



Old Trafford

LANCASHIRE COUNTY
CRICKET CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021





Hilton
Garden Inn

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THANK YOU TO LANCASHIRE CRICKET'S PARTNERS AND SPONSORS



NOTICE OF ANNUAL GENERAL MEETING AND AGENDA

April 2022

Dear Member

The ANNUAL GENERAL MEETING OF MEMBERS will be held in The Members Suite in the Pavilion at Lancashire County Cricket Club, Emirates Old Trafford, Manchester M16 0PX, on Thursday 21 April 2022 at 6.30pm for the purpose of transacting the following business:

AGM AGENDA

- 1a To confirm the Minutes of the Annual General Meeting held on 27 May 2021
- 1b Matters arising from those Minutes
- 2 Club Chairman's Statement
- 3 To receive and approve the annual report of the Board and the accounts of the Club for the twelve months ended 31 December 2021 together with the report of the Auditor thereon
- 4 To approve the re-election of Rachel Downey to the Board
- 5 To approve the election of Navin Singh to the Board
- 6 To elect as Vice-Presidents, Paul Allott and Lee Morgan
- 7 To re-appoint Hurst Accountants Limited as Auditor of the Club until the conclusion of the general meeting which considers their report on the annual accounts of the Club for the year ending 31 December 2022
- 8 The meeting will be asked to consider and, if thought fit, pass the following resolutions:
 - a) To amend Club Rule 17.6 and add new Rules 17.7 and 18.1.4, regarding member representation on the Board.
 - b) To amend Club Rule 13.1 to change the quoracy rule for Annual General Meetings.
 - c) To amend Club Rule 4.2.2.1 to increase the Club's borrowing cap.
 - d) To amend Club Rule 6.4 to refer to a Members Code of Conduct that all members must adhere to.
(As Rule changes this item will require a two thirds majority vote)
- 9 To consider any other business relating to the affairs of the Club
(N.B. No resolution may be put to a vote at the meeting under this item)

Yours faithfully

Lee Morgan

SECRETARY

In order for your Board or Secretary to be able to answer any questions you may have on any matter, it would be helpful if these could be submitted to the Secretary by Wednesday 20 April 2022. It is not always possible to give a comprehensive answer when questions are asked on the day.

Admission to the AGM will be on production of the PROXY FORM only.

Members who vote by proxy and then wish to revoke that proxy may only do so by notifying the Secretary in writing to be received by the Club not less than 48 hours before the time appointed for holding the meeting.

Officers and Advisers

PATRON: HER MAJESTY THE QUEEN

PRESIDENT: Sir Howard Bernstein

VICE PRESIDENTS:

MA Atherton OBE	Miss Rose Fitzgibbon	G Ogden
HF Atkins	K Hayhurst	WG Robinson
Sir Robert Atkins	J Heaton	J Simmons MBE
Mrs Alice Bennett	RI Hinchliffe	Mrs Jacqueline Simmons
R Bennett	T Johnston	His Honour Judge E Slinger
J Charlson	J Livingstone OBE	KB Standing
J Cumbes	Sir Clive Lloyd CBE	M Watkinson
S Edge	D Lloyd	RA Wilson
FM Engineer	M Lorimer	G Yates
NH Fairbrother	D Moss	

BOARD:

President: Sir Howard Bernstein

Chair: Andy Anson

Honorary Treasurer: Les Platts

Senior Independent Director: James Sheridan

Board Members: Rachel Downey
Andrew Flintoff MBE
Sara Tomkins
Maurice Watkins CBE (deceased 16 August 2021)
John Abrahams (appointed 27 May 2021)

Executive Team:

Chief Executive:	Daniel Gidney
Chief Financial Officer:	Angela Lowes
Secretary:	Lee Morgan
Director of Cricket Performance:	Mark Chilton
Operations Director:	Steve Davies
Sales Director:	Angela Hodson
Partnership Director:	Elizabeth Cooper
Human Resources Director:	Joanne Hunt
Head Coach:	Glen Chapple

Auditor: Hurst Accountants Limited
Lancashire Gate, 21 Tiviot Dale, Stockport SK1 1TD

Bankers: Metro Bank PLC
One Southampton Row, London
WC1B 5HA

Registered Office: Emirates Old Trafford
Manchester
M16 0PX

CHAIR'S STATEMENT

The last twelve months presented many of the challenges of the previous year, as we confronted the issues raised by the Global Covid pandemic. However, once again, everyone involved in Lancashire Cricket pulled together to keep the county strong and united. With the lifting of Government restrictions, I hope we can now start to look ahead optimistically to the future.

I firmly believe that everyone connected with Lancashire Cricket can reflect positively on how the Club has navigated its way through the obvious challenges that the pandemic has presented over the last two years. It has been particularly tough at times, with normal revenue streams impacted and the need to make some difficult commercial decisions, yet I feel positive about the Club's ability to move forward and continue our growth trajectory.



On-the-field progress

From a cricket perspective, we aspire to continue our improvement on the back of 2021, which saw good progress on the field, for both our men's and women's teams, albeit we realise there is still work to be done!

Our homegrown players made progress within the national set up, which is incredibly satisfying. It was great to see Matt Parkinson and Saqib Mahmood in the Test squad for the West Indies series and we all believe Josh Bohannon should have been given the opportunity too, after his excellent form last year. Developing players for the future is one of our key strategic objectives and it's a testament to the hard work that goes into our age-group and Academy set up, that we continue to see our players receive international honours.

We also want to be winning matches and winning trophies. Over the last couple of years, Lancashire has one of the highest win-ratios across all formats, but we have not been able to go a step further and win silverware. I know Mark and Glen are working really hard with the playing group on how we reach the next level, and we hope to go a step further in this year's County Championship, as well as in white-ball cricket.

The women's team continues to progress and develop year-in-year-out. We were delighted to be able to bring the Thunder squad over to Dubai with the men's team for our pre-season tour last month. I believe that it is the first joint pre-season tour ever undertaken by a first class county and it shows the Club's commitment to the women's game. We are very proud to have three Lancashire players in the England World Cup squad in Kate Cross, Sophie Ecclestone and Emma Lamb – they are all fantastic ambassadors and role models for the next generation of girls who want to play cricket. I am excited to watch how Thunder progress on the field this summer.

New developments at Lancashire Cricket

There are two new development projects that our teams have been working on particularly hard over the last 12 months. First, is the continued re-development of Emirates Old Trafford and last year we were thrilled to receive approval from Trafford Council for further



development at the ground. The new project includes plans for a new Members' facility for Lancashire matches, a 100-bed hotel extension, a 1,025-seater stand, a heritage centre, a guest services hub, and a new retail store facing directly onto Brian Statham Way.

