



Old Trafford

LANCASHIRE COUNTY
CRICKET CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

Emirates Old Trafford hosting India vs Pakistan in the ICC Cricket World Cup in June 2019





Officers and Advisers

PATRON: HER MAJESTY THE QUEEN

PRESIDENT: Sir Howard Bernstein

VICE PRESIDENTS:	MA Atherton OBE HF Atkins Sir Robert Atkins Mrs Alice Bennett R Bennett PJ Brewer DH Cameron J Charlson Dr AJ Crook J Cumbes FD Dunkley S Edge	FM Engineer NH Fairbrother Miss Rose Fitzgibbon Lady Flanagan K Hayhurst J Heaton RI Hinchliffe J Livingstone OBE Sir Clive Lloyd CBE D Lloyd K Medlock OBE D Moss	G Ogden WG Robinson J Simmons MBE Mrs Jacqueline Simmons His Honour Judge E Slinger KB Standring M Watkinson RA Wilson
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BOARD:

President:	Sir Howard Bernstein
Honorary Treasurer & Acting Chairman:	Les Platts
Chairman:	David Hodgkiss OBE (deceased 29 March 2020)
Senior Independent Director:	James Sheridan
Board Members:	Geoffrey Shindler OBE Maurice Watkins CBE Andrew Flintoff MBE Sara Tomkins

Executive Team:	Chief Executive:	Daniel Gidney
	Finance Director/ Secretary:	Lee Morgan
	Director of Cricket:	Paul Allott
	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

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THANK YOU TO LANCASHIRE CRICKET'S PARTNERS AND SPONSORS



PRESIDENT'S TRIBUTE TO DAVID HODGKISS OBE

It is with great sadness that last month, on Sunday 29 March 2020, our beloved Chairman, David Hodgkiss OBE, passed away.

It is incredibly difficult for me to find the words to express my sincere sadness for my close friend and colleague. Having worked alongside David for twenty years, I built an incredibly close relationship with him and have the utmost respect for what he achieved at Lancashire Cricket Club and in business.

His charisma, sense of humour and generosity was without question but above all he was smart, business savvy and well respected, not just throughout cricket but across business communities around the world. He was a hugely influential Chairman of Lancashire Cricket and a fundamental part of the successful William Hare Group, where he was CEO.

David was a man of great integrity and tenaciously loyal to the Club over a period of nearly 25 years. He was

Lancashire through and through and his passion for the Red Rose was unquestionable.

David joined the Committee in 1998 and was a valued member of the Red Rose family, and someone who proudly served the Club, holding positions such as Honorary Treasurer and Vice-Chairman, before taking on the position of Chairman. I know that when joining the committee, the Board were immediately struck by his business acumen and detailed knowledge of the construction industry.

During his time as Honorary Treasurer from 2003 to 2013, David presided over a rollercoaster of financial results during one of the most challenging periods in the Club's history which included Lancashire Cricket losing its Test Match status. He was also an integral part of the £60 million redevelopment of Emirates Old Trafford, with his expertise



David Hodgkiss alongside Stephen Fry during the Ashes Test Match

in the building industry helping to create the Club we all know and love today.

It was while he held this position that David still managed the operations of a successful global steel construction business and was awarded his OBE for services to business and exports.

He had a particular skill in developing friendships with people from all walks of life, and everybody he crossed paths with held him in high regard, particularly the England and Wales Cricket Board who valued his contributions and appreciated his hard work.

David was also a popular figure among the Club's Members and many have shared stories of their own personal memories of him. He cared deeply about the Members and the heritage of the Red Rose, and one of his lasting legacies is the Museum that will be located inside the new stand at Emirates Old Trafford.

It's been moving to read the number of tributes which have followed since the announcement of David's death, some of which I will put below. A large majority of the current Lancashire squad shared personal tributes and it goes without saying his kind and thoughtful speeches at many of their cap presentations are words that will stick with them forever. I'd therefore like to share with you several other tributes from key figures from Lancashire Cricket and the ECB.

Paul Allott, Lancashire Director of Cricket: "David put so much into the Club over so many years and he never took anything out. He was a truly selfless individual and a huge benefactor to this Club, a driving force behind our commercial success in recent years and a hugely influential figure in putting the Club on a sound financial footing. He was a father figure in many ways, full of life, and joy and always concerned to make sure that everyone was welcome at the Club and that it retained a family atmosphere. I don't think we will realise the contribution David made until it's not here. We will all miss him greatly."

Dane Vilas, Captain of Lancashire Cricket: "David was universally popular in the changing room. He was warm, caring and humorous, and loved to talk cricket but was also equally happy to discuss life in general and was generous in giving his time to all of us. It was evident that David was a cricket man to the core, incredibly passionate about the Red Rose and loved nothing more than celebrating a Lancashire victory."

Former Lancashire and England batsman, Mike Atherton: "Those of us who knew David will remember him as a warm and generous man, a wholehearted giver to the causes he embraced, whether cricket or conservation, and someone who drank fully from what life has to offer. My own long friendship with him started through Lancashire Cricket but continued through a shared love of fly-fishing and it was in the wilds of the Scottish Highlands and the Borders, where he could be found during weeks of spring and autumn, that he spent some of his happiest times."



Colin Graves CBE, Chairman of the ECB: "David was a vital part of cricket in Lancashire and was passionate about growing and developing the sport in the county. He played an integral role in the redevelopment of Emirates Old Trafford and its status as a leading international ground is a testament to his hard work and dedication."

David's influence and wise counsel clearly extended beyond Lancashire and the wider cricket community. He was a widely acclaimed business leader who made a full contribution to the growth and development of our region over the last 25 years. He was also a source of constant support and counsel to me personally particularly as the City tried to navigate many challenges.

David will be hugely missed by so many people. We owe it to him that we all recover from this crisis, as we surely will. We remain steadfast to our values and ensure that Lancashire Cricket Club and its facilities reach their full potential and remains a source of pride to everyone.

**Sir Howard
Bernstein**
LANCASHIRE CRICKET,
PRESIDENT





David Hodgkiss alongside Morne Morkel at the end of the South Africa Test Match in 2017



Jos Buttler and David Hodgkiss after the wicket keeper signs a new contract at Emirates Old Trafford



James Anderson and David Hodgkiss together at Emirates Old Trafford



David Hodgkiss ringing the bell for the start of play surrounded by Lancashire international players

Lancashire players toasting success after securing the Second Division Title



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CHAIRMAN'S STATEMENT

I start by paying a personal tribute to David. It was a huge shock to hear the news. The shock was all the greater because he was such an energetic and positive leader who lived life to the full. So his passing leaves a big void. But it was for his warmth and his unceasingly caring and helpful attitude to everyone and all that life and work threw at him that he will be remembered most by me. He was the most generous and kind of men. He loved Lancashire Cricket, was passionate in its defence and its development and he leaves the Club well on its way to his often quoted ambition of being the world's best cricket club. We owe it to him to pursue that ambition with 'the vigour of David Hodgkiss'.

