

**EVERTON STADIUM DEVELOPMENT
LIMITED**

Annual report and financial statements

for the 59 week period ended 31 May 2018

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EVERTON STADIUM DEVELOPMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D Barrett-Baxendale MBE
A Ryazantsev
R Elstone (Resigned 1 June 2018)
K Harris (Appointed 11 September 2018)

SECRETARY

C Anderson (Resigned 30 October 2017)

REGISTERED OFFICE

Goodison Park
Goodison Road
Liverpool
L4 4EL

BANKERS

Metro Bank
1 Southampton Row
London
WC1B 5HA

AUDITOR

Deloitte LLP
Statutory Auditor
Liverpool
United Kingdom

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements and auditor's report for the 59 weeks ended 31 May 2018. The Company was incorporated on 10 April 2017, therefore this is the first accounting period of the Company and hence there is no comparative information. Upon incorporation, one ordinary share of £1 was issued.

The Directors' Report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption, under s414 of the Companies Act 2006, and accordingly a Strategic Report has not been prepared.

PRINCIPAL ACTIVITIES

The Company acts as a development vehicle for future group activities in relation to the new stadium project.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the year are presented on page 8. The loss for the year, after taxation, amounted to £11,405,931. The Directors are unable to recommend the payment of a dividend.

Risks and Uncertainties

The Company is in a net liabilities position of £11,405,930. The Directors of Everton Stadium Development Limited have received a letter from Everton Football Club Company Limited ("the Group") confirming that "intercompany balances within the Group will not be called in within 12 months of the signing of the financial statements. It is acknowledged that the risks and uncertainties facing the Company are intrinsically linked to those of the parent company, Everton Football Club Company Limited. In relying on the letter of support, the Directors have considered the matters noted below which have been disclosed in the financial statements of Everton Football Club Company Limited. Until a funding package is agreed, future support is required from the Group to enable the company to continue to meet its liabilities.

The Board of Everton Football Club Company Limited ("The Board") recognises there are risks which affect the Group and has sought to minimise those risks. The Group's cost base, in common with other football clubs, is relatively fixed in the short term, hence unfavourable movements in revenue, including those arising from below budget on-pitch performance, can lead to significant variation in profits. It is the aim of the Board to maximise the flexibility of the cost base to manage unexpected revenue reductions.

The Group also addresses industry risks through the attendance and participation of Club management at FA Premier League meetings, where risks and issues affecting FA Premier League clubs are discussed with representatives of other FA Premier League clubs with a view to mitigating any such identified risks.

In ensuring that the Group has sufficient liquid resources to meet its liabilities as they fall due the Directors have reviewed in detail the business' cash flow projections. As disclosed in note 1, during the 2017/18 season the Group met its day to day working capital requirements through its cash reserves, shareholder support, revolving credit facility and through the securitisation of future guaranteed receivables.

The Group's trading projections show that it has a reasonable expectation of staying within its currently available, and future anticipated, finance facilities for at least 12 months from the date of signing of these accounts. In preparing these trading projections, a number of additional inherent uncertainties have been identified; notably on-field performance and the resultant reduction in the Premier League domestic broadcasting merit award payment and the level of player trading.

The Company's and Group's Directors have considered the net current liability position and other inherent uncertainties and, in the event that they would be required, have identified a number of potential mitigating actions to manage any resulting forecast shortfall against current facilities including the ability within the industry to securitise additional future guaranteed revenues and flexibility around player trading.

Based on the mitigating actions referred to above and the comfort obtained from current funding partners, as well as the continued financial support of Bluesky Capital Limited, a company controlled by the Group's majority shareholder, Mr Moshiri, and also the parent company, Everton Football Club Company Limited, the Company's and Group's Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the Annual Report and Accounts.

Future Outlook

In the short term the Directors do not expect the Company to experience any significant change from its current operations.