This continued redevelopment will play a key role in the Club's long-term financial strategy and sustainability moving forward, and will also increase and improve the facilities that can be used by Members. Work has commenced on the demolition of the Red Rose building and the project's anticipated completed date will be next summer, ready for the 2023 Ashes Test.

Secondly, and in an exciting new chapter for the Club, plans are being finalised, alongside Lancashire County Council, for our second ground project in Farington, near to Preston, in the heart of the county. This is an extremely exciting project which will provide Lancashire Cricket with a long-term second home and a place for our women's, men's, Second XI and Academy players to play, train and base themselves, when Emirates Old Trafford is unavailable.

The proposals include two full-sized cricket pitches with natural sloping terraces and training facilities, a pavilion including a gym, changing rooms, hospitality space, as well as car parking. The new facilities will also support the development of community and recreational, youth and elite sport in Lancashire.

These two projects are fundamental for the Club moving forward both from a financial perspective but also from a performance point of view. For Lancashire Cricket to be successful on the pitch, it must be successful off the pitch too.

Discrimination in cricket and ECB governance

The game of cricket has been making the headlines for all the wrong reasons over the course of the winter, which has been disappointing and saddening for everyone involved in the sport. What Azeem Rafiq experienced, and has gone through since, is unacceptable - his testimony to the DCMS Select Committee was particularly distressing. We have since committed to a wide-ranging action plan to tackle racism and promote inclusion and diversity at all levels of the game, which was jointly developed by the ECB and all the other counties.

Lancashire Cricket is fully aware of its responsibility – along with the entirety of English Cricket – to ensure that our game takes every step possible to eradicate discrimination. As a game, we recognise that this is just the start of making cricket a sport where everyone feels welcome and included but realise that there is much more work ahead of us.

We support the county-wide pledges – which also sit alongside the core values at the heart of the Club – and we fully commit to educating all those in the Lancashire Cricket environment to raise awareness of what discrimination represents. We are actively seeking to change our approach to recruitment at every level, with the aim of attracting and employing a diverse workforce which truly represents the community that we serve as part of Lancashire, Greater Manchester and the North West region as a whole. This cannot just be about words on paper – we need to take actions which demonstrate that we are on the road to creating a better environment for everyone involved in Cricket.





In addition to these commitments, the ECB has also pledged to undertake a review of governance and regulation in cricket to improve vital aspects of the game, with a further commitment to act on the recommendations from the review. As a Club we support this action and applaud the ECB for working with Portas Consulting to help facilitate their independent game-wide governance review. We strongly believe that we must all embrace best practice now and as we move forward.

A busy year ahead in 2022

2022 is going to be another busy year for everyone involved at Emirates Old Trafford and all the team are hard at work preparing for what is to come. We have a full domestic campaign to prepare for and we're thrilled to be welcoming back full crowds for the first time since 2019.

In addition, we're looking forward to hosting international cricket once again this summer, with three fantastic fixtures – a Test Match against South Africa and two One-Day Internationals with South Africa and India the opposition for England. The South Africa Test is one we're particularly looking forward to, after the disappointment of the cancelled India Test last September. We know how frustrating this was for the cricketing public in the North West, whilst also being hugely damaging for the Club. In addition to all the cricket, we look forward to hosting five sold-out concerts here in June at Emirates Old Trafford.

I would like to extend a warm welcome to Navin Singh, Commercial Director at the Football Association, who has been co-opted as a Non-Executive Board Member at Emirates Old Trafford who will be put forward to Members for election at the AGM in April. His appointment followed a transparent recruitment process which was led by a desire to appoint somebody onto the Board with a background and experience in international digital media.

We actively encourage Members to apply for Board positions when they are made available – as well as vacancies on the Members' Representative Group (MRG). With this in mind, the Club is proposing a rule change to demonstrate that Lancashire Cricket, through the Nominations Committee, shall at all times have regard for the Board to have at least one Elected Board Member with suitable skills and experience in Member services and Member communications. Any such Member of the Club who submits an Election Notice shall be considered for such a vacancy. In addition, regarding the MRG recruitment process, this has also been updated to include annual elections by the wider Membership where suitable applicants exceed places.

Finally, I wanted to pay further tribute to Maurice Watkins CBE who sadly passed away in August last year. I first met Maurice when I worked at Manchester United and he had a real passion for sport and dedicated most of his life to serving in a number of roles across the industry. Here at Lancashire Cricket, he was on the Board since 2012 and he provided invaluable support and legal expertise to the Club on a number of important projects and issues throughout his time with us. He will be sadly missed.

We look forward to welcoming you back to Emirates Old Trafford in April and I look forward to meeting many of you at Emirates Old Trafford in the coming months.

Andy Anson
CHAIR





FINANCE REPORT

Financially 2021 has seen many challenges to navigate with the impact of the Covid-19 global pandemic still being felt throughout the year.

The year started with the business continuing to be heavily impacted by the government restrictions in place, the initial three games of the season were played behind closed doors and following that reduced capacities were imposed until mid-July. There was very little conference and events business in the first three months of the year and hotel occupancy was at just 24% with restrictions still imposed on travel.

The Club was however successful in its business interruption insurance claim generating £2.5 million of insurance proceeds to mitigate the lost revenue during the pandemic and, with the release of restrictions happening one day prior to the international match scheduled between England and Pakistan, it was able to host its first match to a sell-out crowd. Both hotel and conference and events business picked up as consumer confidence grew and the Club is pleased to be able to report an EBITDA of £3,675,784 and a surplus before taxation of £1,805,747. Without the insurance claim we would have reported a loss before taxation.

International Matches

On the back of hosting a successful International T20 between England V Pakistan post lockdown, the Club was in a good position, having sold the majority of tickets for England v India Test Match and looking forward to welcoming circa 80,000 spectators during the month of September. Unfortunately the game was cancelled moments before the gates were due to open to spectators at which point we had incurred £994,000 of costs, though the total loss of contribution was much higher due to the loss in hospitality revenue and secondary food and beverage spend. Thankfully the England and Wales Cricket Board (ECB) covered the refunds in relation to ticket revenues (as they did in 2020) and the Club was able to retain the ticketing revenue for this game generating an increase in ticket revenues of £532,000 when compared to the prior year.

The Club has also benefited financially during the year from the use of the hotel by the Sri Lankan team for quarantining on arrival into the UK prior to their series of matches.