It was an enormous honour to be asked by Sir Howard to take on the role of Acting Chairman. Once we are through the current crisis we will plan to make a permanent appointment.

My statement is in two principal parts. As the current crisis and the challenges it poses are uppermost in everyone's mind then that comes first before I reflect on 2019.

Covid 19 and beyond

To date 2020 has seen worldwide challenges in terms of both our health and our finances due to the impact of Coronavirus. In all of my years in business, this is a truly unprecedented health and economic event that will be far reaching for years to come.

The Club has responded quickly in terms of business interruption contingency plans and, with the support of our Bankers, Metro Bank, the ECB and utilising some of the Government measures, has put a plan in place to see us through to the other side of this crisis, assuming of course that this disease is under control by the late summer and early autumn and government policy on social distancing is eased. Further work has been done to help to ensure the Club's survival if the crisis extends beyond this time. These measures include insurance claims on the Club's Business Interruption policy and exploring opportunities available under the Government Business Interruption Loan Scheme and other forms of external investment.



The Point during the India vs Pakistan fixture at Emirates Old Trafford

The Club was recently the first to present its ten-year County Plan to the ECB outlining its ten core strategic objectives for the next ten years:

- Providing a cricket experience in 1,000 state primary schools and 200 new state secondary schools across Lancashire
- Supporting the emergence of 300 active junior sections in Clubs across Lancashire
- Helping to establish 250,000 participants engaged across all Lancashire Cricket Foundation programmes
- Delivering the £3m Greater Manchester 10-point action plan for cricket in partnership with ECB and Greater Manchester Combined Authority
- Targeting seven home grown players in all elite Lancashire teams with three representing England (both men's and women's)
- Winning men's and women's titles across all formats of the game
- Growing the membership base to 10,000
- Achieving an average Operating Profit of £5 million per annum
- Targeting a £10million to £15million reduction in debt enabling a hotel-focused only re-finance in the future
- Achieving average attendance of 12,000 at Emirates Old Trafford for domestic T20 matches, and to be top 3 across all categories of the ECB customer experience programme.

A key element of that quick response was the health and safety of our staff. All but a very small team have been working from home since 23rd March. We have furloughed staff who have no work to do. We have not furloughed players to date as they have been actively engaged with the Club on training and conditioning programs and doing an excellent job engaging with members, mainstream media and social media. Our successful 2019 enabled all of our staff to receive 100% of their normal pay for April, whether furloughed or not. The financial risk to the Club is, however, significant and we have had to take the difficult decision to ask all staff, playing and non playing, to take a 20% pay cut from 1st May for what, we hope, will be only a short period. It is to the credit of our staff that they have responded positively and I thank them.

Unlike a recession, there has been a rapid demand drop off but with some bookings being postponed to the Autumn rather than cancelled. We are hoping for a truncated cricket

season at the back end of the summer that will focus on the forms of cricket that will provide the greatest financial returns - international and white ball cricket. We believe that the world, the UK and the Club will come through this crisis and we will need to be ready to manage the pent-up demand for social and leisure activity that we are already seeing build up.

Looking to the future, the ECB has launched its new County Partnership Agreement in 2020 which, when combined with new funding emanating from The Hundred and the selection of Lancashire and Emirates Old Trafford as one of the regional hubs for the Women's game, gives us confidence in the future to bounce back from Coronavirus and start growing the game again across the North West.

The Club recognises the importance of a strong strategic relationship with the ECB and remains the only First Class County to have signed every agreement put in front of it over the past two years, with the new County Partnership agreement, the bi-lateral international Staging Agreement and Hundred Ball Agreements all being successfully executed.

Emirates Old Trafford will act as host venue to the Manchester Originals for at least the next five summers. I understand there are some mixed feelings about this new competition. This is potentially both an opportunity and a threat. The exposure of cricket to a much bigger audience provided by the coverage on the BBC cannot fail to increase the level of interest in the game as a whole. It is our challenge to ensure that this results in us being able to grow the Lancashire brand rather than dilute it. Please be re-assured that this is a core objective of the Board and the Executive Team. At the same time the Club will undoubtedly benefit from hosting four matches in The Hundred each summer.

As you know we have started to plan to replace the existing Red Rose building with a new stand that would complete the development of Emirates Old Trafford, fulfilling a vision that was set twenty years ago and to which David was strongly committed. Plans for that and the plan for an extension to the hotel are inevitably on hold and the timing of them will need to be reconsidered.

Pride in 2019

Turning to 2019's performance on and off the field; the financial results reported in these accounts are a clear reflection of the return on investment of both the Emirates Old Trafford stadium and also the excellent team of individuals, from the Board and Executive Team downwards, who have worked tirelessly to prepare for hosting the year's events and to then deliver them to a world class standard.

The Finance Report provides plenty of detail to explain the source of the record financial returns generated across most of the Club's activities during the year. Whilst the focus clearly rests on the success of the Cricket World Cup and Ashes, in many ways the greater achievement is



Dane Vilas acknowledges the crowd at Emirates Old Trafford



Indian supporters celebrating their victory over rivals Pakistan

the remarkable growth in Blast sales combined with the ability of the Club's staff to achieve challenging budgets for Sponsorship and combined hotel and Conference & Events sales. It would have been all too easy for them to have taken their eyes off those particular balls.

After the disappointment of relegation in 2018, the team bounced back in fine style with an undefeated campaign leaving them as runaway Second Division County Champions. We were also the nearly men in white ball cricket, only missing out at the last hurdle in securing a place in the final in both 50 over and t20 competitions after strong group stage performances.

Many of our young players were given the opportunity to play more games last season which can only stand us in good stead to be competitive back in Division 1. At the same time, their performances have led to England recognition with both Matt Parkinson and Saqib Mahmood making their debuts and taking their first wickets, which I believe will be the first of many. The squad for the recent Test tour of Sri Lanka included Matt Parkinson, Saqib Mahmood, Keaton Jennings and Jos Buttler. So Lancashire provided a healthy percentage of a squad that excluded Jimmy Anderson. The future looks very healthy with the young talent available to us with a further seven Academy players recently being given new Rookie contracts.

Board and Executive team

I'd like to make special mention of Geoffrey Shindler who joined the Board back in 2006, and has been a key member throughout a huge period of change for the Club. Geoffrey is stepping down from the Board at the forthcoming Annual General Meeting and being made a Senior Vice-President of the Club in recognition of his long and valued service.

In the early months of 2020 the Club has welcomed three new additions to the Executive Team. Steve Davies has

joined from Merlin Entertainment (most recently at Madame Tussaud's) as the new Operations Director and from within the Club, Liz Cooper has been promoted as the new Partnership Director and Angela Hodson as the new Sales Director. This follows the departure of Anthony Mundy and Justin Hopwood who have left to pursue new challenges. I'd like to thank them for their efforts and significant contributions to the Club's fortunes during the time at the Club and most notably 2019's financial result. I believe these new Directors will provide a new perspective and freshness to the team as the Club moves into a challenging but exciting era and as the world recovers from the virus.

