THST Analysis of Tottenham Hotspur Financial Statements 2021-22

THST is pleased to present its analysis of the financial statements of Tottenham Hotspur Limited for the 2021-22 season. This follows our analysis of the results of the 2020-21 season. The presentation of the statements is generally required to follow a set format according to relevant accounting standards but can nevertheless provide strong clues to the answers to the questions that most exercise fans: is the Club spending all it can to remain competitive on the pitch?; where can it do better off-the-field to compete better with its key rivals?; is it overspending in a manner that could endanger its solvency?; is the Club pursuing side projects that distract focus from its core purpose? We'll attempt to address some of these issues in this analysis.

Firstly, it is necessary to describe the Club's corporate structure. The financial statements incorporate the consolidated accounts of Tottenham Hotspur Limited ("THL"), which is the parent company for a number of subsidiaries (taken together, the "Club"). By number, a majority of these are held within the club's property division but in terms of scale these are dwarfed by Tottenham Hotspur Football & Athletic Co. Limited ("THF&ACL"), which runs the men's football club and contributes c. 75% of revenues; and Tottenham Hotspur Stadium Limited ("THSL"), which owns and operates the stadium and contributes much of the remainder. The consolidated accounts of THL capture all of these activities but the financial statements also include the financials of THL as a standalone entity. We have examined the financial statements of the subsidiary companies but for the purposes of this analysis we will mainly stick to those of the Club, unless noted otherwise.

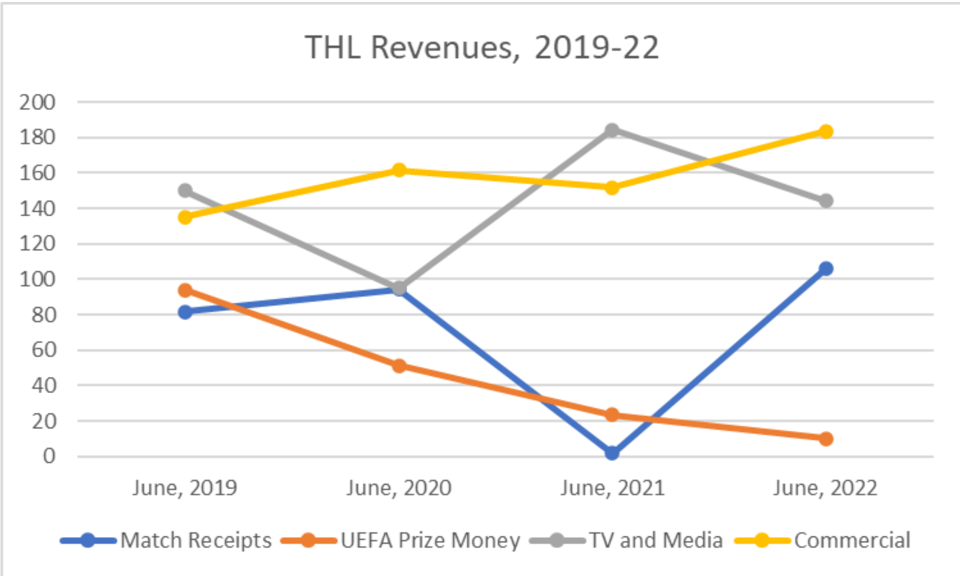
Revenues & Profitability

The 2021-22 season was the first full season of (mainly) full crowds at the new stadium. Previous seasons featured pandemic disruption and the team playing in a variety of permutations at Tottenham Hotspur Stadium ("THS"), Wembley and White Hart Lane. For the first time, we are able to see what a 'normal' season looks like financially for the Club. Headline numbers for the last four years are as follows.