Domestic Cricket

With the early part of the season impacted by a combination of games being played behind closed doors or with limited capacity, the T20 campaign generated reduced revenues in comparison to a 'normal' year. The sell-out Lancashire Yorkshire game had to be refunded and sold again with a limited capacity. There were also increases in match day costs due to the need for increased security to manage covid restrictions. However, with compensation being provided by the ECB to top up revenues to normal levels, the financial impact was significantly reduced.

In comparison to the T20 campaign, the Hundred competition was a great success. Originally scheduled to launch in 2020, there was a pent-up appetite to watch live cricket and a new audience flocked to Emirates Old Trafford with attendances reaching over 13,000 and average on the day retail spend on the increase.

ECB distribution has increased in 2021 due to a combination of new investment in the Women's game and additional prize money as a result of the team being runners-up in the County Championship competition. The ECB provided support to all counties in 2020, which included the payment of an unfettered special distribution of £1.1 million designed to help counties through the Covid-19 crisis. The Club took the view that this funding should be spread over a three-year period as it viewed that it would be 2023 before there is a return to pre-pandemic levels of trading.

Venue

Both hotel and conference and events revenue continued to be heavily curtailed in the first quarter of 2021, however, towards the back end of the year the Club could see confidence return to the market and revenues increasing. The hotel generated record revenues in October 2021 and the events space was heavily utilised in November, with occupancy levels high and revenues more akin to those prior to the pandemic. 2021 revenue was significantly higher than in the prior year.

Other Revenues

The main contributor to other revenues and shown separately on the face of the income and expenditure account was the Business Interruption Insurance Claim which the Club received in the early part of 2021 to recoup a large proportion of the trading losses incurred in the prior year.

The Club continued to receive support in the form of the Government's furlough scheme albeit not as significant as in the prior year as levels of support tapered off and staff returned to prepare for the return of spectators in the second half of the year.

The cancellation of the Test Match had a knock-on effect to sponsorship revenues, but, despite this, the Club are pleased to show an increase in these returns.



Retail income started to increase during the year as more cricket was played and fans returned to the stadium. In September the Club hosted the Courteeners concert at which 50,000 fans enjoyed live music generating not only a staging fee but additional hospitality and bar revenues.

Expenditure

With the lack of trading in the prior year a comparison in expenditure was undoubtedly going to increase significantly.

With the previously mentioned new investment in relation to the Women's game the Club have now invested in giving Women players full contracts to play cricket and recruited leadership and support staff in this area.

Salaries and wage costs grew as there was a need for additional resource and the return of the variable workforce as activity increased. There was also a significant increase in market rates as the hospitality sector in particular was experiencing labour shortages.

All other costs increased predominantly in relation to the increased revenue but also with inflation affecting food, utilities, and outsourced labour.

Capital Investment

As the business started to recover and with spectators back in the stadium, the Club continued with its plans to further develop the stadium by expanding the existing hotel and creating a new Red Rose Stand and event space, incurring design and planning fees in the year of £831,559.

Aside from this the Club continued to invest in existing facilities and infrastructure, particularly in the cricket centre, practice nets and laying additional wickets along with further investment in health, safety and security and enhancing the Club's back-office technology systems.

Cashflows

Despite an increase in operating profits, the net cash inflow from operating activities has reduced when compared to the prior year. This is mainly due to movements in deferred income, which is directly related to the International that was scheduled in 2020 being played behind closed doors and customers choosing to purchase the following year's international instead of receiving refunds.

Operating cashflow generated has been used to invest in tangible fixed assets totalling £1,329,273, finance borrowing costs and to reduce debt.

Outlook

The Club will continue to develop the ground in 2022 by demolishing the existing Red Rose building and constructing a new stand and sponsor terrace, combined with a 100-bed hotel extension and a 170-cover hotel restaurant and event space, the cost of which is factored into the financial forecasts. To support the development



the Club is looking to secure external borrowing of up to £8 million along with utilisation of working capital and new sponsorship deals. In order to accommodate further borrowing, the Club have asked the members to increase the existing debt cap from £30 million to £40 million. There are no immediate short-term plans to raise borrowing above £32-33 million and the proposed increase is simply to future proof the Club.

The Club have adopted a fairly prudent trading forecast for the next 12 months with reduced capacities factored into cricket event days due to the new development works, guaranteed concerts included, and limited targets set for new sponsorship revenues.

The Board has reviewed the Club's detailed cashflow projections based on these forecasts and its banking facilities and has considered the Club's ability to discharge its liabilities as they fall due. The Board has a reasonable expectation that the Club has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Les Platts
HONORARY TREASURER





STRATEGIC REPORT

This year's Strategic Report is written two years on from the first national lockdown imposed from Covid 19 back in March 2020. Lancashire Cricket has managed to get through two world wars, multiple recessions, the loss of Test Match status and significant losses all prior to 2012, but the challenges faced over the past 24 months have been genuinely unprecedented.

Firstly, it reports on how Lancashire Cricket steered through the challenges presented as the Club sought to rebuild with markets enjoying a partial re-opening during 2021, and secondly the risks and uncertainties section focuses on 2022 and how the Club is focusing on enabling a platform for accelerated growth into 2022 and 2023.

Year ended 31 December 2021

2020 with no event business apart from Behind Closed Doors international cricket morphed into a different kind of challenge during a stop-start 2021 which saw a restructuring of the business, a weaning off government support and a gradual return to normality. A sell-out international between England and Pakistan, one day after 'freedom day' in July, followed by record trading months for the Hilton Garden Inn in both August and October, the men's first team narrowly finishing runners up in the County Championship and finally Emirates Old Trafford was rocking again with a 50,000 sell-out Courteeners concert in September.

October's trading record for the hotel of over £400k in month also evidenced how far the Club had come. Back in the 2010's, very little cash was generated over the winter with the Club's revenues being dominated during the season and specifically over six days of international cricket. Now cash is being generated throughout the winter and the Club is beginning to fulfil its strategy to develop a fully diversified anti-cyclical business model throughout the year.

However, the Club was also then faced with a genuine unprecedented event with the cancellation of the Test Match vs India. This had never happened before in the history of cricket in the UK where a Test Match was cancelled just before gates were opened on the first day. The mobilisation for a Test Match is not like a football or rugby match for 90 minutes, this is five consecutive, multi-hour, major event days and tests staff and suppliers to their limits.

The Club's Incident Management plan kicked in and the fan village and hospitality lounges were left open for a few hours to support those fans that had travelled to the ground. Even though the cancellation was in no way due to

the Club, we had to take responsibility for communicating with our customers quickly. We unreservedly apologised and confirmed that all customers would receive a 100% refund. The ECB supported the Club with general admission ticket refunds for which we are grateful, but the event generated sunk costs of almost £1 million with many staff and suppliers out of pocket as well.