Conclusion

Finally, I take this opportunity to thank members for all their support in 2019. It was encouraging to see membership numbers increasing over the past two years, and hopefully the recent surge in interest in cricket, specifically following England's success in winning the Cricket World Cup last summer, will help the numbers continue to grow by attracting new audiences. We will continue to enhance membership facilities and work with the Members Representative Group and all of our members to pursue David's ambition of building "the world's best cricket club".

Whatever this season brings, we look forward to seeing you all back again for what we hope will be an enjoyable, albeit truncated, 2020 season.

Les Platts

LANCASHIRE CRICKET,
ACTING CHAIRMAN



England Captain Eoin Morgan leaving the field after his record-breaking innings against Afghanistan





FINANCE REPORT

This Finance Report has been finalised at a time when the Club is facing a greater level of uncertainty over both its cricket and non-cricket operations than it has ever faced before.

1. 2019 Financial Performance

The Club is pleased to announce an operating profit of £7,578,000 for the year ended 31 December 2019. The impact of a Cricket World Cup combined with an Ashes Test match has seen cricket and hospitality revenues increase significantly and the Club generate a healthy net profit of £5million, a record in the Club's history.

International Cricket

The months of June and July were dominated by the Cricket World Cup which saw capacity crowds generating strong revenues, particularly for hospitality where the Club was able to leverage maximum sales from the India versus Pakistan game. Following the Cricket World Cup, Emirates Old Trafford also hosted the 4th Ashes Test match, historically the most popular fixture in the cricket calendar. This year was no exception with tickets selling out and more than 117,000 spectators attending across the five days.

Domestic Cricket

Following the success and impact of the Cricket World Cup, domestic T20 Blast attendances and revenues grew significantly from the prior year. This culminated in the final match of the season attracting an attendance of over 15,000, which was a Club record for any T20 Blast match other than for a Roses game. The County Championship and 50 Over match day financial returns continued to fall from what was already a low base.

Hotel and Conference & Events

Conference and events revenues have fallen year on year; however this is largely due to the site being locked down for a vast proportion of June and July, a consequence of hosting the Cricket World Cup. Hotel revenues have increased by £322,000, predominantly due to the growth in occupancy from 71% to 78%.

Other income

The key constituents of miscellaneous income are car parking revenues and franchise income from the Caffé Nero shop. The former remained relatively static year on year, but the shop income continues to grow following its

Dark clouds descending over Emirates Old Trafford as the Ashes slipped away





Josh Bohannon celebrating his maiden First-Class hundred at Emirates Old Trafford

launch in February 2018. The Retail operation was brought back in house in April 2018 and 2019 saw the first full year of trading, yielding over £500,000 of revenue.

Expenditure

Not surprisingly, there was a significant increase in staff costs in 2019 with additional resource being brought in to provide support to cover the additional workload. The Club also took the opportunity to recognise the efforts and contribution all staff made to the Club's record results and was therefore able to share the financial rewards by paying discretionary bonus payments. Playing and coaching payroll and staff related costs increased year on year due to the Club actively investing in the team.

Ground expenses increased by £278,000, with over £100,000 a direct result of increases in utility costs. At the end of 2018 a number of long-term utility agreements expired which saw a large increase in unit prices. Most of the remaining increase is due to additional maintenance to ensure the ground was in its best condition ahead of the Cricket World Cup and Ashes summer.

Capital investment

Capital investment for 2019 stayed at similar levels to 2018, with the Club continuing to catch up from previous years and invest in the facilities to help protect and grow commercial revenues. From a cricketing perspective, the main areas of expenditure were on the two new electronic scoreboards and replay screen combined with the LED strip lighting on the front of B and C stands, with further spend on the outfield, covers and a lighting rig. The Club also took the decision to purchase hospitality furniture and equipment that in previous years would have been hired in.

Balance sheet

For the first time since 2010 the Club has returned to a positive reserves balance of £1.7million. The Club has also reduced its net current liabilities position in the year from

£8.7million down to £500,000. At the same time it has reduced its reliance on advanced receipts by a further £4million. These improvements are a direct by-product of the strong trading results in the year plus the £6.5million reduction in net financial debt due within one year stemming from spreading the Club's debt repayments over a longer term.

Re-financing

During the year the Club successfully secured new long term banking facilities with Metro Bank plc including a consolidated long term loan which delivers a ten year term and twenty year repayment profile, a significantly lower blended interest rate and a new suite of covenants which significantly simplifies its debt management commitments, allowing the Club to plan ahead with confidence and greater security.

Cashflows

Despite such a dramatic increase in operating profits in 2019, the £3,505,000 net cash inflow is considerably less than the £6,295,000 generated in the prior year. This is a direct result of the timing of advanced cricket sales. In 2018, due to significant sales ahead of the Cricket World Cup and Ashes, the positive movement in advanced receipts was £5.4million which contrasts with a like for like reduction in 2019 of £4.1million. These swings only tend to occur in Ashes years and the preceding year, and in all cases yield positive cash flow timing differences.

From the £3.5million of operating cashflows generated during the year, £501,000 was expended on bank arrangement fees and legal costs associated with the new financing arrangements, £1,333,000 on interest payments and £1,433,000 on capital expenditure. The Club ended the year with a positive cash balance of £924,000.

2. Outlook for 2020 and beyond

The Club faces uncertainty over when the cricket season and non-cricket operations will start up again, with uncertainty thereafter over the rate at which associated revenues will grow. Expenditure is being either cut or stopped altogether wherever possible whilst protecting the positions of the Club's permanent staff. The Government's wider financial measures will help the Club at the same time as Metro Bank are being very supportive. Nevertheless, the risk to the Club will increase the longer the pause in all its operations continues.

Lee Morgan
LANCASHIRE CRICKET,
FINANCE DIRECTOR



The Australians clinching the Ashes with a handful of overs remaining late on the final day





STRATEGIC REPORT

This year's Strategic Report is being written at the time of worldwide uncertainty due to the Coronavirus.

The report has two sections. Firstly, it reports on the importance of the events of 2019 in the context of the Club's history and secondly the risks and uncertainties section focuses on 2020 and the immediate short term challenges the Club is now facing.