DIRECTORS' REPORT

DIRECTORS

The names of the Directors who served from incorporation (unless otherwise stated), and to the date of this report, were as follows:

D Barrett-Baxendale MBE

A Ryazantsev

R Elstone (Resigned 1 June 2018)

K Harris (Appointed 11 September 2018)

No Director has an interest in the shares of the Company or any other group undertaking, other than the parent undertaking. The Directors' interests in the shares of the parent undertaking, Everton Football Club Company Limited, are disclosed in the Directors' Report of that Company.

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- (1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:



A Ryazantsev
Director

10 January 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVERTON STADIUM DEVELOPMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Everton Stadium Development Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st May 2018 and of its loss for the 59 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 10

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Conclusions related to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVERTON STADIUM DEVELOPMENT LIMITED

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 respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

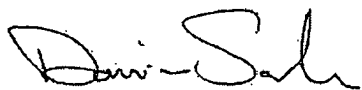
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVERTON STADIUM DEVELOPMENT LIMITED

Use of our report

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



Damian Sanders FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Liverpool, United Kingdom
10 January 2019

EVERTON STADIUM DEVELOPMENT LIMITED

PROFIT AND LOSS ACCOUNT For the 59 weeks ended 31 May 2018

	Note	2018 £
Operating expenses		<u>(11,405,931)</u>
OPERATING LOSS	3	<u>(11,405,931)</u>
LOSS BEFORE TAXATION		(11,405,931)
Tax on Loss	5	<u>-</u>
LOSS FOR THE FINANCIAL YEAR		<u>(11,405,931)</u>

All the above results were derived from continuing operations.

There are no recognised gains and losses for the current or prior financial year other than as stated in the profit and loss account above. Accordingly, no separate Statement of Comprehensive Income has been presented.

EVERTON STADIUM DEVELOPMENT LIMITED

BALANCE SHEET

As at 31 May 2018

	Note	2018 £
CURRENT ASSETS		
Debtors	6	85,713
CREDITORS: Amounts falling due within one year	7	(11,491,643)
NET CURRENT LIABILITIES		(11,405,930)
TOTAL ASSETS LESS CURRENT LIABILITIES		(11,405,930)
NET LIABILITIES		(11,405,930)
CAPITAL AND RESERVES		
Called up share capital	8	1
Profit and loss account	8	(11,405,931)
SHAREHOLDER'S DEFICIT		(11,405,930)

The financial statements of Everton Stadium Development Limited (Company number 10719054) were approved by the Board of Directors on 10 January 2019.

Signed on behalf of the Board of Directors



A Ryazantsev
Director

EVERTON STADIUM DEVELOPMENT LIMITED

STATEMENT OF CHANGES IN EQUITY **As at 31 May 2018**

	Called up share capital £	Profit and loss account £	Total £
At 10 April 2017	-	-	-
Issue of shares on incorporation	1	-	1
Loss and total comprehensive expense for the year	-	(11,405,931)	(11,405,931)
At 31 May 2018	<u>1</u>	<u>(11,405,931)</u>	<u>(11,405,930)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the 59 weeks ended 31 May 2018

1. ACCOUNTING POLICIES

General information and basis of accounting

Everton Stadium Development Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The Company was incorporated on 10 April 2017, therefore this is the first accounting period of the Company and hence there is no comparative information. These statutory accounts are produced for a 59 week period ending 31 May 2018. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' Report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Everton Stadium Development Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Everton Stadium Development Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Everton Stadium Development Limited is consolidated in the financial statements of its parent, Everton Football Club Company Limited, which may be obtained from Companies House. Exemptions have been taken in these financial statements in relation to financial instruments and presentation of a cash flow statement.

Going concern

As set out in the Directors' Responsibilities Statement on page 4, in preparing these financial statements the Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. It is acknowledged that the risks and uncertainties facing the Company are intrinsically linked to those of Everton Football Club Company Limited ("the Group"). In satisfaction of this responsibility the Directors have reviewed in detail the business' cash flow projections, and considered the Group's ability to meet its liabilities as they fall due.

During the 2017/18 season the Group met its day to day working capital requirements through its cash reserves, shareholder support, revolving credit facility and through the securitisation of future guaranteed receivables. This RCF facility is a three year facility which reduces over the term to July 2020.