We also had a strong last quarter in 2021 from a Conference, Events and hotel perspective including a four-day combined Stadium Business Summit and Ticketing Business Forum sell out organised by Xperiology as the recovery began in earnest with a slight late dip in Christmas party revenues as restrictions tightened again before Christmas. Notwithstanding this, the Club still managed to sell 8,000 Christmas party covers and, in the end, only around 1,000 of those cancelled.

An EBITDA of £3.676m is a clear improvement from the effective break even in 2020 but doesn't tell the full story of a difficult 2021 including reduced capacities as partial lockdowns remained and the loss of the India Test. The Club benefitted from a £2.5m Covid insurance payout, one of the very few professional Sports Clubs in the UK to have the pandemic resilience drafting in their contracts, without which the Club would have generated a loss before taxation. Much credit must go to Bluefin, our brokers for this who were genuinely market leading here. In addition, the Club continued to use the Government furlough support scheme during the first quarter of 2021 whilst the Country was still in lockdown. The Club also benefited from a number of very difficult decisions that were made during 2020, making 2021 a consolidation year and an enabler for growth in 2022. It is appropriate to view the 2020 and 2021 accounts together in this context.

Platform for future accelerated growth

Notwithstanding the partial lockdowns of the first quarter in 2022 resulting in our conference bookings in January and early February moving to later in the year, at time of writing in March, the conference industry is returning to normal levels. We have just hosted a hugely successful UK Major Events Summit organised by Major Events International that sold out the Point, other breakout spaces and the hotel.

As the UK begins to start "living with Covid", the events industry will now adapt accordingly.

The Club has also broken ground on an exciting new development at the heart of an ambitious growth plan. The development of a hundred-bedroom extension to

our Hilton Garden Inn that will take us to 250 bedrooms and turbo charge our conference and events growth for multi-day residential conferences alongside our strong occupancy and average room rate being ahead of our original business plan at this stage, notwithstanding covid.

The development will also incorporate a new lower tier stand and concourse, a new Members restaurant at first floor level and finally the long-awaited Museum Experience on the ground floor.

In addition to this, recognising the demand for use of Emirates Old Trafford, the Club has reached agreement with Lancashire County Council to build a second ground in Farington in the heart of the County. This is an exciting project that will have two ovals, serving both the elite and the community. This will be a hub for our Women's and Girl's growth strategy and also provide a base for the Men to train when Emirates Old Trafford is in use. The men will also play some first team games at Farington although the Club still plan to continue to use the other existing out grounds.

The Club has also just undertaken the first ever joint men's and women's overseas pre-season tours by any First Class County ever. Sportsbreaks and Hilton have really engaged with the Thunder professional programme and shows the real potential for commercial growth in potential sponsorship opportunities in the Women's

game which is experiencing rapid and steep growth. On 1st June 2022, Thunder will headline a double header T20 day at Emirates Old Trafford with the Lightning first up at 2:30pm and then Thunder playing under lights at 6:30pm. This will be the first time, this has ever happened in cricket in England. The Men's away changing room has now been converted to become the permanent Thunder home changing room. This is also a first in Cricket.

2022 will see a bumper year of cricket with two one day internationals against India and South Africa and also a Test Match vs South Africa. In addition, there will be the LV=County Championship, Vitality Blast, the Royal London Cup and also the second year of The Hundred that did so much to put elite women's cricket on the map last year.

In addition to this there will be five concert nights in June 2022 with The Killers, Foo Fighters and Red Hot Chilli Peppers all playing at Emirates Old Trafford and also the local artist Harry Styles who will be playing two nights.

2022 is expected to see over half a million visitors return to Emirates Old Trafford.

Looking forward to 2023 then we have a mouth-watering Ashes Test to look forward to and the opening of the new hotel and stand development.





In addition to this the growth within commercial revenues even throughout Covid has been remarkable as long-standing partners have stood by us and renewed in force. The Club are driving towards breaking £2m in commercial revenues during 2023.

The Club has also launched its comprehensive Equality, Inclusivity and Diversity strategy during 2021, recognising the work that is already completed on gender with now a clear focus on building Bame representation throughout our teams, staff, management and Board. Also embracing the evidence and learnings provided from Azeem Rafiq has helped provide strong focus this year. The Club has a very clear ten point rolling action plan matrix that is a standing agenda item at each Board and Executive meeting.

Manchester is famous for celebrating difference and we at the Club are passionate about embedding within our core value of Welcoming, across the whole organisation the culture that Lancashire Cricket Club belongs to all communities across the North West of England.

Risks and uncertainties

As the UK begins to start living with Covid, there are risks of new variants appearing which we will have to manage as we have previously, although it does appear at time of writing that case numbers are declining and crucially serious illness and death as well.

The Key risks and uncertainties facing the Club during 2022 are:

- Managing the construction risk for the new development.
- Continuing to manage cashflows closely and debt servicing as the Conference and Events and hotel markets rebound.
- Manage the mental health and well-being of all our staff as we go from a stop start year in 2021 to a very busy packed schedule of events in 2022.
- Manage the risks around the fallout of the national EDI issues raised within cricket with a robust ten-point action plan to drive change and root out all discrimination.

Looking forward, the Club has a 2023 Ashes test to look forward to, new trading revenues post development, Farington coming on stream and is working with the ECB on the next major match package from 2025 that is due to run until 2031.

Daniel Gidney
CHIEF EXECUTIVE



CORPORATE GOVERNANCE

The Board is accountable to the Members and is responsible for ensuring an appropriate corporate governance regime is in place to meet the needs of the business. The following report briefly summarises how the Board fulfils these responsibilities.

The Board

The Board is comprised of members who have successfully met the criteria laid down by the Nominations Committee to ensure they are of the appropriate calibre required to meet the business needs of the Club. They are all independent, experienced and influential individuals from a range of relevant industries. Their mix of skills and business experience is a major contribution to the proper functioning of the Board ensuring that matters are fully debated. The Board operates under a defined Code of Conduct and is subject to a formal Board Self Assessment process. An Equity Policy aimed at achieving gender parity and greater diversity on the Board is in place.

Club Rules are in place under which the Club is governed. These rules are reviewed regularly and where necessary updated following approval by the membership.

The Board sets the strategic objectives of the Club and approves all key policies whilst delegating to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The Board monitors compliance with policies and achievement against objectives by holding

management accountable for its activities through monthly performance reporting and updates against budget. The Board meets at least once a month and more frequently should circumstances require it.