£m	June, 2019	June, 2020	June, 2021	June, 2022
Match Receipts	81.7	94.5	1.9	106.1
UEFA Prize Money	94.0	51.2	23.6	10.2
TV and Media	149.9	95.2	184.4	144.2
Commercial	135.2	161.5	151.9	183.5
Total Revenue	**460.8**	**402.4**	**361.8**	**444.0**
Staff costs	178.6	181.2	204.9	209.2
Other operating costs	115.1	105.8	59.8	121.4
Profit from Operations	**167.1**	**115.4**	**97.1**	**113.5**
Player trading costs	46.2	73.7	82.9	79.9
Player trading profits	10.9	15.4	18.9	19.2
Interest	25.2	43.2	36.8	40.6
Profit/(Loss) before Tax	**68.6**	**-67.7**	**-80.2**	**-61.3**

On the revenue side, at £444m total income was not far off the record year of 2019, which featured the run to the Champions League final. This was driven by match receipts (a figure which includes match day food and beverage sales) hitting a record £106m. Commercial revenues, which include the Nike and AIA arrangements, also grew strongly, claiming a record £183m, driven we suspect by the full year effect of the Cinch sleeve sponsorship and the return of non-football events to THS (the THSL accounts give a potential clue as to the value of such events – there is a c. £14m line item labelled as 'Other' in the revenues which the Club declined the opportunity to elaborate further upon).

The other major components of the revenue base were less impressive. TV and media dropped by £40m to £144m but this is essentially a hangover from the pandemic. The 2020-21 results included five games held over from the 2019-20 season due to lockdown. Strip this out and the 2021 result would largely be the same as that for 2022 – as you'd expect from the largely fixed nature of the TV contracts. The decline of UEFA revenues to £10m has a simpler explanation, reflecting the Club's enforced exit from the Europa Conference League at the group stage versus the round of 16 in the Europa League (£24m) and the £94m earned from reaching the Champions League Final in 2019.



The Club's Profit and Loss Account ("P&L") now subtracts its costs to arrive at profit figures however here we deviate from the accounts to strip out depreciation of the stadium, finance costs and net player trading costs. We shall return to the latter two in due course. This allows us to arrive at our Profits from Operations figure, which is essentially the money left over from revenues after paying necessary operating costs. These consist of salaries, of which player salaries make up the vast majority, and 'Other Operating Costs', the majority of which relate to running the stadium. Staff costs had only a modest increase in 2022 from £205m to £209m. This is not necessarily a surprise given the fixed nature of players' contracts and the increase will therefore only reflect the difference between any renewed contracts and the difference between the contracts of incoming players versus those that left the Club. At this stage we can calculate the wages/turnover ratio, a key metric in the football industry, which for the Club is 47% (£209m wages divided by £444m revenues). This is at a conservative level, certainly one of, if not the, lowest in the Premier League.

Other Operating Costs however doubled to £121m, which reflected the full re-opening of THS, also reflected in a 7% increase in the number of permanent staff. It is this item that will feel the force of current high UK inflation levels, which must be borne in mind when it comes to ticket prices for next season (at the time of writing we have no detail on what is to be proposed). Subtract this £121m figure and the £209m staff costs from revenues and we arrive at a Profit from Operations figure of £114m – better than 2021 but still lagging 2020. It is from this figure that the other costs must be deducted which produces the net loss of £61m. Many of these are non-cash items, such as the depreciation of the stadium and amortisation of player contracts, thus that loss figure should not be taken as meaning that in the 2021-22 season the Club spent £61m more than it earned. For that we should refer to the Cash Flow Statement ("CFS").

Cash Flow Statement

Unlike the P&L, which smooths out the cost of an asset over its expected life, the CFS tracks actual cash movements during the course of the accounting year. It is split into three sections: Operational Cash Flow ("OCF") reflects the cash generated from normal business operations and subtracts (or adds) Cash Flow from Investments ("CFI"), which in the Club's case equates to ongoing capital expenditure and net player trading, and further subtracts or adds Cash Flow from Financing ("CFF"), which is the debt finance costs during the year plus any equity raised. The resulting cash inflow or outflow is added or subtracted from the cash balance shown in the previous year's balance sheet.

