

Southampton Football Club Limited

Annual Report and Financial Statements

Year Ended

30 June 2021

Company Number 00053301



Southampton Football Club Limited

Company Information

Directors	R Ankersen M Butler M Crocker T Greenwell HJ Kraft M Semmens D Solak 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

Contents

	Page
Strategic Report	3 - 8
Section 172 Statement	9 - 10
Directors' Report	11 - 12
Directors' Responsibilities Statement	13
Independent Auditors' Report	14 - 16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Changes in Equity	19
Notes to the Financial Statements	20 - 38

Southampton Football Club Limited

Strategic Report for the Year Ended 30 June 2021

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.

Introduction

On 22 December 2021, the entire share capital of St Mary's Football Group Limited (the Club's direct owner) was acquired by Sport Republic Ltd and Katharina Liebherr from Lander Sports (UK) International Investment Co., Ltd. Since 22 December 2021 the ultimate controlling party is considered to be Mr D Solak.

Football Overview

Men's

The 2020/21 season, and as a consequence the Club's financial performance, was significantly impacted by the continuing impact of the COVID-19 pandemic ("the pandemic"). The measures imposed by the Government required 84% of the Club's Premier League matches to be played behind closed doors, which significantly impacted the Club's ability to generate commercial revenue.

Whilst the Club continued to operate from the Staplewood Campus for training and St Mary's Stadium on matchdays, this was only for those staff members required to support the first team operations. Consequently, many employees worked remotely for the entire season and have continued to do so beyond the Statement of Financial Position date.

From a sporting perspective, the first team experienced a mixed season. A promising start saw the Club briefly at the top of the Premier League, however, results in the second half of the season were impacted by an unusually high number of injuries to the playing squad, culminating in a 15th placed finish (2020: 11th).

However, the Club enjoyed another strong showing in the FA Cup, losing in the semi-final to the eventual winners. Disappointingly the Club's fans were not able to attend these cup matches in person.

At the time of writing, the first team's on-field performances in season 2021/22 have seen the Club consolidate a mid-table position in the Premier League and continued participation in the FA Cup.

The B team, participating in Premier League 2 Division 1 in season 2020/21, were also impacted by the number of injuries to the first team squad. Whilst this meant a number of B team players gained experience in the first team squad, it resulted in an inexperienced B team squad for the latter half of the season, and this was reflected in the on-pitch results. The season ended with the B team being relegated to Premier League 2 Division 2 for season 2021/22.

Women's

The Club is delighted with the continuous development of the women's & girls programme and it was frustrating that the first team's season in the FA Women's National League, Division One South West was curtailed for a second season in a row as a result of the pandemic. At the time of curtailment, the team were unbeaten and top of the league. However, a successful application was made to the FA for promotion to the Women's National League, Southern Premier Division for season 2021/22.

The first team reached the 5th round of Women's FA Cup in season 2020/21, one round further than the prior season, before narrowly losing to a team from the Women's Super League, three divisions higher. During the cup run the team delivered fine performances to achieve wins over teams from both one and two divisions higher.

At the time of writing the first team are in third place in the league and are in contention for promotion. They continue to participate in the FA Cup, having successfully reached the fifth round after victory over a team from the league above in the fourth round.

The academy (regional talent club) continues to go from strength to strength offering a proven pathway into the first team. During the year the Club maintained its Tier 1 Plus status as awarded by the English FA, one of just four clubs to be awarded this, recognising the Club's commitment to consistently exceed Tier 1 criteria over the course of two seasons.

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2021

Financial Overview

The Club reports a loss before interest and tax of £15m (2020: loss of £73.2m), with net assets of £2.7m (2020: £12.7m net assets).

A summary of results is given below:

	2021 £000	2020 £000
Turnover	157,143	126,482
Operating costs	(144,780)	(150,431)
Other operating income	2,603	418
Profit/(Loss) before player trading	14,966	(23,531)
Player trading	(30,317)	(49,781)
(Loss)/Profit on disposal of assets	(133)	72
Loss before interest and tax	(15,484)	(73,240)

Despite the men's first team finishing four places lower in the Premier League compared to the 2019/20 season, the Club has seen a significant increase in its turnover and a decrease to the loss before interest and tax. This is a consequence of the temporary suspension of the 2019/20 season, resulting in the revenue associated with six Premier League matches being reported in the 2020/21 financial year as opposed to the financial year-ended 30th June 2020.