There is a schedule of matters which are dealt with exclusively by the Board. These include approval of financial statements, the annual capital expenditure plan, major capital projects, major changes to the Club's management and control structure, risk management strategy and treasury policies. The Board has established sub-committees with specific terms of reference, namely those covering audit & risk, remuneration and nominations and more recently the to cover ongoing ground re-development and re-financing exercises.

The Remuneration Committee sets the level and structure of remuneration and bonuses for the Chief Executive and members of the Executive Team. It is chaired by the Club's Chairman.

The Nominations Committee is formally constituted with written terms of reference which are referred to in the Club Rules and have been updated in early 2022. The Nominations Committee currently consists of the Club Chairman, one sitting Board member, Sara Tomkins, and a member who is not on the Board. During 2021 this was David Taylor; however his tenure ceased at the end of the financial year and the current member is Kirti Sharma following a rigorous recruitment process in early 2022. All decisions of this Committee must be unanimous.





Internal Control

The directors are responsible for the Club's system of internal control and for maintaining and reviewing its effectiveness from both a financial and an operational perspective. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable but not absolute assurance against material misstatement or loss. The Club's approach to internal control is based on the underlying principle of line management's accountability for control and risk management. In reviewing the effectiveness of the system of internal control, the Board has taken account of the results of the work carried out by the external auditor to audit and review the activities of the Club.

There is an ongoing process to identify, assess, manage and communicate risk, including those risks affecting the Club's reputation. This process is subject to continuous improvement and has been in place throughout the financial year to which these statements apply and up to the date of their approval.

The Club has a clearly defined organisation structure within which operational management has detailed responsibilities and levels of authorisation, supported by written job descriptions and operating procedures.

Accountability and Audit

The Board's obligation to establish formal and transparent arrangements for considering how it should apply financial reporting and internal control principles, and for maintaining an appropriate relationship with the Club's external auditor, Hurst Accountants Limited, is met through the Audit & Risk Committee. The role of this Committee is to monitor the integrity of the financial statements of the Club and review and, when appropriate, make recommendations to the Board on business risks, internal controls and compliance. The Committee satisfies itself, by means of suitable steps and appropriate information, that proper and satisfactory internal control systems are in place to identify and manage business risks and that the Club's business is conducted in a proper and economically sound manner.

The Audit & Risk Committee is chaired by the Honorary Treasurer and is also comprised of the President, Chairman and Senior Independent Director. The Chief Executive and Finance Director also attended meetings. The Chairman of the Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting.

The Audit & Risk Committee assesses annually the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process.





BOARD'S RESPONSIBILITIES STATEMENT

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year or period which give a true and fair view of the state of affairs of the Club and of the financial result of the Club for that period.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 Club will continue in operation.

The Board confirms that it has complied with the above requirements in preparing the financial statements.

The Board is responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Club and to enable it to comply with the Co-operative and Community Benefit Societies Act 2014. It is also responsible for ensuring that the assets of the Club are safeguarded and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF **LANCASHIRE COUNTY CRICKET CLUB LIMITED**

Opinion

We have audited the financial statements of Lancashire County Cricket Club Limited (the "Club") for the year ended 31 December 2021 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Club's affairs as at 31 December 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Club in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's 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 Club'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 Board with respect to going concern are described in the relevant sections of this report.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Club 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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Club has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Board

As explained more fully in the Board's Responsibilities Statement on Page 20, the Board is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board 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 Board is responsible for assessing the Club'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 Club or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 Auditors' 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.

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

We identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks relating to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the key drivers for remuneration and bonus levels;
- enquiring of management concerning the policies and procedures relating to:
- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- discussions amongst the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- obtaining and understanding the legal and regulatory frameworks that the Club operates in, such as provisions of the Co-operative and Community Benefit Societies Act 2014, pensions and tax legislation, General Data Protection requirements,
- Anti-Bribery policy, Health and Safety and the application of Coronavirus Job Retention Scheme and other central and local government grants and support.
- revenue recognition gives rise to a risk of material misstatement due to fraud. Revenue may be recognised inappropriately or in the wrong period.

Audit response to risks identified

Our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing manual journals posted by management throughout the period and testing any unusual or unexpected entries;
- carrying out substantive testing to confirm the validity and accuracy of grant claims under the Coronavirus Job Retention Scheme;
- testing a sample of bookings and orders across all revenue streams throughout the year and at the year end ensuring the revenue has been recognised in line with United Kingdom Generally Accepted Accounting Practice. Reviewing contractual agreements with key strategic partners ensuring that revenue has been recognised in line with United Kingdom Generally Accepted Accounting Practice;

We have also considered the risks noted above in addressing the risk of fraud through management override of controls:

- testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified 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.

There are inherent limitations in the audit procedures and there is an unavoidable risk that we may not have detected some material misstatements in the financial statements. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located

on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

This report is made solely to the Club's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Club'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 Club and the Club's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mike Jackson

SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF
HURST ACCOUNTANTS LIMITED

Chartered Accountants
Statutory Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
Cheshire
SK1 1TD

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
Income for the year					
Subscriptions		361,787		342,897	
Cricket match receipts		5,497,154		5,325,574	
Hospitality		384,604		-	
ECB distributions		4,891,760		3,965,106	
LCCC sponsorships		1,302,249		949,169	
Advertising		95,000		-	
Catering sales - cricket		720,643		632,698	
Conferences and events revenue		1,702,642		581,802	
Indoor Cricket Centre		40,638		64,806	
Retail income		346,704		126,204	
Government furlough scheme grant income		452,954		1,363,433	
Insurance proceeds		2,500,000		-	
Miscellaneous income		913,236		232,520	
Hotel income		3,386,083		2,952,063	
Total income for the year			22,595,454		16,536,272
Expenditure for the year					
Salaries, wages and staff related costs	3 & 4	10,064,058		9,128,408	
Cricket match expenses (incl hospitality)		2,900,063		1,246,473	
Conferences & events and catering purchases and overheads		660,917		432,087	
Ground expenses		1,541,096		1,193,751	
Office costs		1,497,142		1,165,000	
Miscellaneous costs		743,470		109,610	
Hotel purchases and overheads		1,167,822		684,875	
Indoor Cricket Centre purchases and overheads		1,240		4,780	
Cricket Development overheads		52,130		24,786	
Retail costs		291,732		194,808	
Total expenditure for the year			(18,919,670)		(14,184,578)
Operating profit			3,675,784		2,351,694
Amortisation of capital grants	16	1,089,046		1,089,046	
Depreciation	8	(2,056,599)		(1,998,833)	
Loss on disposal of tangible fixed assets		-		(290,533)	
Finance costs (net)	6	(902,484)		(1,045,630)	
Surplus before taxation			1,805,747		105,744
Corporation tax	7	-		-	
Surplus after taxation			£1,805,747		£105,744
Comprehensive income					