In 2022, the Club recorded OCF of £102m, a vast improvement on the £9m cash deficit from the pandemic affected 2021. This sum was matched by the £101m in cash invested by the Club: £32m on capex and £92m on player acquisitions, the latter offset by £24m in player sales. It is important to note here that the CFS tracks actual cash paid or received and therefore the player trading numbers reflect instalments paid or received for transfers that have occurred in previous seasons as well as the first instalments (but not the whole amount) on transfers agreed during the 2021-22 season. At this level the Club is essentially at break-even, however CFF imposes additional costs - £22m in debt interest costs and £1.5m of the principal amount of the Investec debt was paid in 2022. Absent any other intervention, this means that the Club would have recorded a cash deficit of £19m in 2022, however at the end of the year ENIC pumped in an additional net equity of £97.5m giving a total cash inflow for the year of £79m and increasing cash reserves to £227m.

£m	2019	2020	2021	2022
Operational cash flow (OCF)	**277.7**	**91.0**	**-9.5**	**101.5**
Net capex/investments	-413.2	-81.6	-28.4	-32.3
Player acquisitions	-49.2	-83.5	-78.9	-92.0
Player sales	46.4	24.7	23.6	23.6
Cash flow from investments (CFI)	**-416.0**	**-140.4**	**-83.7**	**-100.6**
Net interest costs	-25.9	-14.2	-17.7	-22.2
Net increase/decrease in debt	195.1	168.4	22.3	-1.5
New equity issued	0.0	0.0	0.0	97.5
Income tax	-8.1	-2.1	10.1	4.2
Cash flow from financing (CFF)	**161.1**	**152.1**	**14.6**	**78.0**
Net cash flow	**22.8**	**102.7**	**-78.6**	**78.9**
Cash at start of year	100.6	123.5	226.2	147.6
Cash at end of year	**123.5**	**226.2**	**147.6**	**226.5**

2023 Forecast

As with last year, we can now make some top-level estimates for the 2022-23 financial statements. But firstly, how did last year's forecast match up to reality? Not bad, if truth be told. We were a little optimistic on match receipts and slightly under-estimated UEFA earnings, TV and media and commercial income. On costs we were pretty much spot on.

£m	Estimate, 2022	Actual, 2022	Estimate, 2023
Match Receipts	115	106.1	112
UEFA Prize Money	8	10.2	51
TV and Media	140	144.2	163
Commercial	180	183.5	190
Total Revenue	**443**	**444.0**	**516.0**
Staff costs	210	209.2	225
Other operating costs	120	121.4	133
Profit from Operations	**113**	**113.48**	**158**

For 2023, match receipts are unlikely to see a significant uplift from 2022. Ticket prices were frozen this year, however we expect average attendances to be slightly up on last year (there were some lower attendances at the beginning of 2021-22) and the four Champions League games of this season will have grossed more than the three Conference League games of the previous year. We consequently give an estimate of £112m for match receipts.

UEFA prize money will however see a substantial increase due to the Club's participation in the Champions League. The mechanism for distributing UEFA monies is complex, factoring in a team's progress in the competition, its UEFA coefficient, the size of the domestic TV audience etc. Rather than attempt to cobble together guesstimates based on these factors we will instead take the actual amount earned in 2020 (£51m) when the Club exited the competition at the same stage as a decent proxy.

TV and Media is also likely to see an uplift as this is the first season for the new international TV rights deal. According to The Athletic (paywall) these rights will increase from £3.89bn to £5.05bn for the next three year period, compared to £5bn for the domestic TV rights. If so, we can conclude that the Club's TV money for 2022 was split in the ratio of 5.0 : 3.89 in favour of domestic TV, giving figures of £81m for domestic and £63m for international rights. Adjust for the new ratio of 5.0 : 5.05 and international rights should reach £82m, giving a combined total of £163m.

Commercial revenues have grown strongly in recent years but we do not see much scope for substantial additional growth for this year. Some incremental growth will be seen from new commercial relationships established with Ineos Bombardier and F1 and the club fulfilled its allowed quota of non-football events in the year so we forecast a slightly conservative £190m for 2023.