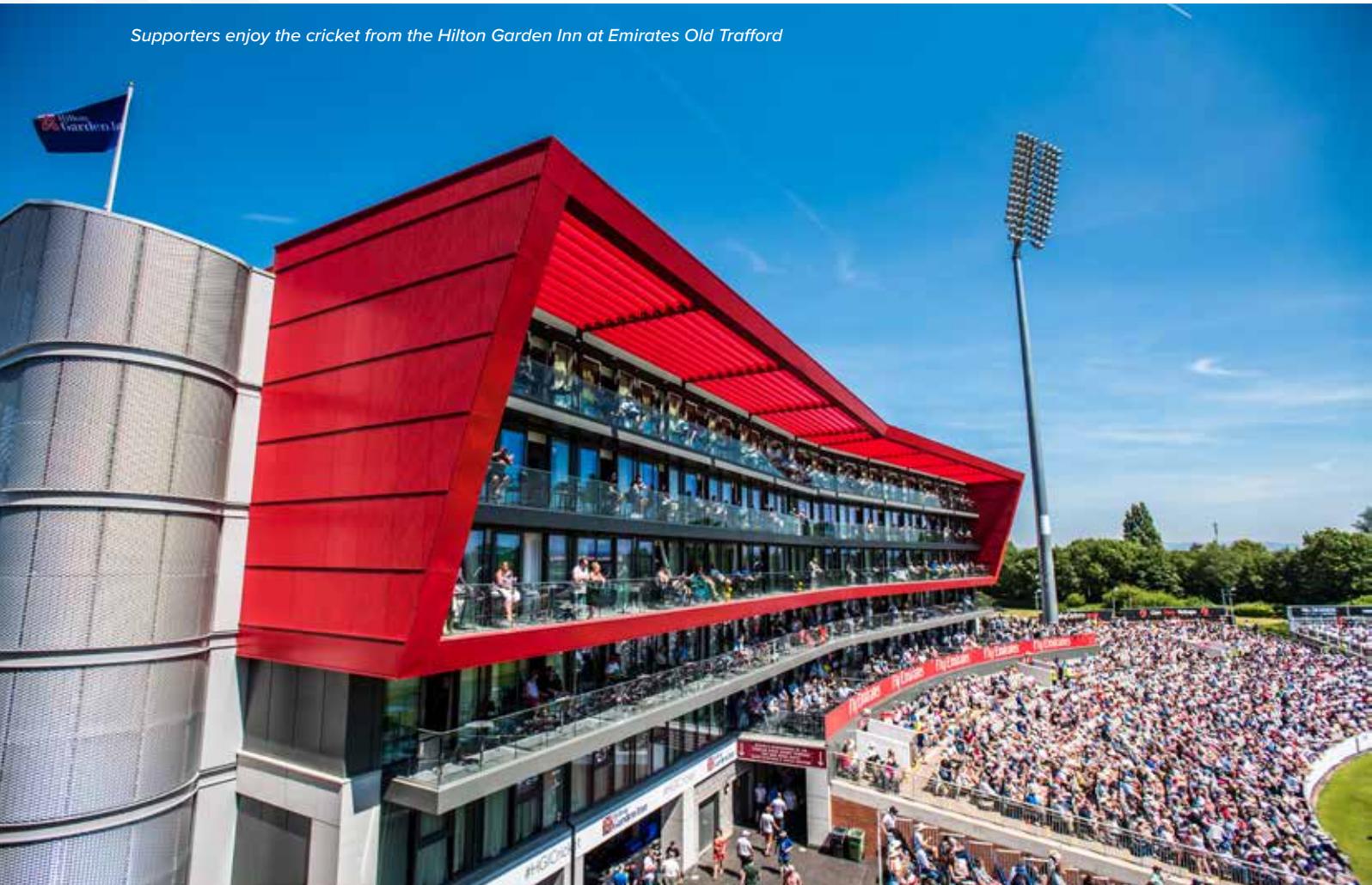
Year ended 31 December 2019

The last ten years have been tumultuous for the Club. The Club ended 2009 after the painful loss of Test Match cricket and the first of four consecutive years of incurring large financial losses whilst it embarked on the development of Old Trafford. At the same time domestic crowds were low across all competitions, including the T20 format where attendances ranged between 2,500 and 5,000.

2019 couldn't have painted a more different picture, with the Club hosting six matches at the ICC Cricket World Cup, including the incredible India v Pakistan match where over one billion people watched worldwide. In addition, over 115,000 fans attended an Ashes Test match as well as the Club seeing record domestic T20 attendances, breaking its non-Roses match record three times.

2019 rubberstamped Emirates Old Trafford's status as a world class venue for hosting major events and specifically led to two recent "This is Manchester" awards - Best Sporting event of 2019 (India v Pakistan) and best Sporting venue, beating the likes of the other Old Trafford and the Etihad - two operations with far superior resources than ours. I'm sure that for all those members who attended, all the matches held at our home were truly memorable occasions. Each individual match seemed to have its own unique signature, starting with the colour and noise of the Indian and Pakistani fans and Eoin Morgan's spectacular

Supporters enjoy the cricket from the Hilton Garden Inn at Emirates Old Trafford





Carlos Brathwaite's century joy just seconds before the agony of being caught on the boundary by Trent Boult to deny a famous come-back victory

century with a record seventeen sixes, right through to Trent Boult's boundary catch to dismiss a despairing Carlos Brathwaite and the shock win by New Zealand in the semi-final. Later in the summer it was then such a shame that England could not quite hang on for a draw after a gripping five days of Test match cricket which saw the Australians retain the Ashes. As members of the Club we should all take huge satisfaction from the show we put on to the watching world.

On the field, in winning the Second Division title, the Club went unbeaten in red ball cricket, the only County to achieve this feat, and reached the knockout stages in both the white ball competitions. These successes were cemented by a team built around a core of young Lancashire players and with four players being involved with England.

With a 2019 turnover of in excess of £34million, of which only £3m is centrally distributed broadcast revenue, Lancashire Cricket is placed above a number of smaller Premier League Clubs once broadcast revenue is excluded on a like for like basis. However, this success is by no means the summit of the Club's future aspirations and ambitions. Indeed, it provides a perfect platform for future growth.

The record financial success for the Club in 2019, in generating significant net profit and positive cashflow, has enabled the Club to return to positive balance sheet territory.

This, coupled with the refinance from Nat West to Metro Bank earlier in 2019, were the two key activities that have offered the Club some room to manoeuvre as it steers its way through the Coronavirus crisis. Metro Bank have been very proactive in their support for the Club as the events surrounding the disease growing in the UK has evolved.

The record financial year and re-financing provide the Club with the platform to navigate the short term challenges and to bridge to an at best truncated and busy cricket season later in the summer followed by a strong order book of re-booked conference, events and hotel stays postponed from the spring.

Reach

A key element of the Club's future strategy is reach. To achieve the specific objectives of increasing engagement in Schools and Clubs and also attendances to matches at Emirates Old Trafford, we need a clear outreach plan to grow and develop our supporter, fan and Membership base.

This will be undertaken via two key paths:

- Firstly, 2020 will see the launch of Lancashire TV. On the assumption we can get domestic cricket away, it is possible that that these may have to be behind closed doors and we will be live streaming as many home matches as we can. ►



Jos Buttler lifting aloft the Cricket World Cup trophy at a sun-drenched Lord's

- Secondly, the 2019 ICC Cricket World Cup match between India and Pakistan opened our eyes to the potential for the growth of Lancashire Cricket as an international brand and India will form the cornerstone of the Club's export strategy going forward. The Club, supported by the Mayor of Manchester Andy Burnham, visited India on a Trade Mission in late 2019 and in early 2020 Keaton Jennings, along with sales executives from the Club, joined a Visit Britain trade mission generating significant interest in in-bound travel trade, match day hospitality and MICE business for Emirates Old Trafford.