The Club has no other income, other than the results in the income and expenditure account shown above, for the two years ended on 31 December 2021. Accordingly no separate statement of comprehensive income has been presented. All operations are continuing. *The notes on pages 29 to 39 form part of these financial statements.*

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 £	2021 £	2020 £	2020 £
Tangible fixed assets	8	52,450,561			53,176,612
Current assets					
Debtors and prepayments	9	3,329,518		2,275,510	
Financial derivative asset	23	238,579		-	
Stocks	10	509,042		405,665	
Cash at bank and in hand		3,550,007		2,993,062	
		7,627,146		5,674,237	
Creditors: amounts falling due within one year					
Sundry creditors and accrued liabilities	11	(7,224,793)		(5,071,269)	
Net current assets			402,353		602,968
Total assets less current liabilities			52,852,914		53,779,580
Less deferred income	12		(4,867,135)		(5,264,897)
			£47,985,779		£48,514,683
Financed by:					
Creditors: amounts falling due after more than one year	13	23,675,282		24,920,897	
Unamortised grants	16	20,655,053		21,744,099	
			44,330,335		46,664,996
Capital and reserves					
Share capital	17	173		163	
General reserve		3,655,271		1,849,524	
			3,655,444		1,849,687
			£47,985,779		£48,514,683

The financial statements of Lancashire County Cricket Club Limited, Registration number 28451R, on pages 24 to 39 were approved on 25 March 2022 on behalf of the Board by:

LM PLATTS | HONORARY TREASURER

DG GIDNEY | CHIEF EXECUTIVE

A LOWES | CHIEF FINANCIAL OFFICER

The notes on pages 29 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £	General reserve £	Total equity £
At 1 January 2020	241	1,743,780	1,744,021
Surplus for the financial year	-	105,744	105,744
Decrease in share capital	(78)	-	(78)
At 31 December 2020	163	1,849,524	1,849,687
Surplus for the financial year	-	1,805,747	1,805,747
Increase in share capital	10	-	10
At 31 December 2021	<u>£173</u>	<u>£3,655,271</u>	<u>£3,655,444</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Net cash inflow from operating activities	A	4,435,668	4,764,779
Investing activities			
Payments to acquire tangible fixed assets		<u>(1,329,273)</u>	<u>(986,624)</u>
Net cash flow from investing activities		(1,329,273)	(986,624)
Taxation			
Tax received / (paid)		-	-
Financing activities			
Interest received		4,032	2,481
Interest paid		(824,165)	(918,477)
Interest element of finance lease rental payments		(47,808)	(79,413)
Finance costs paid		(222,900)	-
Repayment of long term loans		(1,049,585)	(262,872)
Repayment of capital element of finance leases		<u>(409,024)</u>	<u>(450,790)</u>
Net cash flow from financing activities		(2,549,450)	(1,709,071)
Increase in cash and cash equivalents		556,945	2,069,084
Cash and cash equivalents at 1 January		2,993,062	923,978
Cash and cash equivalents at 31 December	B	<u>£3,550,007</u>	<u>£2,993,062</u>

NOTES TO THE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

Note A**Reconciliation of surplus to net cash inflow from operating activities**

	2021 £	2020 £
Surplus before taxation	1,805,747	105,744
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Depreciation charges	2,056,599	1,998,833
Loss on disposal of tangible fixed assets	-	290,533
Amortisation of capital grants	(1,089,046)	(1,089,046)
Bank and loan interest receivable	(4,032)	(2,481)
Bank and loan interest payable	906,516	1,048,111
Working capital movements:		
(Decrease)/ increase in deferred income	(397,762)	1,793,913
Increase/(decrease) in creditors	2,315,032	(891,790)
(Increase)/decrease in debtors	(1,054,009)	1,495,943
(Increase)/decrease in stocks	(103,377)	15,019
Net cash inflow from operating activities	<u>£4,435,668</u>	<u>£4,764,779</u>

Note B**Cash and cash equivalents**

	2021 £	2020 £
Cash at bank and in hand	<u>£3,550,007</u>	<u>£2,993,062</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 General information

Lancashire County Cricket Club Limited ("The Club") is a cricket club that competes in English First Class Cricket competitions as well as hosting international cricket. It trades from Emirates Old Trafford Cricket Ground where it also operates a hotel and runs conferences and events.

The Club is a registered society under the Co-operative and Community Benefit Societies Act 2014. The address of its registered office is Emirates Old Trafford, Manchester M16 0PX.

2 Accounting policies

a) Accounting convention

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The financial statements have been prepared on a going concern basis.

As set out in the Board's Responsibilities Statement on page 20, in preparing these financial statements the Board is required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Club will continue in operation. The Club currently meets its day to day working capital requirements with, when required, the help of an overdraft facility which will be in place until at least the end of March 2023.

The financial projections include further development of the ground in 2022 and 2023. To support the development the Club is looking to secure additional external borrowing of up to £8 million. In order to accommodate further borrowing, the Club have asked members to increase the existing debt cap of £30 million to £40 million.

The Board has reviewed in detail the Club's cash flow projections, and its banking facilities and has considered the Club's ability to discharge its liabilities as they fall due and meet its financial covenants. In doing so, they have a reasonable expectation that the Club has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Fixed assets

i) Fixed assets are stated at cost less depreciation.

ii) The improvement element of expenditure on major ground refurbishment work is capitalised.

iii) Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditure for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

iv) Fixed assets are reviewed for impairment only if there is an indication that impairment has occurred. Impairment is measured by comparing the carrying value of the fixed asset or income-generating unit with its recoverable amount. The recoverable amount is the higher of the amounts that can be obtained from selling the fixed asset or income-generating unit, net realisable value, or using the fixed asset or income-generating unit, value in use.

c) Depreciation

Depreciation is provided evenly on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Stands and buildings: various periods from 5 years to 50 years

Equipment, furniture & fittings: various periods from 3 years to 25 years

Motor vehicles: over 5 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

2 Accounting policies (cont'd)

d) Income

All income, including both subscriptions and amounts received from the England and Wales Cricket Board (ECB), is accounted for on an accruals basis except for donations which are accounted for in the year of receipt. Income represents amounts receivable from the Club's principal activities.

The Club's principal activities are comprised of the following:

The staging of domestic and international cricket matches and other large events leading to amounts received from gate receipts, ticket sales, advertising, sponsorship and hospitality.

The provision of catering, hotel, retail and car parking services.

