management determined whether the contract is onerous and any associated provision required as a result of obligations at the Statement of Financial Position date. Such onerous contract provisions are estimated based on the unavoidable cost (least net cost) of exiting the contract (see note 21);
- determined whether contingent liabilities exist in relation to contingent transfer fees payable (see note 21);
- assessed whether it is probable that the conditions in respect of the contingent transfer fees payable will be met based on experience and the circumstances of the player concerned; and
- recognised a deferred tax asset based on an expectation of sufficient future profits (see note 22).

4. Turnover

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

	2020 £000	2019 £000
Broadcasting	93,458	112,755
Match day	14,466	15,869
Commercial	17,047	14,530
Other	1,511	1,495
	<hr/>	<hr/>
	126,482	144,649
	<hr/>	<hr/>

Materially all turnover arose within the United Kingdom.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

5. Exceptional items

Exceptional items included within cost of sales are as follows:

	2020 £000	2019 £000
Impairment of player registrations	6,397	2,327
Onerous player contracts	4,395	-
	<u>10,792</u>	<u>2,327</u>

6. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
Stock recognised as an expense	1,526	1,610
Depreciation of tangible fixed assets	2,740	1,996
Amortisation of intangible assets	56,674	50,978
Impairment of intangible assets	6,397	2,327
Other operating lease rentals	238	220
Foreign exchange losses	644	421
Defined contribution pension cost	763	786
Loss on sale of tangible fixed assets	-	444
	<u></u>	<u></u>

The operating loss is stated after crediting:

Amortisation of grants	93	-
Profit on sale of tangible fixed assets	72	-
	<u></u>	<u></u>

The auditor was remunerated by the Club on behalf of St Mary's Football Group Limited ("the Group"), of which the Club is a member. The total remuneration for the Group amounted to £35,000 (2019: £37,000).

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

7. Employees

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

	2020 £000	2019 £000
Wages and salaries	99,927	97,071
Social security costs	13,473	13,587
Cost of defined contribution pension scheme	763	786
	<u>114,163</u>	<u>111,444</u>

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

	2020 No.	2019 No.
Administrative	163	131
Football	268	254
	<u>431</u>	<u>385</u>

In addition the Company employs approximately 997 temporary staff on match days (2019: 446).

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	1,474	2,058
Company contributions to defined contribution pension schemes	50	59
Compensation for loss of office	-	365
Total	<u>1,524</u>	<u>2,482</u>

The average number of directors serving during the year was 5 (2019: 5).

There were 4 directors in the Company's defined contribution pension scheme during the year (2019: 5). The total amount payable to the highest paid director in respect of emoluments was £598,000 (2019: £728,000). Company pension contributions of £23,000 (2019: £27,000) were made to a money purchase scheme on their behalf.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

9. Interest receivable and similar income

	2020 £000	2019 £000
Bank interest receivable	78	100
Imputed interest charge on transfer fees receivable	334	1,528
	<u>412</u>	<u>1,628</u>

10. Interest payable and similar charges

	2020 £000	2019 £000
Bank interest payable	923	353
Imputed interest charge on transfer fees payable	2,173	2,818
	<u>3,096</u>	<u>3,171</u>

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

11. Taxation

	2020 £000	2019 £000
Current tax		
Adjustment in respect of previous periods	-	138
	<u>-</u>	<u>138</u>
Total current tax credit	-	138
Deferred tax		
Origination and reversal of timing differences	14,411	7,024
Adjustment in respect of previous periods	(4)	(179)
Effect of tax rate change	(523)	-
	<u>13,884</u>	<u>6,845</u>
Total deferred tax credit	13,884	6,845
	<u>13,884</u>	<u>6,983</u>
Total tax credit	13,884	6,983

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	75,924	41,219
	<u>75,924</u>	<u>41,219</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	14,426	7,832

Effects of:

Expenses not deductible for tax purposes	(40)	(14)
Income not taxable for tax purposes	18	-
R&D expenditure credits	7	-
Adjustments to tax charge in respect of prior periods	-	138
Adjustments to tax charge in respect of prior periods (deferred tax)	(4)	(179)
Reinvestment relief claimed on players	-	38
Effect of rate change	(523)	(832)
	<u>13,884</u>	<u>6,983</u>
Total tax credit for the year	13,884	6,983

There are no factors that may affect future tax charges.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