Broadcasting revenue has risen from £93.5m to £136.0m (45.5%), which is a direct result of the temporary suspension of the 2019/20 season due to the pandemic. Not only was revenue reduced in 2019/20 by £4.6m to reflect a rebate owed to the broadcasters, but additionally, because that financial year ended before the completion of the 2019/20 season, £19.3m of broadcasting revenue associated with the six games played after the year-end was deferred into the 2020/21 season and therefore reflected in this financial year's results.

Match day revenue has fallen from £14.5m to £0.6m, being a direct result of all except three men's first team home matches being played behind closed doors and the three matches with fans in attendance being limited to a capacity of either 2,000 or 8,000 fans.

Commercial revenue rose from £17.0m to £19.2m (12.9%), which is primarily because £1.6m of commercial revenue associated with the six games played after the 2019/20 year-end was deferred into 2020/21.

At the time of writing, the total 2020/21 revenue foregone as a result of the pandemic in the financial year is £30.1m (2020: £10.3m) resulting in cumulative revenue foregone of £40.4m. £20.9m of revenue which would have been recognised in the prior financial year had the 2019/20 season ended before 30 June 2020 was recognised in the 2020/21 financial year and one-off other operating income received as a result of the pandemic totalled £2.6m. If the revenue which should have been earned and recognised in the financial year had not been foregone due to the pandemic nor carried over from the prior financial year, the revenue in the financial year would have totalled £166.3m, an £8.7m (5.5%) increase on the like for like adjusted revenue of the prior financial year.

Due to all except three men's first team home matches being played behind closed doors in season 2020/21, the Club took the decision to offer season ticket holders who had purchased tickets for the 2020/21 season the following options: a full refund (less the cost of any tickets for any of the three matches a small number of fans attended), credit towards a 2021/22 season ticket equal to the refund they could have received, 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. Season ticket holders who had renewed their tickets from the 2019/20 season to the 2020/21 season had also previously been issued with a £35 voucher to spend in the Club's retail store as a thank you for renewing their tickets.

Not only has the pandemic impacted the Club's revenue, but also the ability to generate profit on the disposal of player registrations. It was evident for a second summer transfer window that the financial impact of the pandemic restricted many clubs' ability, in particular outside the UK, to purchase player registrations.

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2021

Financial Overview (continued)

The profit on the disposal of player registrations of £16.0m (2020: £13.9m) that was generated during the financial year arose from the sales of Hojbjerg, Reed and Klarer in the Summer 2020 transfer window, together with the sale of Gunn in the Summer 2021 transfer window and contingent transfer receipts in relation to previously transferred players crystallising during the season. The amortisation of player registrations decreased to £47.4m (2020: £56.7m) despite the purchases of Salisu, Walker-Peters and Diallo in the Summer 2020 transfer window.

It was not deemed necessary to impair the registration of any members of the men's first team playing squad and therefore no exceptional amortisation of player registration costs and associated onerous contracts were incurred during the year (2020: £10.8m).

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 2020/21 season in a COVID-19 secure environment. These have been partially offset by some cost savings in certain areas, as a result of the number of men's first team home fixtures played behind closed doors in the financial year, which are estimated to be £4.2m. Additionally, certain costs that would ordinarily have been incurred in the prior financial year were carried over into the financial year ended 30th June 2021 (estimated at £3.6m), as they're directly linked to the matches played.

Taking account of the impact on revenue, other operating income and costs, the total value of foregone profit before tax in the financial year because of the pandemic is estimated to be £23.2m (2020: £11.8m) resulting in cumulative profit before tax foregone of £35.0m. £17.3m of profit before tax which would have been recognised in the prior financial year had the 2019/20 season ended before 30 June 2020 was also recognised in the financial year. If the profit before tax which should have been earned and recognised in the financial year had not been foregone due to the pandemic, nor carried over from the prior financial year, the loss in the financial year would have totalled £10.9m, a £35.9m decrease on the like for like adjusted loss of the prior financial year.

