About the author of this article

Ant Thomas is a life-long Shrewsbury Town fan who is a chartered accountant director at accountancy firm Grant Thornton in London, having previously spent over 10 years at Deloitte. He specialises in working with technology companies, specifically those in the gaming sector and those with a link to the sporting world.

Review of the financial statements of Shrewsbury Town Football Club Limited for the year ended 30 June 2017

The review below has been performed with the goal of making the content of the most recently available set of accounts for Shrewsbury Town Football Club Limited understandable for all Salop fans – whether you have any sort of an accounting background or whether the words 'profit and loss' mean nothing to you whatsoever!

There are a few key things to remember before you start reading:

- These accounts cover the year from 1st July 2016 to 30th June 2017 i.e. the 2016/17 season, where STFC competed in League One.
- Private companies are required to prepare accounts and submit them to Companies House within 9 months of the year-end – for STFC this deadline is therefore 31st March 2018.
- This means that the period since 30th June 2017 to now is not covered as part of this review as this information is not yet publicly available.
- These accounts will be publicly available once filed and anyone else could obtain them from Companies House.
- I have not made any assumptions, judgements or estimates unless explicitly stated. This is important because it means that anyone else could reach the same conclusions as I have from reading these accounts.
- This is not an exhaustive review but I have highlighted the key points from the accounts.
- These accounts are audited by Shrewsbury based accountancy firm Whittingham Riddell LLP. An audit is effectively a check on the accounts to make sure they are free from 'material' error i.e. that they do not contain any significant errors which would change the views of those reading them.

If you don't want to read all of the detail below the headlines are as follows:

- The club made a profit in the year of £409k – compared to a £1,233k profit in the previous year. This is due to:
    - an decrease in turnover of £2,145k
    - offset by a decrease in costs of £335k and an increase of other operating income of £988k.
- These accounts include the sale of two acres of land to Lidl, the purchase of the training ground and initial subsequent renovation project and of course any costs incurred in attracting Paul Hurst to the club as manager.
- The club continues to have no debt and holds around about £1m cash in the bank.
- The directors took no salary or dividend payments from the club consistent with prior years.
- The club was in a positive net assets position at 30th June 2017 of £13.9m – that is to say it had £13.9m more assets than liabilities at that date.

If anyone has any questions/ comments please feel free to drop me an e-mail to ant.d.thomas83@gmail.com

The profit and loss ("P&L") account – also known as the "Statement of Comprehensive Income"
This is the first key financial statement shown in the accounts.

The profit and loss account shows the "financial performance" of a company – that is:

1) all of the revenue/ income the club has earnt in the year e.g. ticket sales, player sales, prize money less
2) all of the costs it has incurred.

Where the income is higher than the costs, this is called a profit. Where the opposite is true this is called a loss.

Note that an increase in profit of say £100 does not mean the same thing as an increase in cash of £100. This is because of the way accountancy works and some costs do not have an impact on the cash you have in the bank.

Each element of this statement is discussed below.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	*2016* *£*
Turnover	4	**4,715,042**	*6,859,554*
Cost of sales		**(4,484,488)**	*(4,872,079)*
Gross profit		**230,554**	*1,987,475*
Administrative expenses		**(811,358)**	*(758,805)*
Other operating income	5	**987,884**	-
Operating profit	6	**407,080**	*1,228,670*
Interest receivable and similar income	8	**2,214**	*4,545*
Profit before tax		**409,294**	*1,233,215*
Profit for the financial year		**409,294**	*1,233,215*

Turnover: This is the income the club has earned in the year. For a football club this will relate to ticket sales, merchandise sales, prize money, TV money etc. The club are not required to show a more detailed split of this number so it is not possible to see exactly what the reason for the decrease is.

We do know that in the previous (2015/16) season the club had a run in the FA Cup and sold four players hence revenues for these would have been included in the 2016 numbers above.

Looking back a year further to the 2014/15 season the club's revenues were £4.0m.