Adding these estimates together gives a total revenue figure of £516m, a number that beats the previous record of £461m posted in the 2019 Champions League final year. To arrive at an operating profit, however, we have to deduct staff and other operating costs.

The biggest component of the Club's cost base is staff costs, and players' wages in particular. These rose from £205m in 2021 to £209m in 2021. Players are on fixed contracts so any increase will depend on whether the salaries of new players, returning loanees and/or those that have signed improved contracts outweigh the salaries of those that have left the Club. The former include Forster, Perisic, Bissouma, Lenglet, Spence, Udogie, Romero, Richarlison, Danjuma and Porro while the latter include Carter-Vickers, Bergwijn, Clarke, Rodon, Lo Celso, Ndombele, Winks and Reguilon.

The picture is also complicated by the Club's increasing use of loans with zero visibility on the extent to which the Club continues to part-pay the wages of players on loan. Any changes to the coaching staff may also have an impact on costs. Unsurprisingly, we have no privileged information on the salaries of these individuals but on balance we suspect that the combined effect of squad changes will have an impact on salary costs and consequently estimate a figure of £225m for the year.

The other major cost line is 'other operating costs'. This is not broken down in the accounts but it is known that a substantial portion of this relates to matchday operating costs. This is the element of the Club's operating costs that is most prone to current high inflation levels so will increase this figure by the current inflation rate of c. 10% to £133m.

Subtracting these estimated costs from estimated revenues gives an operating profit of £158m which significantly exceeds the comparable figure from last year (£114m) and gets close to 2019's record £167m.

Three key elements that are missing from the above are i) player trading (i.e. the costs of new and previous transfers less the proceeds of any player sales); ii) finance costs and iii) ongoing capital expenditure. Subtracting these will give an indication of the net cash generated in the season that can therefore be reinvested in new player acquisitions (or used for capex or to pay down debt).

Player Trading

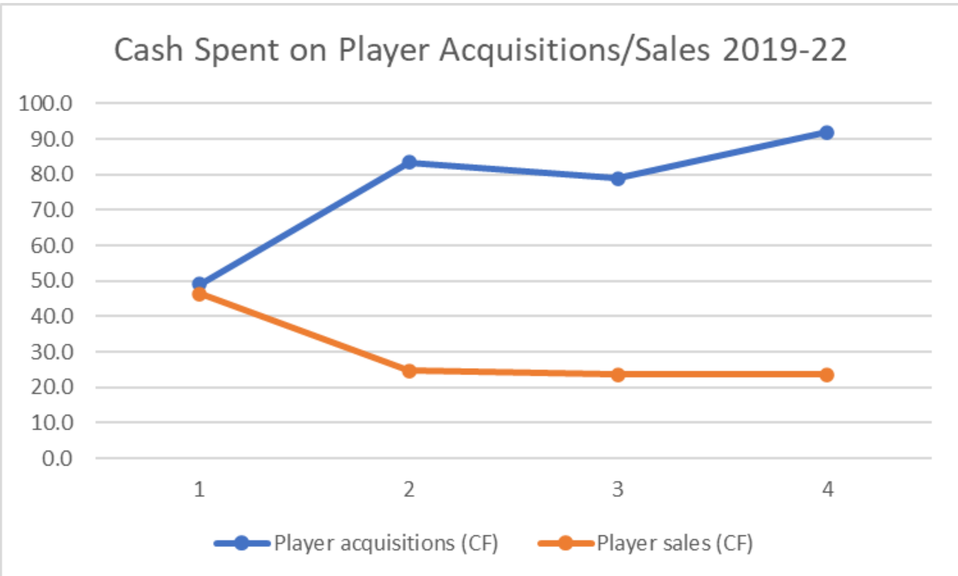
The Profit & Loss Account gives headline numbers for transfer costs and income. However, the accounting rules governing player registrations are not straightforward. Put simply, a club is required to spread the transfer cost of a player over the life of his/her contract so, for instance, a player who is signed for £50m on a five-year contract will require the booking of a cost of £10m for each of those five years. It is for this reason that Chelsea have been signing players on seven or eight year contracts – to reduce the annual charge to the P&L. These charges however do not necessarily follow the cash flows as a selling club will usually require settlement of the transfer fee in a shorter timeframe than that set out by the accounting rules. We therefore need to look at other elements of the financial statements in order to get a better understanding of the Club's recent transfer activity and the cash flow implications for future transfers.