A summary of the estimated direct impact of the pandemic on the Club's revenue and net loss before interest and tax in both the current and prior financial years is shown below:

	2020/21 Turnover £000	2020/21 Net loss before tax £000
Results presented in these financial statements	157,143	(16,911)
Add: broadcasting revenue foregone	6,809	6,809
Less: broadcasting revenue deferred to 2019/20	(19,327)	(19,327)
Add: commercial revenue foregone*	23,247	23,247
Less: commercial revenue deferred to 2019/20	(1,557)	(1,557)
Less: other operating income received	-	(2,627)
Less: net costs saved	-	(4,187)
Add: costs deferred to 2019/20	-	3,612
Results excluding the estimated effect of the pandemic	166,315	(10,941)

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2021

Financial Overview (continued)

	2019/20	2019/20
	Turnover	Net loss before
	£000	tax
		£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 £28.4m, £57.9m lower than the prior year, where the prior year reflected the Company having just received the full amount of the term loan accessed by the Club's parent company to mitigate against losses as a result of the pandemic. There has been no material change in the amount of loans payable at the Statement of Financial Position date year-on-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 27 months (2020: 26 months);
- the all-staff wages to turnover ratio, which decreased year-on-year from 90% in 2020 to 72% in 2021, with the reduction almost entirely driven by the increased turnover as outlined in the Financial Overview. Excluding the impact of the pandemic on the Club's turnover and on the total of all-staff wages, the all-staff wages to turnover ratio would have fallen further year-on-year to 66% (2020: 72%). Year-on-year player remuneration for the men's first team decreased slightly from £89.8m to £89.3m (57% of turnover in 2021 versus 71% in 2020) largely due to the lower final league position, offset by additional costs incurred in the 2020/21 financial year that related to the deferred 2019/20 season. Excluding the impact of the pandemic on the Club's turnover, and on player remuneration, the player remuneration to turnover ratio would have fallen year-on-year to 55% (2020: 56%);
- the number of players with international recognition at senior or U-21 level. The men's first team squad had 22 players with such recognition (2020: 23) and the women's first team squad had 1 player (2020: 0);
- international honours at youth level. 14 male players and 10 female players represented their country at international youth level during the 2020/21 season (23 and 23 respectively during the 2019/20 season);
- the number of male players signed on scholarship agreements. The Club had an average of 26 scholars across the 2020/21 season (29 during the 2019/20 season);
- academy players representing the first team. 15 male and 6 female academy players represented their respective first teams in a competitive fixture during the 2020/21 season (7 and 8 respectively during the 2019/20 season).

Southampton Football Club Limited

Strategic Report (continued) for the Year Ended 30 June 2021

Infrastructure and People

Despite the pandemic, investment off the pitch continued where possible. During the year the Club continued the significant investment in the hospitality offering at St Mary's Stadium, commencing the build of a new pitch facing lounge, "The Halo" as well as refurbishment of existing lounges, with work completing before the start of the 2021/22 season. The Club also invested in its Staplewood training facility, increasing the number of hybrid pitches on site and redeveloping the Academy buildings.

The average number of employees during the year (385) reduced significantly compared to the prior year (437), with the decrease attributable to a decision to outsource the Club's facilities, catering and retail activities.

The Club is delighted to continue to promote Saints Foundation, the Club's affiliated charity, and all its excellent work in the community. During the year the Club has continued to provide support and donations both in-kind and financially to support Saints Foundation's initiatives, which include work supporting numeracy and literacy in primary schools right through to physical activity sessions for older people, and many activities in between. Overall, during the 2020/21 season, the charity engaged over 3,500 individuals aged between 5-96, for more than 45,000 hours across their 17 different projects.

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 debt position of £28.2m at the Statement of Financial Position date (2020: net cash of £86.3m).