A week-long training camp for the squad at the home of IPL team Mumbai Indians, soon followed in February 2020. This was supported with a reception at the official residence of the Deputy High Commissioner, Crispin Simon along with a number of buyers. There are millions of cricket supporters in India, and our aspiration is to make Lancashire Cricket every Indian's favourite second team. With India touring and playing matches at Emirates Old Trafford in both 2021 and 2022 the stage is set.

Risks and uncertainties

Notwithstanding a record year, the impact of Coronavirus has created significant risk and uncertainty virtually out of nowhere resulting in unprecedented government

intervention into the economy to support the immediate demand shock.

The Key risks and uncertainties facing the Club as a direct result of Covid-19 during 2020 are as follows:

- A truncated or even cancelled cricket season and the resulting potential loss of ticket, hospitality and food and beverage revenue.
- In the event of any of the major cricket matches at Emirates Old Trafford in 2020 (Australia IT20, Pakistan Test Match or Roses T20 match) being cancelled the subsequent potential impact on sponsorship revenue and broadcast revenue (delivered through ECB distributions).
- The Hundred competition being delayed to 2021 and the loss of the specific ECB distribution and match returns.
- The strong forward order book for Conference, Events and Hotel in the Autumn being postponed to 2021 due to the disease not being under control by September 1st.
- The international cricket schedule for 2021 in the UK not being released by the ECB with the result that no cashflow from advance ticket sales is available in the Autumn of 2020. ▶



Andy Burnham, Alex Hartley and Daniel Gidney at the launch of 'A Strategy for cricket in Greater Manchester'



*Matt Parkinson in England colours
after making his debut in 2019*



Lancashire enjoyed an unbeaten season in the County Championship Division Two

In terms of specific mitigation strategies for the above five bullets:

- The ECB have confirmed that their insurance will cover the value of tickets sold for an International match and that they have the power to defer or even cancel relevant staging fees. Loss of food and beverage and hospitality returns would be mitigated by not incurring the relevant expenditure associated with those returns.
- The ECB have a signed 5-year Broadcast agreement worth over £1billion and have already received the majority of 2020's associated revenue. This has enabled the ECB to advance future distributions to help fund short term funding shortfalls. Any material loss of viewing figures from a major event has the ability of being mitigated via providing additional benefits to Broadcasters and Sponsors and or even extending their term. In addition, subject to mass gatherings up to 500 being allowed, then matches can be played behind closed doors fulfilling contracts to Broadcasters and Sponsors.
- The ECB have the opportunity to postpone the Hundred for one year and amortise the distributions over six years.
- The forward order book remains strong. Unless the virus is still requiring no mass gatherings above 500 in September then this risk is mitigated.
- There is no evidence that this virus will still require no mass gatherings in late summer 2021.

In terms of general mitigation, the major and successful re-finance with Metro Bank in early 2019 saw the Club's interest burden halved and reduced further still with the recent reductions to base rates. The support of our Bank at this time is unusually strong and proactive. The Bank are working closely with us in terms of agreeing covenant compliance, extended debt repayment holidays and even potential additional short-term working capital support. This coupled with the Club's existing cash reserves built up from 2019 have enabled us to build a bridge to when revenues are currently forecast to recover from a delayed and truncated cricket season at the end of the summer and a strong conference and events and hotel autumn forward order book. However, should the pandemic and measures to control it continue into

the winter, the Club will look to take advantage of the benefit from insurance claims on the Club's Business Interruption policy and explore opportunities available under the Government Business Interruption Loan Scheme and other forms of external investment that could provide long as well as short term support.

In the immediate short term, the Club has halted all unnecessary expenditure, including any development work on new projects, and is working closely with all staff in endeavouring to avoid redundancies as there is a belief that, unlike a recession, the demand will remain after the short-term restrictions. No Business rates payable for twelve months and approved deferral of VAT payments are a welcome fillip. The Club has also taken advantage of the Government's Staff Compensation Scheme for furloughed staff.

Managing cash flow has become embedded in the Club's DNA and now it is about managing the built-up headroom so that the Club can thread a path to when the demand returns later this year.

Looking forward to 2021 and beyond, assuming that the virus is under control in the UK, the Club has significant financial certainty. Long term sponsorship agreements, a stable conference, events and hotel business with established demand trends and thus predictable revenues once this disease has been controlled. In addition to this, the new ECB broadcast agreement, with an increase in core distributions to over £3m per annum for the next five years, as well as having secured four test matches in the next five years, represents a solid base. In short, the Club has spent ten years creating a sustainable and diversified business that will enable the Club, once it has steered through the financial disruption of 2020 to grow into the future.

Daniel Gidney
LANCASHIRE CRICKET,
CHIEF EXECUTIVE
28 APRIL 2020



The idyllic scene at Sedbergh for the County game against Durham





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. ►



Saqib Mahmood, another England debutant, celebrating an international wicket in New Zealand





The ground staff team responsible for delivering the quality surfaces that provided the platform for a tremendous series of matches across the summer

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 exercise.

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 Maurice Watkins.

The Nominations Committee is formally constituted with written terms of reference which are defined in the Club Rules and reviewed regularly. It currently consists of Sara Tomkins as Chair plus a non-Board member and non-member. The constitution of this Committee is currently under review as part of a wider-ranging governance review linked to a central initiative by the ECB.

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 Les Platts and during the year comprised two other Board members – Chairman, David Hodgkiss and Senior Independent Director, James Sheridan. 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. Following the sad passing of David Hodgkiss, Sir Howard Bernstein, Club President, has joined this committee.

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 2019 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 2019 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.

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.

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

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Club'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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2(a) to the financial statements, concerning the Club's ability to continue as a going concern.

The Club has net current liabilities at 31 December 2019 of £489,008 (2018: £8,689,724). This condition along with the disruption to the Club as a result of the Covid-19 pandemic as set out in note 2(a) to the financial statements indicate the existence of a material uncertainty which may cast significant doubt upon the Club's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Club was unable to continue as a going concern.

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 29, 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.

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.