We have already seen that player salaries have started to rise as the Club has increased its transfer activity in recent seasons. This is also mirrored in the P&L, where the net amount for the amortisation of player contracts minus player sales has increased from £46m in 2019 to £80m in 2022 (albeit the latter is slightly lower than 2021's figure). A much bigger rise is seen in the balance sheet value of the playing squad as a whole (referred to as 'intangible assets') which rose from £125m to £279m over the same period and is a £74m increase on 2021 alone. This figure however has to be approached with similar caution as the P&L figure as it reflects the combined outstanding unamortised transfer fees, rather than market value. It does not reflect the value of players that did not command a transfer fee so does not capture players such as Harry Kane, Oliver Skipp and Japhet Tanganga who have come through the academy. By contrast, the current market value of the squad is currently estimated by transfermarkt.co.uk as £680m.

£m	June, 2019	June, 2020	June, 2021	June, 2022
Staff costs (P&L)	178.6	181.2	204.9	209.2
Intangible assets (BS)	124.7	180.7	204.8	279.1
Player acquisitions (P&L)	46.2	73.7	82.9	79.9
Player acquisitions (P&L)	10.9	15.4	18.9	19.2
Net Player Trading	**-35.3**	**-58.3**	**-63.9**	**-60.7**
Player acquisitions (CF)	49.2	83.5	78.9	92.0
Player sales (CF)	46.4	24.7	23.6	23.6
Net Player Sales	**-2.7**	**-58.8**	**-55.4**	**-68.4**
ST player payables (BS)	33.0	44.7	56.0	115.4
LT player payables (BS)	54.9	94.9	113.7	136.4
Total player payables (BS)	**87.9**	**139.6**	**169.7**	**251.8**
ST player receivables (BS)	4.5	14.1	15.0	18.8
LT player receivables (BS)	0.0	11.7	4.0	4.2
Total player receivables (BS)	**4.5**	**25.7**	**19.0**	**23.0**
Net Player Trading Account	**-83.4**	**-113.9**	**-150.7**	**-228.8**

Abbreviations: P&L = Profit & Loss Account; BS = Balance Sheet; CF = Cash Flow Statement
ST = Short Term; LT = Long Term

In the Cash Flow Statement, we can see the actual cash amounts that have been paid and received on transfers in each of the last four years. Cash spent on transfers has risen from £49m to £92m while cash received for player sales has fallen from £46m to £24m. The net annual spend has consequently increased from £3m to £68m.



Moreover, the Balance Sheet also gives details of future payments due (payables) or to be received (receivables) from transfer activity. It splits these into short term (due in less than one year i.e. for

2021-22 during the course of this season) and long term (due in more than one year). The amount due to be paid by the Club for transfer fees up until 30/06/23 amounts to £115m with a further £136m due thereafter. These numbers have risen from £49m and £46m respectively in 2019.

The corresponding amounts for transfer fees to be received are much smaller - £19m for this season and just £4m in later years. Netting the payables and receivables figures off gives a total figure of £229m net transfer payables, up from £151m the year before.

It should be remembered that much of last summer's, and all of the winter window's, transfer activity is not included in these figures as it occurred after the balance sheet date. According to transfermarkt.co.uk the Club agreed transfer fees for incoming players totalling €178m, or about £158m at current exchange rates. Assuming these are paid in three instalments over a three-year period, that's £53m in cash above the ST payables figure in the 2022 accounts that the financials will need to support during this season. Offsetting this is the close to €38m (£34m) to be received from players leaving the Club, shaving £13m off that outflow if a similar instalment plan is assumed.