Cost of sales: This is the first cost we see in the P&L account and it is the cost required to deliver the services provided for a company. For example – for a company that sells cars, their turnover is the amount received per car, and the cost of sale is the cost to manufacture that car. For a football club the key cost of sale is salaries.

The accounts give details on salaries – this covers all club staff including players. The amount spent on salaries in the 2016/17 season was £3.5m, marginally lower than £3.7m in the 2015/16 season.

Administrative expenses: These are other costs of the club and are likely to include utilities (such as water, electricity etc.) and fees paid to the advisors such as auditors, lawyers fees etc These costs have increased albeit it is not clear from the accounts the reason for the increase.

Other operating income: The profit and loss account includes £1.0m of "other operating income". When businesses receive income for non-core activities (i.e. stuff they don't do day to day) it's shown in a separate line in the profit and loss account.

The chairman's statement notes that the club sold two acres of land in the year. The "other operating income" is calculated by taking the difference between the price the club was paid for the land, less the amount the land was held at on the balance sheet as an asset (see the balance sheet section below).

To bring this to life I'll use an example. Say you bought a car for £5,000 – you have an asset for £5,000. If you then sold it a week later for £8,000 you have made a £3,000 profit – being the difference between the price you have been paid and the value of the asset you hold.

Tax: The club didn't incur a corporation tax charge in the year. Whilst there is no information in the accounts to state why this is, a company is allowed to offset any tax payable against losses it incurred in previous years, thus reducing the charge, hence the losses made in the previous year may explain why the tax charge is nil in the current year.

Other things to note: The club made no salary or dividend payments to directors or the chairman. This is consistent with the prior year. This means the chairman/ directors did not charge anything to the club for their work at the club during the year nor did they take any other cash out of the club. During the year the accounts note that the training ground was purchased from the chairman in return for 160,000 shares in the club – no cash was paid as part of this transaction.

Note that it is a requirement of the Companies Act to include in the accounts any amounts paid to directors in terms of salaries/ dividends etc.

The Balance Sheet

This shows the "financial position" of a company and is shown for the year-end date only – in this case at 30th June 2017. It shows how many "assets" a company has, and how many "liabilities" – each of these is discussed in more detail below.

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	9		**19,190**		*2,320*
Tangible assets	10		**11,882,494**		*14,274,437*
Investments			**1**		-
			11,901,685		*14,276,757*
Current assets					
Stocks	12	**81,669**		*72,191*	
Debtors: amounts falling due within one year	13	**2,667,785**		*642,410*	
Cash at bank and in hand	14	**1,059,680**		*1,982,539*	
		3,809,134		*2,697,140*	
Creditors: amounts falling due within one year	15	**(1,843,358)**		*(1,836,327)*	
Net current assets			**1,965,776**		*860,813*
Total assets less current liabilities			**13,867,461**		*15,137,570*
Accruals and deferred income	17		-		*(2,079,403)*
Net assets			**13,867,461**		*13,058,167*
Capital and reserves					
Called up share capital	18		**2,526,283**		*2,126,283*
Profit and loss account	19		**11,341,178**		*10,931,884*
			13,867,461		*13,058,167*

Assets

An asset is a resource owned by a company which has some economic benefit to the company – either in the short term of the longer-term. Each sub-category is discussed below. The most obvious asset for any business is cash – the "economic benefit" being that it can be used to buy other assets, or pay bills etc.

Fixed assets - tangible

These are assets that are used by the company to generate economic benefit/ are used in the running of the business. Tangible means they physically exist. For STFC these mostly relate to the stadium.

The balance has decreased by £2.4m in the year. This is due to the following movements:

- Additions of £0.8m – the accounts mention the investment in the training ground facilities of which these additions will be included within this figure

- Less: Disposals of £1.1m – this is likely to relate the sale of the two acres of land mentioned above.
- Less: Capital grant £2.1m. This relates to a grant received when the ground was built. In previous years it was shown as a liability because the club may have had to have paid it back if certain stipulations were not met. Now that the club has used the ground for 10 years the grant is no longer repayable and so the balance has been moved from "liabilities" to "fixed assets" to reflect the fact that it relates directly to the stadium.