Income received in respect of future periods is treated as deferred income.

e) Stocks

Stocks are stated at the lower of cost or net realisable value.

f) Pensions

Contributions payable to the defined contribution pension schemes are charged to the income and expenditure account in the year to which they relate. The total cost charged to income of £437,343 (2020: £420,122) represents contributions payable to these schemes. As at 31 December 2021 contributions of £85,626 (2020: £63,992) due in respect of the current year had not been paid over to the schemes.

g) Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of Comprehensive Income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised in the statement of Consolidated Comprehensive Income in the same period as the related expenditure.

h) Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all timing differences where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Club's relievable tax losses and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

i) Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the term of the lease.

j) Finance costs

Finance costs of debt are recognised in the income and expenditure account over the term of such instrument at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

2 Accounting policies (cont'd)**k) Finance leases**

It is the Club's policy to lease certain fixtures and equipment under finance leases. The lease terms range between 3 and 7 years. For the year ended 31 December 2021, the average effective borrowing rate was 6 per cent (2020 8.3 per cent). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

l) Financial Instruments

Financial assets and financial liabilities are recognised when the Club becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Club after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Club intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Club transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Club, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

m) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Club performs impairment tests based on fair value less costs to sell or a value in use calculation.

Depreciation

The officers of the Club exercise significant judgement in estimating the useful life of tangible fixed assets. Should these estimates vary, the profit or loss and balance sheet of the following years could be impacted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

3 Salaries, wages and staff related costs

	2021	2020
	£	£
Playing and coaching	3,179,735	2,700,091
Ground and maintenance	1,478,723	1,375,040
Administration	2,027,660	1,674,341
Marketing	1,035,991	1,125,794
Retail	66,982	46,220
Conferences & events and catering	1,287,994	860,535
Indoor Cricket Centre	78,062	87,752
Hotel	779,272	855,833
Cricket Development	129,639	402,802
	<u>£10,064,058</u>	<u>£9,128,408</u>

4 Staff numbers and costs

	2021	2020
	£	£
Salaries and wages	8,212,071	7,147,033
Social security costs	749,423	660,304
Defined contribution pension costs	437,343	420,122
Staff related costs including medical and travelling expenses	665,221	900,949
	<u>£10,064,058</u>	<u>£9,128,408</u>

The average number of employees during the year was as follows:

	2021	2020
	Numbers	Numbers
Playing and coaching	49	33
Ground and maintenance	67	43
Administration	31	23
Marketing	26	32
Retail	5	3
Conferences & events and catering	117	98
Indoor Cricket Centre	10	13
Hotel	41	45
Cricket Development	3	4
	<u>349</u>	<u>294</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Club's auditor for the audit of the Club's financial statements	26,000	16,000
Tax compliance services	4,000	4,000
Total fees payable	<u>£30,000</u>	<u>£20,000</u>

6 Finance costs (net)

	2021	2020
	£	£
Bank interest receivable	<u>(4,032)</u>	<u>(2,481)</u>
Bank interest	823,849	883,608
Non-bank interest	316	34,869
Finance lease charges	47,808	79,413
Amortisation of finance costs	50,221	50,221
	922,194	1,048,111
Gain arising on interest rate cap (note 23)	<u>(15,678)</u>	<u>-</u>
Total interest payable	<u>906,516</u>	<u>1,048,111</u>
Finance costs (net)	<u>£902,484</u>	<u>£1,045,630</u>

The gain arising on adjustment for the interest rate cap relates to the variable rate bank loan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

7 Corporation tax

	2021	2020
	£	£
Current tax on surplus		
UK corporation tax credit - adjustment in respect of prior periods	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

	2021	2020
	£	£
Surplus before taxation	<u>1,805,747</u>	<u>105,744</u>
Tax at 19% (2020: 19%)	343,092	20,091
Expenses not deductible for tax purposes	-	205
Income not taxable in determining taxable profit	(259,757)	(259,757)
Depreciation in the year in excess of capital allowances	115,906	153,546
Capital allowances in the year in excess of depreciation	-	-
Utilisation of tax losses brought forward	(199,241)	-
Losses not utilised	-	87,103
	- current year	-
	- prior year	-
Adjustments in respect of prior years	-	-
Other movements	-	(1,188)
Total tax credit	<u>-</u>	<u>-</u>

	2021	2020
	£	£
Deferred taxation		
Unrelieved tax losses	430,000	430,000
	<u>£430,000</u>	<u>£430,000</u>

At the balance sheet date, the Club has unused tax losses of £5,209,390 (2020: £6,258,084) available for offset against future profits. A deferred tax asset of £430,000 (2020: £430,000) has been recognised in previous periods on the basis of the expected utilisation of losses in the foreseeable future. The amount recognised has been reviewed as at 31 December 2021, no adjustment to the asset recognised was deemed to be necessary.

The main rate of corporation tax is due to increase to 25% in the tax year commencing 1 April 2023 for companies where profits exceed £250,000. A tapered rate will be introduced for profits above £50,000 up to the £250,000 limit.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

8 Tangible fixed assets

	Assets under construction £	Motor vehicles £	Equipment, furniture and fittings £	Stands and buildings £	Total £
Cost					
1 January 2021	279,547	28,460	11,812,477	61,334,931	73,455,415
Additions	831,559	28,488	470,501	-	1,330,548
Disposal	-	-	-	-	-
At 31 December 2021	<u>£1,111,106</u>	<u>£56,948</u>	<u>£12,282,978</u>	<u>£61,334,931</u>	<u>£74,785,963</u>
Depreciation					
1 January 2021	-	28,460	8,206,572	12,043,771	20,278,803
Charge for the year	-	475	810,660	1,245,464	2,056,599
Disposal	-	-	-	-	-
At 31 December 2021	<u>-</u>	<u>£28,935</u>	<u>£9,017,232</u>	<u>£13,289,235</u>	<u>£22,335,402</u>
Net book value					
31 December 2021	<u>£1,111,106</u>	<u>£28,013</u>	<u>£3,265,746</u>	<u>£48,045,696</u>	<u>£52,450,561</u>
31 December 2020	<u>£279,547</u>	<u>-</u>	<u>£3,605,905</u>	<u>£49,291,160</u>	<u>£53,176,612</u>

The net book value of assets held under finance leases within equipment, furniture and fittings is £1,971,460 (2020: £2,131,078).

The land which the Club occupies is held by Lancashire County Cricket Club Limited on a freehold basis and is subject to a charge in favour of Metro Bank PLC (Note 14).