12. Intangible assets

	Player registrations £000
Cost	
At 1 July 2019	260,189
Additions	23,855
Disposals	(22,875)
	<hr/>
At 30 June 2020	261,169
	<hr/>
Amortisation	
At 1 July 2019	122,548
Charge for the year	56,674
On disposals	(22,028)
Impairment	6,397
	<hr/>
At 30 June 2020	163,591
	<hr/>
Net book value	
At 30 June 2020	97,578
	<hr/>
At 30 June 2019	137,641
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Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

13. Tangible fixed assets

	Stadium £000	Fixtures, fittings and vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation				
At 1 July 2019	-	11,351	1,317	12,668
Additions	-	1,875	1,310	3,185
Disposals	-	(1,821)	-	(1,821)
Intra-group transfers	7,701	274	11	7,986
Transfers	-	2,637	(2,637)	-
At 30 June 2020	7,701	14,316	1	22,018
Depreciation				
At 1 July 2019	-	5,109	-	5,109
Charge for the year	138	2,602	-	2,740
Disposals	-	(1,791)	-	(1,791)
At 30 June 2020	138	5,920	-	6,058
Net book value				
At 30 June 2020	7,563	8,396	1	15,960
At 30 June 2019	-	6,242	1,317	7,559

The net book value of tangible fixed assets includes an amount of £177,000 (2019: £178,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £48,000 (2019: £28,000).

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

14. Fixed asset investments

Subsidiary undertakings

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

Name of company	Country of incorporation	Class of shares	Holding	Nature of business
¹ St Mary's Catering Limited	UK	Ordinary	100 %	Dormant
² Southampton Football Club (North America) Inc.	USA	Ordinary	100 %	Dormant
¹ Southampton Girls and Women's Football Club Limited	UK	Ordinary	100 %	Dormant
¹ St Mary's Stadium Limited	UK	Ordinary	100 %	Dormant
¹ St Mary's Training Ground Limited	UK	Ordinary	100 %	Trading

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

² The registered office of the above company is 160 Greentree Drive, Suite 101, County of Kent, Dover, DE 19904.

On 1 July 2019, Southampton Football Club Limited acquired the entire share capital of St Mary's Stadium Limited for £2 and St Mary's Training Ground Limited for £1 from St Mary's Football Group Limited.

15. Stocks

	2020 £000	2019 £000
Goods for resale	256	702

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

16. Debtors

	2020 £000	2019 £000
Due within one year:		
Trade debtors	1,244	2,974
Amounts owed by group undertakings	12,764	14,113
Other debtors	442	520
Prepayments and accrued income	5,914	5,454
Corporation tax receivable	191	68
Transfer fees receivable	6,760	20,882
Deferred tax asset	9,441	-
	36,756	44,011
Due after more than one year:		
Transfer fees receivable	4,158	4,979
	4,158	4,979

17. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Other loan	-	20,000
Trade creditors	1,355	3,951
Amounts owed to group undertakings	96,997	23,752
Taxation and social security	20,662	8,245
Obligations under finance lease and hire purchase contracts	48	115
Transfer fees payable	36,728	46,832
Other creditors	4,626	283
Accruals and deferred income	37,260	24,595
	197,676	127,773

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

	2020 £000	2019 £000
Obligations under finance lease and hire purchase contracts	124	54
Transfer fees payable	18,112	42,706
Accruals and deferred income	3,089	376
	21,325	43,136

Football Trust grants of £2,809,000 (2019: £Nil) are classified as accruals and deferred income with creditors falling due after more than one year, with £93,000 (2019: £Nil) falling due within one year, being the amortisation that will be credited in the next accounting period.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

19. Loans

Analysis of the maturity of loans is given below:

	2020 £000	2019 £000
Amounts falling due within 1 year		
Other loan	-	20,000
	-	20,000

The other loan represented a revolving facility that had an annual interest rate of 3.90%. The loan was fully repaid during the year.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020 £000	2019 £000
Within 1 year	48	115
Between 2 to 5 years	124	54
	172	169

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

21. Provisions for liabilities

	Contingent transfer Fees £000	Provision for other costs £000	Total £000
At 1 July 2019	4,208	164	4,372
Arising in the year	2,539	4,431	6,970
Utilised in the year	(1,890)	(164)	(2,054)
	4,857	4,431	9,288
At 30 June 2020	4,857	4,431	9,288

The provision for other costs relates to the contractual wage obligations on players that have since left Southampton Football Club Limited.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

22. Deferred taxation

	Deferred tax £000
Deferred tax liability at 1 July 2019	(4,878)
Credited to Statement of Comprehensive Income	14,319
	9,441
Deferred tax asset at 30 June 2020	9,441