Fixed assets – intangible

Intangible assets are ones that can't be physically held like a tangible asset can. For some businesses this may mean an online platform which will result in revenue for the business going forward.

For football clubs these primarily relate to players' contracts when a transfer fee is paid. This asset is then reduced each year of the contract. This reduction is called "amortisation" in accounting terms and is recorded as an expense to the business and is included in the P&L account.

The intangibles balance has decreased by £17k in the year. This is a combination of new fees paid of £20k less a small amortisation charge.

It is worth noting that transfer fees paid or received after 30 June 2017 (i.e. pre-season for the 2017/18 season would not be included in this set of accounts).

Current assets

These are called "current" because they are easier/ quicker to turn into cash than fixed assets. Each sub-section is discussed below.

Stocks

Stocks are either club-shop merchandise or items used by the club in its day to day running (e.g. food).

The balance has increased marginally from £72k to £82k.

Debtors

These are amounts owed to a company by other companies or individual. For a football club they can relate to amounts owed by other football clubs (e.g. for transfer fees), from other organisations (e.g. the FA) or "prepayments" – this is where a company pays for a future service in advance. For example, if you paid for the whole of next year's insurance now for £300, you would have a £300 prepayment – as that is not a cost that relates to your current year hence doesn't impact the P&L for this year.

Debtors have increased from £642k to £2,668k although it is not possible to see exactly what the increase relates to from the accounts.

Cash

This is just what is sounds like – what's in the club's bank account.

The cash balance has decreased from £1,983k to £1,060k. This can occur for a number of reasons. For example if a business is owed a significant amount from a transaction this amount will be shown with "Debtors" and not cash - it can make its cash balance look temporarily lower until that money is received.

It is important to note that the club has no debt – consistent with the prior year. This remains unusual for a professional football club and reflects positively on the club in terms of its financial position when compared to other football clubs, or in fact many businesses in any industry.

Liabilities

A liability is an amount owed by a company which will lead to the outflow of economic benefits – for a example a payment in cash for a debt owed – either in the short term (in the next twelve months) or long-term. Each sub-category is discussed below.

Current liabilities

This description is given to amounts the club owes to individuals or other clubs/ organisations. They are called "current" because they are repayable in the short-term/ on demand. The key items for STFC are:

- *Payments received on account (largely season tickets paid for in advance):* When you buy a season ticket for next season, and pay for it in advance, the club cannot recognise it as "turnover" until the season in which it relates to. So advanced season ticket sales for the 17/18 season are not included in the turnover figure in the P&L. Instead they are shown as a current liability. Why? Because theoretically the club have not provided the service to the customer yet (giving them access to the matches) and also the customer could ask for their money back if they changed their mind. The balance increased marginally year on year.
- *Trade creditors:* Amounts owed relating to the day to day business – this could be transfer fees, payments to suppliers to the club etc. The balance increased by £30k but it is not possible to tell why from the accounts.
- *Other current liabilities (taxation and social security, other creditors, accruals and deferred income):* This relates to items such as payroll tax, one-off bills or where invoices have not yet been received by the club. The term "accrual" is used in the accounts. This is the opposite to a "prepayment" and it means a company have used a service but not paid for it yet. A good example would be if you pay £20 a month for broadband but pay for the current month's usage next month. This would lead to an accrual in the balance sheet of £20. The balance has not changed significantly year on year.

Long-term liabilities – accruals and deferred income

These are liabilities that will mature in greater than one year.

As noted above, in previous years this included a capital grant received by the club when they built the current stadium. This is now included in the "tangible assets" section above hence the balance for long-term liabilities is now zero.

Capital and reserves

This shows:

- Capital – the amount that have been paid for the shares in the club. This has increased due to the 160,000 shares issued to the chairman in return for the training ground.
- Reserves – the amount of profits or losses made in all previous years' combined. This stands at an overall profit figure of £11.3m, up £0.4m on the prior year due to the profit made in the year.