9 Debtors and prepayments

	2021 £	2020 £
Trade debtors	1,364,240	340,773
Other debtors	692,643	590,210
Deferred tax debtor	430,000	430,000
Prepayments	640,733	476,632
Amounts owing from related parties (<i>note 20</i>)	201,902	437,895
	<u>£3,329,518</u>	<u>£2,275,510</u>

10 Stocks

	2021 £	2020 £
Catering stocks	268,271	221,044
Stocks relating to cricket activities	4,093	7,629
Retail stocks	236,678	176,992
	<u>£509,042</u>	<u>£405,665</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

11 Sundry creditors and accrued liabilities

	2021 £	2020 £
Trade creditors	1,579,948	554,084
Finance lease creditors (note 15)	211,722	409,023
Accruals	1,143,227	756,078
Loans (Note 14)	2,075,907	2,041,378
Other taxes and social security costs	1,363,425	987,156
Other creditors	850,564	299,495
Amounts owing to related parties (note 20)	-	24,055
	<u>£7,224,793</u>	<u>£5,071,269</u>

12 Deferred income

	2021 £	2020 £
At 1 January	5,264,897	3,470,984
(Decrease)/ increase in advance cricket receipts during the year	(105,813)	564,346
(Decrease)/ increase in other advance receipts	(291,949)	1,229,567
At 31 December	<u>£4,867,135</u>	<u>£5,264,897</u>

13 Creditors falling due after more than one year

	2021 £	2020 £
Loans (note 14)	23,294,156	24,328,049
Finance lease creditors (note 15)	381,126	592,848
	<u>£23,675,282</u>	<u>£24,920,897</u>

14 Bank loans and overdrafts

	2021 £	2020 £
Bank loans	24,695,043	25,744,628
Other loans	1,042,014	1,042,014
Less: unamortised finance costs	(366,994)	(417,215)
	<u>£25,370,063</u>	<u>£26,369,427</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

14 Bank loans and overdrafts (cont'd)

Instalments relating to the loans fall due as follows:

	2021 £	2020 £
Amounts falling due within one year (note 11)	2,126,128	2,091,599
Less: unamortised finance costs	<u>(50,221)</u>	<u>(50,221)</u>
	2,075,907	2,041,378
Amounts falling due after more than one year (note 13)	23,610,929	24,695,043
Less: unamortised finance costs	<u>(316,773)</u>	<u>(366,994)</u>
	23,294,156	24,328,049
	<u>£25,370,063</u>	<u>£26,369,427</u>

Loan maturity analysis:

In one year or less or on demand	2,075,907	2,041,378
In more than one year but not more than two years	1,069,558	1,033,893
In more than two years but not more than five years	3,432,407	3,318,284
In more than five years	<u>18,792,191</u>	<u>19,975,872</u>
	<u>£25,370,063</u>	<u>£26,369,427</u>

The bank loan is secured by a first legal charge over the Lancashire County Cricket Club Limited ground, in favour of Metro Bank PLC.

15 Financial commitments

	2021 £	2020 £
Minimum lease payments payable:		
Within one year	211,722	409,023
In the second to fifth years inclusive	<u>381,126</u>	<u>592,848</u>
	592,848	1,001,871
Less: future finance charges	<u>(69,840)</u>	<u>(106,348)</u>
Present value of minimum lease payments	<u>£523,008</u>	<u>£895,523</u>

The Finance leases are secured against the individual assets against which they relate.

16 Unamortised capital grants

	2021 £	2020 £
Unamortised capital grants at 1 January	21,744,099	22,833,145
New grants	-	-
Amortised to Income and Expenditure account	<u>(1,089,046)</u>	<u>(1,089,046)</u>
Unamortised capital grants at 31 December	<u>£20,655,053</u>	<u>£21,744,099</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

17 Share capital

	2021	2020
	£	£
Allotted, called up and fully paid Ordinary 5p shares allotted to 3,460 (2020: 3,260) Members in accordance with the rules of Lancashire County Cricket Club Limited	<u>£173</u>	<u>£163</u>

Share capital has been adjusted to reflect the number of existing Members, with voting rights, holding a 5 pence share as at 31 December 2021.

18 Contingent liability

The Club has to date received capital grants amounting to £29,592,878 (2020: £29,592,878) which may become repayable should the Club breach certain conditions relating to those grants, none of which have been breached to date or are forecast to be.

19 Capital commitments

	2021	2020
	£	£
Amounts contracted for but not provided for	<u>£656,414</u>	<u>£437,300</u>

20 Related party transactions

As at the 31 December 2021 Lancashire County Cricket Club Limited had a debtor balance owing from Lancashire County Cricket Club Development Association of £24,072 (2020: £24,055 Creditor balance owing to Lancashire County Cricket Club Development Association).

As at 31 December 2021 Lancashire County Cricket Club Limited had a debtor balance owing from Lancashire Cricket Foundation Limited of £177,830 (2020: £437,895).

Key management compensation in the year totalled £1,349,117 (2020 £910,283).

21 Leasing commitments

Operating lease charges paid during the year for the hire of equipment, including short term hire arrangements, amounted to £498,521 (2020: £129,745).

There are no future minimum lease payments due under non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (cont'd)

22 Financial Instruments

	2021	2020
	£	£
The Club has the following financial instruments:		
Financial assets at fair value through income or expenditure	<u>238,578</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost:		
- Trade Receivables	1,364,240	340,773
- Other Receivables	<u>893,034</u>	<u>536,478</u>
	<u>2,257,274</u>	<u>877,251</u>
Financial liabilities measured at fair value through income or expenditure:		
- Derivative financial instruments	<u>-</u>	<u>-</u>
Financial liabilities measured at amortised cost:		
- Bank Term loans	(24,695,043)	(25,744,628)
- Other loans	(1,042,014)	(1,042,014)
- Finance leases	(592,848)	(1,001,871)
- Trade creditors	(1,579,948)	(554,084)
- Deferred revenue	(4,867,135)	(5,264,897)
- Other creditors	<u>(518,994)</u>	<u>(299,495)</u>
	<u>(33,295,982)</u>	<u>(33,906,989)</u>
Other financial liabilities measured at fair value	<u>-</u>	<u>-</u>

23 Derivative financial instruments

	2021	2020
	£	£
Assets		
Interest rate cap	<u>£238,579</u>	<u>-</u>

On the 17th September 2021 the Club purchased an interest rate cap to hedge against future interest movements. The existing bank loan is subject to interest charged at base rate plus a margin of 3.15% therefore the Club was exposed to interest rate movements and the cap was purchased to limit this exposure if the base rate increases above 3%.

The interest rate cap is valued at fair value through income and expenditure account.







Old Trafford