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 start of the financial year, on behalf of the Group. This term loan facility replaced the Club's previous working capital facility and at the prior year Statement of Financial Position date the Club's cash balance (£86.3m) reflected the receipt of this loan. Due to the financial impact of the pandemic as described elsewhere in this Strategic Report, the cash balance fell to £28.4m at the Statement of Financial Position date.

Gross debt has remained broadly the same, totalling £0.2m at the Statement of Financial Position date (2020: £Nil).

Credit risk

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

Political & 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 pandemic continues to impact the Club's financial performance albeit not as significantly as the prior two financial years.

In assessing the appropriateness of the going concern assumption, the directors have produced a detailed cash flow forecast which extends to 12 months from the date of signing these financial statements. These acknowledge that the global and UK outbreak of COVID-19 has had a profound impact on the Club's financial position but this is being managed appropriately.

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

Strategic Report (continued)
for the Year Ended 30 June 2021

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



T Steele
Director

Date: 18 FEBRUARY 2022

Southampton Football Club Limited

Section 172 Statement for the Year Ended 30 June 2021

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
Competitive men's first team matches being played behind closed doors and refunds relating to the Premier League matches that were postponed and rescheduled behind closed doors	Employees, customers, suppliers	<ul style="list-style-type: none"> • The men's first team and employees that work closely with them were notified of the <i>additional requirements placed on them</i> with regards to regular testing and the need to wear PPE whilst working. • Fans and other customers were notified via numerous communication channels, including over the telephone, on the website and the Club's social media channels and via email. • Fans and other customers with hospitality bookings and season tickets were offered a variety of options as outlined in the "Financial Overview" section of the Strategic Report. • Relevant suppliers were informed of the restrictions on site at St Mary's Stadium and any steps required of them to assist in reducing the spread of COVID-19.

Southampton Football Club Limited

Section 172 Statement (continued) for the Year Ended 30 June 2021

Significant events/decisions	Key s172 matter(s) affected	Actions and impact
Curtailment of the women's and girls first team league season	Employees, customers	<ul style="list-style-type: none"> • The women's first team and employees that work closely with them were notified of the league season's curtailment at the earliest available opportunity. • Fans and other customers were notified of the curtailment of the season and any implications via the Club's website.
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.
Continuance of wage payments and furlough of employees throughout the period of lockdown	Employees	<ul style="list-style-type: none"> • Employees who were notified that they would be furloughed were consulted with at the earliest available opportunity and were provided with a detailed explanation of the furlough scheme, and its implications on them during their period of furlough. • All permanent and fixed term employees, including those placed on furlough, were informed that they would not receive a pay cut during the periods of lockdown, with the exception of those who offered to defer a percentage of their remuneration in the 2019/20 season. • All casual employees were paid in full throughout the periods of lockdown and "regular" casual workers were paid amounts equivalent to their average pay received over a period of time leading up to the first government-imposed lockdown.
Closure of Southampton Football Club (North America) Inc.	Shareholders, employees, regulatory authorities	<ul style="list-style-type: none"> • Shareholder consultation took place in accordance with regulatory requirements. • Customers and suppliers were informed in writing of the change of ownership and contracts were novated, where required. • Relevant regulatory authorities were notified of the intention to close the entity and the required steps to do so were undertaken.

Southampton Football Club Limited

Directors' Report for the Year Ended 30 June 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Results and dividends

The loss for the year, after taxation, amounted to £10,076,000 (2020: loss of £62,040,000).

No dividend (2020: £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 2020.

As a result of the prolonged duration of the pandemic and the significant financial losses incurred, the Club took the difficult decision to utilise the government furlough scheme in January 2021. From that date until the financial year-end, 13 permanent employees were fully furloughed and 21 permanent employees were partly furloughed. Some employees were furloughed for the duration of that period, and others for a significantly shorter period of time. The total amount claimed by the Club was £0.2m (2020: £Nil). The Club provided top-up payments to ensure all employees received their full salary. The Club also committed to paying all casual employees in full throughout the periods of lockdown regardless of whether or not they were placed on furlough with "regular" casual workers being paid wages that equated to their "average" pay received over a period of time leading up to the first period of 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 2021

Directors

The directors who served during the year were:

Mr J Gao (resigned 22 December 2021)
Ms J Gao (resigned 22 December 2021)
M Semmens
T Steele
D Thomas

D Solak and HJ Kraft were appointed as directors on 22 December 2021.