The deferred tax asset/(liability) is made up as follows:

	2020 £000	2019 £000
Unutilised losses	13,747	4,659
Short term timing differences	71	99
Gains rolled over into intangible assets	(5,490)	(9,636)
Accelerated capital allowances	1,113	-
	9,441	(4,878)

23. Share capital

	2020 £000	2019 £000
Allotted, called up and fully paid		
501,000 Ordinary shares of £1 each	501	501

24. Reserves

The Company's capital and reserves are as follows:

Share capital

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

Capital contribution reserve

During 2009, a fellow group company waived amounts owed from the company resulting in a Capital Contribution. This contribution is non-refundable, bears no interest and may be distributed after all accumulated losses have been taken into account.

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

Retained earnings

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

25. Pensions

The Company participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, and as one of a number of participating employers, the Company is advised only of its share of the deficit in the Scheme. The last actuarial valuation carried out at 31 August 2017 highlighted that the Company's notional share of the deficit, rolled forward to 30 June 2020 based on the same assumptions, is £339,000 (£429,000 as at 30 June 2019).

As at 30 June 2020, the Company was paying total contributions of £108,000 per annum, increasing by 5% p.a. from 1 September 2018 and thereafter, and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 October 2023.

As at 30 June 2020, based on an appropriate discount rate of 0.7% per annum (1.3% per annum as at 30 June 2019), the present value of the Company's outstanding contributions is £394,000 (£492,000 as at 30 June 2019). This amounts to £113,000 (2019: £108,000) due within one year and £281,000 (2019: £384,000) due after more than one year and is included within accruals and deferred income. The pension cost charged during the year relating to this deficit was £Nil (2019: £Nil).

26. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2020 the Company had a liability to pay up to £30,648,000 (2019: £25,789,000) to other clubs in respect of players under contract, dependent upon a number of factors but principally first team appearances.

At 30 June 2020 the Company had contingent sums receivable from other clubs in respect of players sold. Due to the uncertainty of receipt of these contingent assets it is not practicable to disclose the amount likely to be received.

27. Capital commitments

At 30 June 2020 the Company had capital commitments as follows:

	2020 £000	2019 £000
Contracted for but not provided in these financial statements	312	1,930

28. Commitments under operating leases

At 30 June 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Not later than 1 year	201	176
Later than 1 year and not later than 5 years	212	111
Total	413	287

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

29. Related party transactions

No sales (2019: £225,000) were made during the year by the Company to Land-G (Macao) Group Limited. A major shareholder of Land-G (Macao) Group Limited is also a director of the Company. All transactions were conducted on an arm's length basis on normal trading terms. At 30 June 2020, £Nil (2019: £Nil) was owed to Southampton Football Club Limited.

During the year the Company incurred expenses on behalf of Southampton Football Sports Development Co. Limited, the largest Group company into which St Mary's Football Group Limited consolidates, in the ordinary course of business at a cost of £113,000 (2019: £46,000). The amount owed by Southampton Football Sports Development Co. Limited to the Company at the reporting date was £159,000 (2019: £46,000). These amounts all relate to trading balances recharged to the related party.

During the year the Company incurred expenses on behalf of MALI International AG in the ordinary course of business at a cost of £9,000 (2019: £28,000). MALI International AG is a company over which a director exerts significant influence, and this director also exerts influence over St Mary's Football Group Ltd by virtue of their shareholding in Lander Sports Investment Co. Ltd, the owner of 100% of the shares in Lander Sports (UK) International Investment Co., Ltd, which itself is the owner of 100% of the shares in St Mary's Football Group Ltd, the Company's parent company. The amount owed by MALI International AG to the Company at the reporting date was £Nil (2019: £Nil). These amounts all relate to trading balances all recharged to the related party.

The Company is a wholly-owned subsidiary of Lander Sports (UK) International Investment Co., Limited and has taken advantage of the exemption conferred by Section 33.1A of FRS 102 "Related Party Disclosures" not to disclose transactions with Lander Sports (UK) International Investment Co., Limited or other wholly-owned subsidiaries within the Group.

30. Ultimate parent company and parent undertaking of larger group

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

The largest group in which the results of the Company are consolidated is that headed by Southampton Football Sports Development Co., Limited, which is incorporated in the British Virgin Islands.

The directors consider the ultimate controlling party to be Mr J Gao.

31. Post Statement of Financial Position events

Since the Statement of Financial Position date the Company has entered into sale and purchase agreements for players with net transactions amounting to £17,692,000 payable (2019: £10,998,000 payable).