Mike Jackson

SENIOR STATUTORY AUDITOR
FOR AND ON BEHALF OF
HURST ACCOUNTANTS LIMITED

Chartered Accountants
Statutory Auditors
Lancashire Gate
21 Tiviot Dale
Stockport
Cheshire
SK11TD

29 April 2020

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2019 £	2018 £	2018 £
Income for the year					
Subscriptions		526,028		489,989	
Cricket match receipts		9,311,648		2,583,682	
Hospitality		7,017,413		1,043,053	
ECB distributions		3,218,114		3,402,517	
LCCC sponsorships		1,441,751		1,529,458	
Advertising		450,000		160,000	
Catering sales - cricket		2,630,237		945,300	
Conferences and events revenue		3,854,248		4,098,946	
Indoor Cricket Centre		154,777		195,195	
Retail Income		513,004		211,164	
Miscellaneous income		406,668		865,920	
Hotel income		4,526,035		4,184,458	
Total income for the year			34,049,923		19,709,682
Expenditure for the year					
Salaries, wages and staff related costs	3 & 4	11,013,397		9,135,360	
Cricket match expenses (incl hospitality)		8,449,729		2,234,672	
Conferences & events and catering purchases and overheads		1,487,973		1,314,626	
Ground expenses		1,939,782		1,660,978	
Office costs		1,167,164		815,662	
Miscellaneous costs		294,871		315,883	
Hotel purchases and overheads		1,602,995		1,504,409	
Indoor Cricket Centre purchases and overheads		9,804		16,481	
Cricket Development overheads		83,597		120,205	
Retail Costs		422,137		204,510	
Total expenditure for the year			(26,471,449)		(17,322,786)
Operating profit			7,578,474		2,386,896
Amortisation of capital grants	17	1,099,045		1,073,983	
Depreciation	8	(1,984,893)		(1,878,390)	
Finance costs (net)	6	(1,685,038)		(1,388,976)	
Surplus before taxation			5,007,588		193,513
Corporation tax	7		-		41,231
Surplus after taxation			£5,007,588		£234,744
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 2019. Accordingly no separate statement of comprehensive income has been presented. All operations are continuing.

The notes on pages 37 to 47 form part of these financial statements.

BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2019 £	2018 £	2018 £
Tangible fixed assets	8		54,421,887		54,585,083
Current assets					
Debtors and prepayments	9	3,771,453		3,445,363	
Stocks	10	420,684		302,070	
Cash at bank and in hand		923,978		103,921	
		<u>5,116,115</u>		<u>3,851,354</u>	
Creditors: amounts falling due within one year					
Sundry creditors and accrued liabilities	11	(5,605,123)		(12,541,078)	
Net current liabilities			<u>(489,008)</u>		<u>(8,689,724)</u>
Total assets less current liabilities			53,932,879		45,895,359
Less deferred income	12		(3,470,984)		(7,532,721)
			<u>50,461,895</u>		<u>38,362,638</u>
Financed by:					
Creditors: amounts falling due after more than one year	13	25,884,728		17,784,946	
Unamortised grants	17	22,833,145		23,841,290	
			48,717,873		41,626,236
Capital and reserves					
Share capital	18	241		210	
General reserve		1,743,780		(3,263,808)	
			1,744,021		(3,263,598)
			<u>£50,461,894</u>		<u>£38,362,638</u>

The financial statements of Lancashire County Cricket Club Limited, Registration number 28451R, on pages 32 to 47 were approved on 28 April 2020 on behalf of the Board by:

LM PLATTS | HONORARY TREASURER & ACTING CHAIRMAN

DANIEL GIDNEY | CHIEF EXECUTIVE

L MORGAN | FINANCE DIRECTOR & SECRETARY

The notes on pages 37 to 47 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	General reserve £	Total equity £
At 1 January 2018	214	(3,498,552)	(3,498,338)
Surplus for the financial year	-	234,744	234,744
Decrease in share capital	(4)	-	(4)
At 31 December 2018	210	(3,263,808)	(3,263,598)
Surplus for the financial year	-	5,007,588	5,007,588
Increase in share capital	31	-	31
At 31 December 2019	<u>£241</u>	<u>£1,743,780</u>	<u>£1,744,021</u>

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Net cash inflow from operating activities	A	3,505,107	6,295,338
Investing activities			
Payments to acquire tangible fixed assets		<u>(1,433,054)</u>	<u>(1,402,079)</u>
Net cash flow from investing activities		(1,433,054)	(1,402,079)
Taxation			
Tax received		-	41,231
Financing activities			
Interest received		1,047	-
Interest paid		(1,334,966)	(1,755,664)
Interest element of finance lease rental payments		(99,555)	(107,839)
Finance costs paid		(501,289)	(58,322)
Grants received		90,900	264,851
Long term loan money received		26,000,000	2,824,601
Repayment of long term loans		(24,551,844)	(3,969,818)
Repayment of capital element of finance leases		<u>(456,950)</u>	<u>(399,862)</u>
Net cash flow from financing activities		(852,657)	(3,202,053)
Increase in cash and cash equivalents		1,219,396	1,732,437
Cash and cash equivalents at 1 January		<u>(295,418)</u>	<u>(2,027,855)</u>
Cash and cash equivalents at 31 December	B	<u>£923,978</u>	<u>£(295,418)</u>

NOTES TO THE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	2019 £	2018 £
Surplus before taxation	5,007,588	193,513
Adjustments to reconcile surplus for the year to net cash flow from operating activities:		
Depreciation charges	1,984,893	1,878,390
Amortisation of capital grants	(1,099,045)	(1,073,983)
Bank and loan interest receivable	(1,047)	-
Bank and loan interest payable	1,686,085	1,388,976
Working capital movements:		
(Decrease)/Increase in deferred income	(4,061,737)	5,430,912
Increase/(decrease) in creditors	433,074	(549,576)
(Increase) in debtors	(326,090)	(886,126)
(Increase) in stocks	(118,614)	(86,768)
Net cash inflow from operating activities	<u>£3,505,107</u>	<u>£6,295,338</u>

Note B**Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	923,978	103,921
Bank overdraft	-	(399,339)
Cash and cash equivalents	<u>£923,978</u>	<u>£(295,418)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

Notwithstanding the net current liabilities position at 31 December 2019 of £489,008 (2018: £8,689,724), the financial statements have been prepared on a going concern basis. This is also the conclusion of the Club's Board after taking full consideration of the material uncertainties faced by the Club resulting from the Covid-19 pandemic that is affecting both the UK and World's economies.

As set out in the Board's Responsibilities Statement on page 29, 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 2021. However, following the UK government's announcement on 22 March 2020 that there must be no group gatherings for the foreseeable future, the Club has been forced to close down its day to day operations. This has placed a far greater demand on the Club's financial resources and forced the Board to revisit its financial projections for the next twelve months after assessing the impact of limited or no cricket during the summer and a continuing cessation of its other core businesses. The Board have considered a range of scenarios ranging from merely a truncated cricket season covering the second half of the summer right through to a worse-case scenario where there is no cricket of any form in 2020 and the Club's hotel and conference and events business fails to re-open until early 2021. Under each of these sets of circumstances prudent assumptions have been made on the impact on each of the Club's revenue streams and how it can reduce costs whilst limiting the impact on the Club's ability to maximise its returns as soon as the pandemic is over and there is a return to trading as normal.

In preparing these projections the Club has reflected the committed financial support from the England & Wales Cricket Board and agreement by its bankers, Metro Bank plc, to extend a capital repayment period and waive any financial covenants for the next twelve months. The Club has also taken advantage of government support in reducing business rates, allowing deferral of VAT payments and to help continue paying salaries as well as taking measures to cease all non-critical revenue and capital expenditure and agree payment deferrals with suppliers that are able to help. In addition, whilst the above will ensure that the Club returns to being fully operational, the Board have considered and identified further measures that could, albeit without any absolute certainty, be put in place to ensure the Club's survival should the pandemic continue well beyond the summer and to the end of the year. These measures include insurance claims on the Club's Business Interruption policy and exploring opportunities available under the Government Business Interruption Loan Scheme and other forms of external investment that could provide long as well as short term support.