R Ankersen, M Butler, M Crocker and T Greenwell were appointed as directors on 9 February 2022.

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:


.....

T Steele
Director

Date: 18 FEBRUARY 2022

Southampton Football Club Limited

Directors' Responsibilities Statement for the Year Ended 30 June 2021

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

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

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

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

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

Southampton Football Club Limited

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Southampton Football Club Limited ("the Company") for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Southampton Football Club Limited

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

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' 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.

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

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

Southampton Football Club Limited

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

Based on our understanding of the Company, we considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management incentives and opportunities for fraudulent manipulation of the financial statements including management override, and considered that the principal risk was related to the posting of inappropriate journal entries to improve the result before tax for the year.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Procedures performed by the group audit team included:

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations;
- Obtaining an understanding of controls designed to prevent and detect irregularities, including specific consideration of controls and accounting policies relating to significant accounting estimates;
- Obtaining an understanding of the significant laws and regulations impacting the company, including data protection laws and regulations around FCA compliance and financial fair play;
- Communicating relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Reviewing minutes of meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- Assessing journals entries as part of our planned audit approach, with a particular focus on journal entries to key financial statement areas such as revenue and cash and journals raised after the year end; and
- Consideration of significant management judgements, particularly in respect of the carrying value of intangible fixed assets and deferred tax assets.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Use of our report

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

DocuSigned by:



3A8E17E6EA7B437...

Stephen Le Bas (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

Southampton

United Kingdom

Date 21 February 2022

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 2021

	Note	Operations excluding player trading 2021 £000	Player trading* 2021 £000	Total 2021 £000	Total 2020 £000
Turnover	4	157,143	-	157,143	126,482
Cost of sales (including exceptional costs of £Nil (2020: £10,792,000) (Note 5))		(133,309)	(47,350)	(180,659)	(203,152)
Gross profit/(loss)		23,834	(47,350)	(23,516)	(76,670)
Administrative expenses		(11,471)	999	(10,472)	(10,993)
Other operating income	6	2,603	-	2,603	418
Operating profit/(loss)	7	14,966	(46,351)	(31,385)	(87,245)
(Loss)/profit on disposal of assets		(133)	-	(133)	72
Profit on disposal of players		-	16,034	16,034	13,933
Profit/(loss) on ordinary activities before interest		14,833	(30,317)	(15,484)	(73,240)
Interest receivable and similar income	10	598	-	598	412
Interest payable and similar charges	11	(2,025)	-	(2,025)	(3,096)
Profit/(loss) on ordinary activities before taxation		13,406	(30,317)	(16,911)	(75,924)
Tax on profit/(loss)	12	6,835	-	6,835	13,884
Profit/(loss) and total comprehensive loss for the year		20,241	(30,317)	(10,076)	(62,040)

**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.

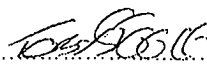
Southampton Football Club Limited

Registered number: 00053301

Statement of Financial Position as at 30 June 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	13		79,928		97,578
Tangible assets	14		15,636		15,960
Investments	15		-		-
			95,564		113,538
Current assets					
Stocks	16	12		256	
Debtors: amounts falling due within one year	17	49,097		36,756	
Debtors: amounts falling due after more than one year	17	6,743		4,158	
Cash at bank and in hand		28,399		86,314	
		84,251		127,484	
Creditors: amounts falling due within one year	18	(150,340)		(197,676)	
Net current liabilities			(66,089)		(70,192)
Total assets less current liabilities			29,475		43,346
Creditors: amounts falling due after more than one year	19		(19,597)		(21,325)
Provisions for liabilities					
Other provisions	21		(7,221)		(9,288)
Net assets			2,657		12,733
Capital and reserves					
Share capital	23		501		501
Capital contribution reserve	24		29,767		29,767
Profit and loss account	24		(27,611)		(17,535)
Equity attributable to the owner of the parent Company			2,657		12,733