A wrinkle is the increasing use of 'loan with option to buy' structures. The transfer fee for Romero will only start to be paid this season and the fees for Kulusevski and Porro will likely only kick in for the 2023-24 financial year.

So, the Balance Sheet tells us that there is £115m due to pay on previous years' transfers this season with £19m due in from previous player sales, or £96m net. There is also an estimated additional £53m to pay from the last two window's activity. Before we can estimate a net cash flow position for the year, however, we also need to consider the Club's financing costs. Fortunately, this is relatively simple.

Debt

The Group's gross debt levels were effectively static in 2022, with a modest £1.5m reduction following repayments to the Investec loan used to part-fund construction of the training facilities.

On a net basis however, which takes into account cash balances, the Club's debt has fallen by £80m to £626m. This is the effect of the cash proceeds from the equity issue which was arranged just before year end. It is likely that this has been somewhat depleted during 2022-23 given the increasing transfer activity but the Club can be expected to retain a prudent cash buffer and has in addition unutilised credit facilities of £55m from HSBC.

£m	June, 2019	June, 2020	June, 2021	June, 2022
Short term debt	0.7	175.7	1.2	1.3
Long term debt	657.1	655.1	852.6	851.3
Total debt	**657.8**	**830.8**	**853.9**	**852.6**
Cash	123.5	226.2	147.6	226.5
Net debt	**534.3**	**604.6**	**706.3**	**626.1**
Interest paid	26.0	14.3	18.3	22.2

The interest-only nature of the debt means that annual financing costs are relatively predictable. Interest costs of £22.2m were recorded on the Cash Flow Statement for the year ended 30/06/22, an increase of £3m on the previous year. This is the result of increasing base rates on the floating rate Investec and Bank of America loans. As base rates have continued to rise during the course of this year, we can expect interest costs to increase again in 2022-23 and we therefore estimate a figure of £26m.

Maturity	Debt Provider	Amount	Security
2025	Investec	£20,500,000	Training ground
2029 (earliest)	Bank of America	£62,000,000	Tottenham Hotspur Stadium
2029-2050	US investors	£525,000,000	Tottenham Hotspur Stadium
2029-2051	US investors	£250,000,000	Tottenham Hotspur Stadium

All other debt is on a fixed rate basis. It is priced at a blended 2.8% for the bonds and the BoA loan and a floating margin of 3.5% for the Investec loan. Most of the bonds and BoA are repayable on a bullet basis, that is to say in full only at the repayment date (this is comparable to an interest-only mortgage). The bonds have a variety of maturities between 2029 and 2051 but the specific amounts and maturities are not broken down in the accounts other than to say that the average maturity of all bonds plus the BoA loan is 20 years. Early repayment of fixed rate debt (i.e. the bonds) may be subject to financial penalties.

The Club's current financial position does not provide much room for repayment of principal, but its debt structure is robust and provides strong support to the operations of the Club. The Investec loan is due only in 2025 and the Club expects to refinance this debt. A small number of the bonds start repaying from 2027 and the BoA loan from 2029. The thinking appears to be that the Club will increase its revenues/profits up to then such that it will be able to either (partially) repay principal and/or refinance the bonds/BoA loan as they fall due. Inflation will reduce the value of the debt, particularly at current high rates. The downside risk is that financial performance falls short to the extent that financial institutions no longer wish to support the Club or that financial markets are hit by the sort of event that happened in 2008 and renewed support is not available regardless of the financial position of the Club. The recent collapse of Silicon Valley Bank and Credit Suisse demonstrate that this is not a negligible concern.

The Club continues to be in compliance with the financial covenants associated with its debt facilities. These are conditions requiring a certain level of financial performance to which the Club must comply at risk of the debt becoming immediately payable if it does not.