The Board has reviewed in detail these updated Club cash flow projections and the supporting banking facilities and funding options and considered the Club's ability to discharge its liabilities as they fall due. In doing so, and despite the challenges faced, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

2 Accounting policies (continued)

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 in line with FRS 11. 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

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 £431,051 (2018: £372,194) represents contributions payable to these schemes. As at 31 December 2019 contributions of £71,629 (2018: £56,725) due in respect of the current year had not been paid over to the schemes.

g) Capital grants

Capital grants received are treated as deferred income and credited to the income and expenditure account over the estimated useful life of the relevant fixed assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

2 Accounting policies (continued)**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.

k) Finance leases

It is the Club's policy to lease certain fixtures and equipment under finance leases. The average lease term is 3 - 7 years. For the year ended 31 December 2019, the average effective borrowing rate was 8.3 per cent (2018 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

2 Accounting policies (continued)**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.

3 Salaries, wages and staff related costs

	2019	2018
	£	£
Playing and coaching	3,044,357	2,829,442
Ground and maintenance	1,286,613	1,011,912
Administration	1,696,354	1,257,038
Marketing	1,737,815	1,198,616
Retail	75,766	34,078
Conferences & events and Catering	1,537,353	1,392,092
Indoor Cricket Centre	171,887	198,284
Hotel	1,121,699	942,865
Cricket Development	341,553	271,033
	<u>£11,013,397</u>	<u>£9,135,360</u>

4 Staff numbers and costs

	2019	2018
	£	£
Salaries and wages	8,706,579	7,121,402
Social security costs	777,339	698,947
Defined contribution pension costs	431,051	372,194
Staff related costs including medical and travelling expenses	1,098,428	942,817
	<u>£11,013,397</u>	<u>£9,135,360</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

4 Staff numbers and costs (continued)

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

	2019	2018
	Numbers	Numbers
Playing and coaching	34	32
Ground and maintenance	36	33
Administration	23	20
Marketing	41	34
Retail	2	2
Conferences & events and Catering	204	178
Indoor Cricket Centre	16	18
Hotel	53	45
Cricket Development	7	7
	<u>416</u>	<u>369</u>

5 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the Club's auditor for the audit of the Club's financial statements	25,500	25,500
Tax compliance services	4,000	4,000
Total fees payable	<u>£29,500</u>	<u>£29,500</u>

6 Finance costs (net)

	2019	2018
	£	£
Bank interest receivable	<u>(1,047)</u>	<u>-</u>
Bank interest	761,865	738,609
Non-bank interest	367,290	866,613
Finance lease charges	99,555	103,925
Amortisation of finance costs	<u>364,974</u>	<u>101,980</u>
	1,593,684	1,811,127
Loss/(gain) arising on cash flow hedge - interest rate swap	92,401	(422,151)
Bank interest payable	<u>1,686,085</u>	<u>1,388,976</u>
Finance costs (net)	<u>£1,685,038</u>	<u>£1,388,976</u>

The loss / (gain) arising on adjustment for the interest rate swap relates to the fixed rate bank loan, details of which are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

7 Corporation tax

	2019	2018
	£	£
Current tax on surplus		
UK corporation tax credit - adjustment in respect of prior periods	-	41,231
Deferred tax	-	-
	<u>-</u>	<u>£41,231</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:

	2019	2018
	£	£
Surplus before taxation	<u>5,007,588</u>	<u>193,513</u>
Tax at 19% (2018: 19%)	951,442	36,767
Expenses not deductible for tax purposes	8,381	2,430
Income not taxable in determining taxable profit	(261,656)	(204,057)
Depreciation in the year in excess of capital allowances	-	22,900
Capital allowances in the year in excess of depreciation	(62)	-
Utilisation of tax losses brought forward	(700,961)	-
Losses not utilised	-	153,567
	- current year	
	- prior year	
Adjustments in respect of prior years	(117,341)	(294,680)
Other movements	2,856	(52,838)
Total tax credit	<u>-</u>	<u>£(41,231)</u>
	2019	2018
	£	£
Deferred taxation		
Unrelieved tax losses	<u>430,000</u>	<u>430,000</u>
	<u>£430,000</u>	<u>£430,000</u>

At the balance sheet date, the Club has unused tax losses of £6,704,924 (2018: £9,776,607) available for offset against future profits. A deferred tax asset of £430,000 (2018: £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 2019, no adjustment to the asset recognised was deemed to be necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

8 Tangible fixed assets

	Assets under construction £	Motor vehicles £	Equipment, furniture and fittings £	Stands and buildings £	Total £
Cost					
1 January 2019	-	28,460	9,798,906	61,058,212	70,885,578
Additions	262,243	-	1,468,551	90,903	1,821,697
At 31 December 2019	<u>£262,243</u>	<u>£28,460</u>	<u>£11,267,457</u>	<u>£61,149,115</u>	<u>£72,707,275</u>
Depreciation					
1 January 2019	-	28,460	6,609,395	9,662,640	16,300,495
Charge for the year	-	-	791,016	1,193,877	1,984,893
At 31 December 2019	<u>-</u>	<u>£28,460</u>	<u>£7,400,411</u>	<u>£10,856,517</u>	<u>£18,285,388</u>
Net book value					
31 December 2019	<u>£262,243</u>	<u>-</u>	<u>£3,867,046</u>	<u>£50,292,598</u>	<u>£54,421,887</u>
31 December 2018	<u>-</u>	<u>-</u>	£3,189,511	£51,395,572	£54,585,083

The net book value of assets held under finance leases within equipment, furniture and fittings is £2,301,764 (2018: £1,779,071).