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



T Steele
 Director
 Date: 18 FEBRUARY 2022

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 2021

	Share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Equity £000
At 1 July 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
At 1 July 2020	501	29,767	(17,535)	12,733
Comprehensive loss for the year				
Loss for the year	-	-	(10,076)	(10,076)
At 30 June 2021	501	29,767	(27,611)	2,657

During the prior year, capital contributions arose from the receipt of loan waivers from the parent company and a shareholder of a parent company respectively. In addition, a further capital contribution was recognised as a consequence of the 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 2021

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 2021 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 Premier League 2021/2022 football season and beyond. This forecast acknowledges that the global and UK outbreak of COVID-19 continues to have an impact on the Club, although at the time of issue, the impact has significantly reduced in both value and on club-wide activity compared with the 2019/20 and 2020/21 seasons. At the time of issue of these financial statements, the 2021/22 season is ongoing with full capacity attendances permitted for all of the Club's home fixtures and any fixtures that have been postponed due to COVID-19 outbreaks amongst the players have thus far been rearranged with full capacity attendances permitted. At the time of issue there is no evidence to suggest that this will change in the foreseeable future and it is not anticipated that there will be any further rebate owed to any TV broadcasters for such postponements, or for any other matter relating to the 2021/22 season.

The rebate relating to the 2019/20 season has been accounted for in full 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 2021

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 in both the current and prior financial years is net of a rebate to broadcasters that related to the reduction in commercial value to have arisen from playing nine 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 in each financial year.

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 2021

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 2021

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 2021

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 Government grants

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

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

During the year, income received from the Coronavirus Job Retention Scheme has been accounted for in accordance with the above.

2.17 Interest income

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

2.18 Borrowing costs

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

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

2.19 Provisions for liabilities

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

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

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

2.20 Current and deferred taxation

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

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

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

- the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; 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 2021

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

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

- determined which players are included within the first team squad for cash generating unit purposes. The assessment is based on whether players are considered to be within the first team squad and available for selection as at the Statement of Financial Position date. Factors taken into consideration are whether the player has sustained any long term, career threatening injury or is highly unlikely to play for the first team again and is held only for sale;
- where players are considered to be outside of the first team squad for cash generating unit purposes, determined the net realisable value of the player registration. This is based on an agreed selling price in the event that the player has been transferred subsequent to the Statement of Financial Position date or, if there has been no such transfer, management's best estimate of the disposal proceeds (less associated costs) based on recent player transactions;
- if a player is considered to be outside of the first team squad and highly unlikely to play for the first team again, determined whether the contract is onerous and any associated provision required as a result of obligations at the Statement of Financial Position date. Such onerous contract provisions are estimated based on the unavoidable cost (least net cost) of exiting the contract (see note 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:

	2021 £000	2020 £000
Broadcasting	136,006	93,458
Match day	625	14,466
Commercial	19,181	17,047
Other	1,331	1,511
	<hr/>	<hr/>
	157,143	126,482
	<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 2021

5. Exceptional items

Exceptional items included within cost of sales are as follows:

	2021 £000	2020 £000
Impairment of player registrations	-	6,397
Onerous player contracts	-	4,395
	-	10,792
	-	10,792

6. Other operating income

Items included within other operating income are as follows:

	2021 £000	2020 £000
Coronavirus job retention scheme grant	207	-
Business interruption insurance claim	2,396	-
Other operating income	-	418
	2,603	418
	2,603	418

7. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Stock recognised as an expense	1,685	1,526
Depreciation of tangible fixed assets	2,954	2,740
Amortisation of intangible assets	47,350	56,674
Impairment of intangible assets	-	6,397
Other operating lease rentals	272	238
Foreign exchange losses	-	644
Defined contribution pension cost	729	763
Loss on sale of tangible fixed assets	134	-
	53,129	68,372
	53,129	68,372

The operating loss is stated after crediting:

	2021 £000	2020 £000
Amortisation of grants	93	93
Profit on sale of tangible fixed assets	-	72
Foreign exchange gains	999	-
	1,092	165
	1,092	165

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 £39,290 (2020: £39,750).