Capex

Despite completion of THS, the last three financial statements have included lines for ongoing capital expenditure - £84m in 2020 and £33m in 2021 and 2022. The 2022 figure included amounts needed to fund the extension of facilities for the women's team and the academy squad at the training ground but will also generally cover expenditure on maintenance of the stadium and training ground and residual payments related to the stadium build. Costs associated with the Club's property development arm would also likely be included here. There is no visibility on expected future capex commitments but our expectation is that this will continue to fall and consequently we estimate a figure of £20m for 2022-23.

We should also note that we have made no allowance for working capital changes. Unlike, say, a traditional manufacturing company, which has a relatively straightforward working capital base covering stocks and what is owed to suppliers and by customers, a football club's covers areas such as deferred payments from season ticket holders and from sponsors. With limited visibility on the dynamics behind such items we have not incorporated an estimate for any material changes that could affect cash flow, rather trusting that the structure of such deferred payments will broadly follow previous years. If that is not the case there could be a material impact on cash flows.

With that caveat in mind, we can now complete our estimate for the Club's cash flow for the 2022-23 season/financial year.

Cash Flow Estimate

£m	Estimate, 2022
Match Receipts	112
UEFA Prize Money	51
TV and Media	163
Commercial	190
Total Revenue	**516.0**
Staff costs	225
Other operating costs	133
Profit from Operations	**158**
Net transfer costs	149
Interest costs	26
Capex	20
Net cash flow	**-37**

Our original estimate was for revenues of £516m, which after deducting operating costs resulted in an operational profit of £158m. Further deductions for net transfer fee payments and interest costs and capex for the year give net cash outflow of £37m. This will effectively be financed from the balance of the equity raise but suggests that even with renewed participation in the Champions League the Club needs to find alternative revenue sources in order to fund current levels of transfer activity.

It is important to understand the limitations of this exercise. Although we maintain a dialogue with the Club's finance director, we do not have access to the source information. The estimated cash flow figure could vary significantly depending on just one major change or mis-estimate. It will be subject to 'exceptional items', for instance severance payments due to management or players relieved of their duties. The objective of this exercise is to identify the levers in the Club's financial model that influence its financial performance.

Key conclusions

The Club's first set of accounts, reflecting a full season of crowds at THS, only serves to underline the strengths and deficiencies of the Club's current model (we made much the same observations last year):

- The Club's financial position is generally sound but is based on the structure of its debt for which repayment is not required for some years.
- Qualification for the Champions League makes a material difference to the Club's financial performance. Dropping down to the Europa League or the Conference League creates a significant hole in the revenues at a time when the Club is essentially spending what it earns.
- Construction of the new stadium has turbo-charged the Club's income generation, at least directly through the increased football capacity and the proliferation of non-football activity, but probably also indirectly through increased appeal to commercial sponsors.
- It's stating the obvious, but if you spend what you earn, you need to earn more to spend more. We can expect increasing efforts to generate new revenue streams such as the recently announced arrangements with F1 and the drag racing track under the stadium.
- One new revenue stream would be stadium naming rights which would make a material contribution.
- Contrary to popular opinion, the Club's net transfer spend has increased significantly since 2019, even if not at the level of petrostate funded competitors. Where questions can be asked is on the success of such spending and a pretty poor record at realising sales of players who are not making the expected contribution to team objectives. It seems that this much is recognised given Daniel Levy's comments accompanying the financial results: "We have felt, and continue to feel, the financial impact of supporting player purchases which have not worked out as planned."

Other Items of Interest

The Club's financial statements also contain other disclosures that may be of interest to fans:

- ***Equity Issue***

  The press release which accompanied the announcement of the equity issue noted that it entailed the 'capital increase of up to £150m from majority shareholder, ENIC Sports Inc ("ENIC"), via the issue of convertible A Shares and accompanying warrants' and as a result 'ENIC's ownership of the Club could see an increase from its current level of 85.6% to circa 87.5% on conversion'. Further important detail on the mechanism of this equity raise was however provided in the financial statements.