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

	2019 £	2018 £
Trade debtors	1,166,684	1,304,455
Other debtors	764,895	698,823
Deferred tax debtor	430,000	430,000
Prepayments	1,252,163	1,012,085
Amounts owing from related parties (Note 21)	157,711	-
	<u>£3,771,453</u>	<u>£3,445,363</u>

10 Stocks

	2019 £	2018 £
Catering stocks	261,447	201,625
Stocks relating to cricket activities	3,908	5,163
Retail stocks	155,329	95,282
	<u>£420,684</u>	<u>£302,070</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

11 Sundry creditors and accrued liabilities

	2019	2018
	£	£
Bank overdraft	-	399,339
Trade creditors	1,771,298	1,324,790
Finance lease creditors (Note 15)	449,628	436,103
Accruals	1,451,413	1,375,343
Loans (Note 14)	658,371	7,050,146
Other taxes and social security costs	1,002,815	1,355,925
Other creditors	268,403	405,304
Amounts owing to related parties (Note 21)	3,195	194,128
	<u>£5,605,123</u>	<u>£12,541,078</u>

12 Deferred income

	2019	2018
	£	£
At 1 January	7,532,721	2,101,809
(Decrease) / increase in advance cricket receipts during the year	(4,061,737)	5,430,912
At 31 December	<u>£3,470,984</u>	<u>£7,532,721</u>

13 Creditors falling due after more than one year

	2019	2018
	£	£
Loans (Note 14)	24,881,693	15,292,674
Finance lease creditors (Note 15)	1,003,035	790,218
Derivative financial instruments (Note 16)	-	1,702,054
	<u>£25,884,728</u>	<u>£17,784,946</u>

14 Bank loans and overdrafts

	2019	2018
	£	£
Bank overdraft	-	399,339
Bank loans	26,000,000	10,643,790
Other loans	7,500	12,030,154
Less: unamortised finance costs	(467,436)	(331,124)
	<u>£25,540,064</u>	<u>£22,742,159</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

14 Bank loans and overdrafts (continued)

Instalments relating to the loans fall due as follows:

	2019 £	2018 £
Amounts falling due within one year (<i>Note 11</i>)	708,592	7,131,000
Less: unamortised finance costs	(50,221)	(80,854)
	<u>658,371</u>	<u>7,050,146</u>
Amounts falling due after more than one year (<i>Note 13</i>)	25,298,908	15,542,944
Less: unamortised finance costs	(417,215)	(250,270)
	<u>24,881,693</u>	<u>15,292,674</u>
	<u><u>£25,540,064</u></u>	<u><u>£22,342,820</u></u>

Loan maturity analysis:

In one year or less or on demand	658,371	7,050,146
In more than one year but not more than two years	1,881,773	1,402,495
In more than two years but not more than five years	3,124,095	6,892,182
In more than five years	19,875,826	6,997,997
	<u>£25,540,064</u>	<u>£22,342,820</u>

On 28 March 2019 the Club underwent a major refinancing of its bank loans, other loans and overdraft. A new loan of £26 million was secured with Metro Bank plc which will be repayable over a 20 year term commencing on 30 June 2020. This loan replaced all loans with the exception of a small loan due to the England & Wales Cricket Board.

The bank loans and overdraft are secured by a first legal charge over the Lancashire County Cricket Club Limited ground, in favour of Metro Bank plc.

15 Financial commitments

	2019 £	2018 £
Minimum lease payments payable:		
Within one year	449,627	436,103
In the second to fifth years inclusive	1,003,036	790,218
	<u>1,452,663</u>	<u>1,226,321</u>
Less: future finance charges	(185,776)	(80,180)
Present value of minimum lease payments	<u>£1,266,887</u>	<u>£1,146,141</u>

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

16 Derivative financial instruments

	Current		Non - current	
	2019 £	2018 £	2019 £	2018 £
Liabilities				
Interest rate swaps	<u>-</u>	<u>-</u>	<u>-</u>	<u>£1,702,054</u>

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

16 Derivative financial instruments (continued)**Interest rate swap contracts**

The following table details the notional principal amounts and remaining terms of interest swap contracts outstanding as at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate	Notional principal value		Fair value	
		2019	2018	2019	2018
	%	£	£	£	£
5 years +	8.0	-	£7,934,119	-	£(1,702,054)

The interest rate swaps settle on a quarterly basis. The floating rate on interest rate swaps is three months' LIBOR. The Club settled the difference between the fixed and floating interest rate on a net basis. On 28 March 2019 the swap was broken and settled for the sum of £1,794,455.

17 Unamortised capital grants

	2019	2018
	£	£
Unamortised capital grants at 1 January	23,841,290	24,650,422
New grants	90,900	264,851
Amortised to Income and Expenditure account	(1,099,045)	(1,073,983)
Unamortised capital grants at 31 December	<u>£22,833,145</u>	<u>£23,841,290</u>

18 Share capital

	2019	2018
	£	£
Allotted, called up and fully paid Ordinary 5p shares allotted to 4,821 (2018: 4,200) Members in accordance with the rules of Lancashire County Cricket Club Limited	<u>£241</u>	<u>£210</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 2019.

19 Contingent liability

The Club has to date received capital grants amounting to £29,592,878 (2018: £29,501,978) 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.

20 Capital commitments

	2019	2018
	£	£
Amounts contracted for but not provided for	<u>£620,647</u>	<u>£1,394,839</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (cont'd)

21 Related party transactions

As at the 31 December 2019 Lancashire County Cricket Club Limited had a debtor balance owing from Lancashire County Cricket Club Development Association of £723 (2018: £9,130 Creditor balance owing to Lancashire County Cricket Club Limited).

As at 31 December 2019 Lancashire County Cricket Club Limited had a debtor balance owing from Lancashire Cricket Foundation Limited of £156,988 (2018: £26,431 Creditor balance owing to Lancashire County Cricket Club Limited).

As at 31 December 2019 Lancashire County Cricket Club Limited had a creditor balance owing to LCCC Trust Trading Limited of £3,195 (2018: £158,567).

Key management compensation in the year totalled £1,448,110 (2018 £950,460).

22 Leasing commitments

Operating lease charges paid during the year for the hire of equipment, including short term hire arrangements, amounted to £318,955 (2018: £252,541).

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

23 Financial Instruments

	2019 £	2018 £
The Club has the following financial instruments:		
Financial assets at fair value through income or expenditure	<u>-</u>	<u>-</u>
Financial assets that are debt instruments measured at amortised cost:		
- Trade Receivables	1,166,684	1,304,455
- Other Receivables	764,895	698,823
	<u>1,931,579</u>	<u>2,003,278</u>
Financial liabilities measured at fair value through income or expenditure:		
- Derivative financial instruments	<u>-</u>	<u>(1,702,054)</u>
Financial liabilities measured at amortised cost:		
- Bank Term loans	(26,000,000)	(10,643,790)
- Other loans	(7,500)	(14,559,190)
- Finance leases	(1,452,663)	(1,226,321)
- Trade creditors	(1,771,298)	(1,324,790)
- Deferred revenue	(3,470,984)	(7,532,721)
- Other creditors	(268,403)	(542,708)
	<u>(32,970,848)</u>	<u>(35,829,520)</u>
Other financial liabilities measured at fair value	<u>-</u>	<u>-</u>

Jos Buttler lifts the ICC Cricket World Cup at Lord's







A silent remembrance for Lancashire great, Jack Bond



Jos Buttler demolishing the wickets to run out Martin Guptill and secure the World Cup for England

Steve Smith celebrating his double hundred on Day Two of the Ashes Test match



James Anderson walks off having taken another five-for at Emirates Old Trafford





 **Hilton**
Garden Inn



Dane Vilas acknowledging the crowd on his way to a mammoth score of 266



Lancashire hero of the past, Faf du Plessis, raising his bat after his hundred against Australia



New Zealand celebrating during their surprise semi-final win against India



Old Trafford

LANCASHIRE COUNTY CRICKET CLUB LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS 2019