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

8. Employees

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

	2021 £000	2020 £000
Wages and salaries	99,097	99,927
Social security costs	13,533	13,473
Cost of defined contribution pension scheme	729	763
	<u>113,359</u>	<u>114,163</u>

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

	2021 No.	2020 No.
Administrative	128	163
Football	257	268
	<u>385</u>	<u>431</u>

In addition the Company employs approximately 529 temporary staff on match days (2020: 997).

9. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	2,224	1,474
Company contributions to defined contribution pension schemes	24	50
Total	<u>2,248</u>	<u>1,524</u>

The average number of directors serving during the year was 4 (2020: 5).

There were 4 directors in the Company's defined contribution pension scheme during the year (2020: 4). The total amount payable to the highest paid director in respect of emoluments was £971,000 (2020: £598,000). Company pension contributions of £2,000 (2020: £23,000) 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 2021

10. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	-	78
Imputed interest charge on transfer fees receivable	598	334
	<u>598</u>	<u>412</u>

11. Interest payable and similar charges

	2021 £000	2020 £000
Bank interest payable	9	923
Imputed interest charge on transfer fees payable	2,016	2,173
	<u>2,025</u>	<u>3,096</u>

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

12. Taxation

	2021 £000	2020 £000
Current tax		
Adjustment in respect of previous periods	291	-
Corporation tax at 19%	-	-
Total current tax credit	<u>291</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	4,221	14,411
Adjustment in respect of previous periods	(500)	(4)
Effect of tax rate change	2,823	(523)
Total deferred tax credit	<u>6,544</u>	<u>13,884</u>
Total tax credit	<u>6,835</u>	<u>13,884</u>

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss on ordinary activities before tax	16,911	75,924
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	<u>3,213</u>	<u>14,426</u>

Effects of:

Expenses not deductible for tax purposes	(14)	(44)
Income not taxable for tax purposes	18	18
R&D expenditure credits/debits	(6)	7
Adjustments to tax charge in respect of prior periods	(209)	-
Other permanent differences	(3)	-
Effect of rate change	3,836	(523)
Total tax credit for the year	<u>6,835</u>	<u>13,884</u>

Deferred tax balances are recognised at a rate of 25%, being the future rate of corporation tax enacted under the Finance Act 2021, ahead of the Statement Financial Position date. In the prior year, deferred tax balances were recognised at a rate of 19%.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

13. Intangible assets

	Player registrations £000
Cost	
At 1 July 2020	261,169
Additions	42,327
Disposals	(91,688)
	<hr/>
At 30 June 2021	211,808
	<hr/>
Amortisation	
At 1 July 2020	163,591
Charge for the year	47,350
On disposals	(79,061)
	<hr/>
At 30 June 2021	131,880
	<hr/>
Net book value	
At 30 June 2021	79,928
	<hr/>
At 30 June 2020	97,578
	<hr/>

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

14. Tangible fixed assets

	Stadium £000	Fixtures, fittings and vehicles £000	Assets in course of construction £000	Total £000
Cost or valuation				
At 1 July 2020	7,701	14,316	1	22,018
Additions	-	1,983	781	2,764
Disposals	-	(638)	-	(638)
Transfers	-	582	(582)	-
At 30 June 2021	7,701	16,243	200	24,144
Depreciation				
At 1 July 2020	138	5,920	-	6,058
Charge for the year	138	2,816	-	2,954
Disposals	-	(504)	-	(504)
At 30 June 2021	276	8,232	-	8,508
Net book value				
At 30 June 2021	7,425	8,011	200	15,636
At 30 June 2020	7,563	8,396	1	15,960

The net book value of tangible fixed assets includes an amount of £225,000 (2020: £177,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £57,000 (2020: £48,000).

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

15. Fixed asset investments

Subsidiary undertakings

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

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

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.