  Warrants are a separate instrument that sit alongside the shares and confer certain additional rights. In this case, those rights allow the warrants to be converted into further equity of the Club. The warrants are exercisable only in the event of a change of control of the Club (i.e. it is sold to a third party). Until 30/06/23 the number of ordinary shares into which they can be converted is subject to an undisclosed formula, however thereafter and until 31/03/25 they confer an additional 5% of the fully diluted equity of the Club, increasing by a further 1.5% annually for the next 10 years.

This arrangement is dilutive of existing shareholders. As the majority shareholder, ENIC is affected by this dilution, and the impact is significantly less than the headline 5-20% additional interest suggests. The dilution also affects minority shareholders however. ENIC's status as a majority shareholder renders any vote academic but, given the effect on them, consultation with minority shareholders might have been appropriate. [Full disclosure: one of the authors of this report owns a small number of shares].

We have attempted to calculate the impact of the warrants on the share of the club owned by ENIC. At present only £100m gross of the equity has been drawn. Although the initial option has lapsed, ENIC has agreed that the residual amount can be made available if requested by the Club's independent directors. Should this option be exercised, and should the warrants be converted at the last moment, our calculation suggests that ENIC will own 89.6% of the Club. This puts ENIC, or rather a future third party buyer, very close to the 90% threshold after which minority shareholders would be subject to a mandatory buy-out of their shares.

THST has consistently proposed to the club a facility to enable supporters to buy a small stake in their club. It would therefore be disappointing if the sale of the Club resulted in the opposite and minority shareholders being squeezed out.

- ***Related party transactions with ENIC companies outside of the Club***
  Note 23 to the standalone accounts of Tottenham Hotspur Limited itemises commercial transactions undertaken between the Club and 'related parties', or in other words, companies owned by ENIC outside of the Club structure. The only item of note this year is the payment of c. £1m to an ENIC company for rental of Lilywhite House. It is perhaps surprising that the Club does not own its corporate offices and that the property has not been transferred to the ownership of the Club.

- ***Property Development***
  The Club has attracted scrutiny over its property development activity. Our concern is to ensure that resources are not diverted from the football operations into property. We have examined the accounts of the property subsidiaries for which accounts have been posted at the time of writing on the Companies House website. The current scale of activity is modest: those that are active are incurring expenses in the low hundreds of thousands, only one posts revenues in a similar amount (we suspect this owns the properties with commercial and residential tenants) and a number are dormant. With the caveat that the accounts of these companies are from last June, the accounts (and casual observance) suggest that these developments haven't progressed much beyond the planning and development phase.

  We have invited the Club to provide more detail on the organisation of, and strategy for, its property development activities. They have declined to go into detail but have noted that, other than the hotel (for which they are pursuing a self-funding model), they are keeping their options open and that development routes will depend on the market at the time.

  On a positive note, we should highlight the Club's recent planning applications to install blue plaques at significant sites around the stadium to promote the Tottenham Heritage Trail. This will also involve the movement of the 'Tottenham Clock' to a prominent site on the corner of the High Road and Park Lane. Links take you through to the planning documents.

Involvement of the Club in this Analysis

In the interests of transparency, we wish to set out the basis on which the Club worked with THST in the preparation of this review. Having read the full financial statements of THL and those of its subsidiaries, a number of questions and comments were sent to Matthew Collecott, the Club's Financial Director. The Club responded to questions on THL but declined to address a limited number of questions on the subsidiaries, citing commercial confidentiality and the fact that the results of such were consolidated in the THL accounts.

Prior to publication, a draft was sent to the Club for checking for material inaccuracies that may give rise to concern. The Club subsequently provided further detail on a number of areas which allowed us to finesse the analysis. Any assumptions, conclusions and recommendations within the analysis however are solely those of THST and are independent of any involvement of the Club.

We offer our thanks to Matthew Collecott and his team for their cooperation in providing responses.