Because of the predictable nature of football club revenue streams, the Group is able to obtain further funding if required through the securitisation of future guaranteed revenues, as is common industry practice, and as it has done in the past.

The Group's trading projections show that it has a reasonable expectation of staying within its currently available, and future anticipated, finance facilities for at least 12 months from the date of signing of these accounts. In preparing these trading projections, a number of additional inherent uncertainties have been identified; notably on-field performance and the resultant reduction in the Premier League domestic broadcasting merit award payment and the level of player trading.

The Company's and Group's Directors have considered the net current liability position and other inherent uncertainties and, in the event that they would be required, have identified a number of potential mitigating actions to manage any resulting forecast shortfall against current facilities including the ability within the industry to securitise additional future guaranteed revenues and flexibility around player trading.

Based on the mitigating actions referred to above, as well as the continued financial support of Bluesky Capital Limited, a company controlled by Mr Moshiri, and also the parent company, Everton Football Club Company Limited, the Company's and Group's Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the Annual Report and Accounts

NOTES TO THE FINANCIAL STATEMENTS

For the 59 weeks ended 31 May 2018

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

The company has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Debtors are recognised at the settlement amount due after any discount offered.

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

Current taxation

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

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they be recovered. Deferred tax assets and liabilities are not discounted.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors do not consider there are any critical judgements or sources of estimation uncertainty requiring disclosure beyond the accounting policies listed above.

NOTES TO THE FINANCIAL STATEMENTS

For the 59 weeks ended 31 May 2018

3. OPERATING LOSS

Fees payable to the Company's auditor for the audit of the Company's annual accounts totalled £2,000. No non-audit fees were incurred during the period.

The operating expenses incurred in the year relate to, amongst other items, various architect, surveyors, project management, finance, legal and planning fees on the new stadium project which cannot be capitalised under FRS 102.17.4 until planning permission for the project has been granted.

4. DIRECTORS' REMUNERATION

The Directors received no emoluments from the Company during the period. The Directors are remunerated by another Group company. Details of total remuneration are included in the financial statements of Everton Football Club Company Limited. Other than the Directors, the Company has no employees.

5. TAXATION ON LOSS ON ORDINARY ACTIVITIES

(i) Current tax	2018
	£

Total and current tax	-
	-

(ii) Factors affecting tax charge for the current year

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2018
	£
Loss for the year – continuing operations	(11,405,931)
Tax on profit at standard UK tax rate of 19%	(2,167,127)
Effects of:	
- Expenses not deductible for tax purposes	2,167,127
Tax charge for the year	-

(iii) Factors that may affect the future tax charge

A deferred tax asset of £nil has not been recognised. The asset will be recovered when relevant profits arise in the company which facilitate the offset of the brought forward losses.

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 May 2018.

6. DEBTORS

	2018
	£
Sundry Debtors	6,180
VAT	79,533
	85,713

All amounts fall due within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the 59 weeks ended 31 May 2018

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018
	£
Trade Creditors	214,015
Amounts owed to parent	11,253,761
Accruals	23,867
	<u>11,491,643</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

8. CALLED UP SHARE CAPITAL AND RESERVES

	2018
	£
Called up, allotted and fully paid	
1 ordinary share of £1	<u>1</u>

The Company's other reserve is the profit and loss reserve which represents cumulative profits or losses, net of dividends paid and other adjustments.

9. ULTIMATE CONTROLLING PARTY

The Company is a wholly owned subsidiary undertaking of Everton Football Club Company Limited, which produces consolidated group accounts and is registered at the same address as this company. This is the smallest and largest group into which Everton Stadium Development Limited's results are consolidated. The major shareholders of Everton Football Club Company Limited are set out in the group accounts which can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate parent undertaking and controlling party is Blue Horizon Investments Limited, which owns 68.6% of the share capital of the Company. Blue Horizon Investments Limited is incorporated in the Isle of Man and is wholly-owned and controlled by Mr Moshiri.

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted under section 33 of FRS 102 'Related Party Disclosures' not to report transactions between group companies, which are included in the consolidated statements of Everton Football Club Company Limited. There are no other related party transactions in the period.