16. Stocks

	2021 £000	2020 £000
Goods for resale	12	256

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 2021

17. Debtors

	2021 £000	2020 £000
Due within one year:		
Trade debtors	2,436	1,244
Amounts owed by group undertakings	11,398	12,764
Other debtors	702	442
Prepayments and accrued income	3,780	5,914
Corporation tax receivable	449	191
Transfer fees receivable	14,347	6,760
Deferred tax asset	15,985	9,441
	49,097	36,756
Due after more than one year:		
Transfer fees receivable	6,743	4,158
	6,743	4,158

18. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Other loan	229	-
Trade creditors	3,337	1,355
Amounts owed to group undertakings	88,433	96,997
Taxation and social security	7,749	20,662
Obligations under finance lease and hire purchase contracts	64	48
Transfer fees payable	24,271	36,728
Other creditors	2,961	4,626
Accruals and deferred income	23,296	37,260
	150,340	197,676

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

	2021 £000	2020 £000
Obligations under finance lease and hire purchase contracts	161	124
Transfer fees payable	16,359	18,112
Accruals and deferred income	3,077	3,089
	19,597	21,325

Football Trust grants of £2,715,000 (2020: £2,809,000) are classified as accruals and deferred income within creditors falling due after more than one year, with £93,000 (2020: £93,000) 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 2021

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £000	2020 £000
Within 1 year	64	48
Between 2 to 5 years	161	124
	225	172
	225	172

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 2020	4,857	4,431	9,288
Arising in the year	6,508	310	6,818
Utilised in the year	(4,454)	(4,431)	(8,885)
	6,911	310	7,221
At 30 June 2021	6,911	310	7,221

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 2021

22. Deferred taxation

	Deferred tax £000
Deferred tax asset at 1 July 2020	9,441
Credited to Statement of Comprehensive Income	6,544
	<hr/>
Deferred tax asset at 30 June 2021	15,985
	<hr/>

The deferred tax asset is made up as follows:

	2021 £000	2020 £000
Unutilised losses	17,290	13,747
Short term timing differences	65	71
Gains rolled over into intangible assets	(2,788)	(5,490)
Accelerated capital allowances	1,418	1,113
	<hr/>	<hr/>
	15,985	9,441
	<hr/>	<hr/>

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
501,000 Ordinary shares of £1 each	501	501
	<hr/>	<hr/>

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

Retained 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 2021

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 2020 highlighted that the Company's notional share of the deficit, rolled forward to 30 June 2021 based on the same assumptions, is £417,000 (£339,000 as at 30 June 2020).

As at 30 June 2021, the Company was paying total contributions of £114,000 per annum, increasing by 5% p.a., and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 30 April 2025.

As at 30 June 2021, based on an appropriate discount rate of 0.8 % per annum (0.7% per annum as at 30 June 2020), the present value of the Company's outstanding contributions is £480,000 (£394,000 as at 30 June 2020). This amounts to £118,000 (2020: £113,000) due within one year and £361,000 (2020: £281,000) 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 £200,000 (2020: £Nil).

26. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2021 the Company had a liability to pay up to £24,938,000 (2020: £30,648,000) to other clubs in respect of players under contract, dependent upon a number of factors but principally first team appearances.

At 30 June 2021 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 2021 the Company had capital commitments as follows:

	2021 £000	2020 £000
Contracted for but not provided in these financial statements	1,220	312

28. Commitments under operating leases

At 30 June 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2021 £000	2020 £000
Not later than 1 year	74	201
Later than 1 year and not later than 5 years	178	212
Total	252	413

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2021

29. Related party transactions

During the year the Company received a refund 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 credit of £4,000 (2020: charge of £113,000). The amount owed by Southampton Football Sports Development Co. Limited to the Company at the reporting date was £155,000 (2020: £159,000). 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 £1,000 (2020: £9,000). MALI International AG is a company over which a director of the Company's parent Company 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 (2020: £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 Disclosure" 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 at the Statement of Financial Position date 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 £8,284,000 payable (2020: £17,692,000 payable).

On 22 December 2021, Lander Sports (UK) International Investment Co., Ltd sold the entire share capital of the Company's immediate parent company, St Mary's Football Group Limited, to Sport Republic Limited and Katharina Liebherr, who have become the indirect owners of the Company. Since 22 December 2021 the directors consider the ultimate controlling party to be Mr D Solak.