

The Brighton and Hove Albion Football Club Limited

Report and Financial Statements

Year Ended

30 June 2019

Company Number 00081077



The Brighton and Hove Albion Football Club Limited

Report and financial statements for the year ended 30 June 2019

Contents

Page:

3	Strategic report
6	Directors' report
8	Directors' responsibilities statement
9	Independent auditor's report
12	Statement of comprehensive income
13	Statement of financial position
14	Statement of changes in equity
15	Notes forming part of the financial statements

Directors

A G Bloom (Chairman)
P J Barber (CEO)
R A Bloom
D L Chapman
R F Comer
A S Franks
P W Godfrey
D A Jones (Finance Director)
M J Perry
M L Sugarman
M J Walder

Secretary and registered office

R F Comer, American Express Community Stadium, Village Way, Brighton, BN1 9BL

Company number

00081077

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

The Brighton and Hove Albion Football Club Limited

Strategic report for the year ended 30 June 2019

Introduction

The principal activity of the company continues to be that of a professional football club as a member of the Football Association, and the Premier League.

Business review

	2019 £'000	2018 £'000
Turnover	143,132	139,155
Administrative and operational costs	(22,303)	(19,319)
Operating profit before football costs and depreciation	120,829	119,836
Depreciation	(1,235)	(795)
Player trading	(28,021)	(15,944)
Football costs	(108,401)	(85,329)
(Loss)/profit before taxation	(16,828)	17,768

Financial highlights

- Turnover increase: 2.86%
- Admin and operational cost increase: 15.45%
- Operating profit before football costs and depreciation has increased by: 0.83%
- Increase in player trading costs: 75.75%
- Investment in football costs increased by 27.04%
- Profit before tax of £17.8m has become loss before tax of £16.8m

The financial results for the year ended 30 June 2019 reflect the second season in which Brighton & Hove Albion Football Club competed in the Premier League, this time finishing in 17th position. The increase in turnover is primarily due to additional broadcasting income that has been earned in the 2018/19 season, but also due to sell-out crowds and improved commercial revenues. The cost base has increased significantly, following the further strengthening of the playing squad and the increased player and staff wages required to be competitive in the Premier League. This has resulted in the company reporting a loss before tax of £16.8m compared to a profit of £17.8m in the prior period.

The Brighton and Hove Albion Football Club Limited

Strategic report for the year ended 30 June 2019 (*continued*)

Financial highlights (*continued*)

The key financial highlights are as follows:-

- **Turnover**
Average match day attendances remained stable, averaging 30,426 compared to 30,403 in the previous season, which resulted in static matchday income of £18.5m. Broadcasting income increased from £110.3m to £113.5m. The increase is largely attributable to additional overseas revenues distributed by the Premier League, as well as income generated from the Club's successful run to the FA cup semi-final. Commercial income increased from £8.8m to £9.6m.
- **Administrative and operational costs**
The cost increase is partly linked to the increase in turnover, but also due to higher stadium maintenance, security and staff salary costs.
- **Player trading**
This represents the amortisation of purchased player registrations less the profit on sale of players. Player amortisation has increased from £19.3m to £33.2m. New players were added to the squad at a gross cost of £80.9m (£77.9m at discounted value as required under UK accounting standards). Profit on player disposals increased from £3.4m to £5.2m.
- **Football costs**
Football costs, which include all costs associated with the running of the first team, development squad and youth academy, increased from £85.3m to £108.4m. This increase is primarily due to an increase in player and coaching staff wages, but also a continued investment in the youth academy and facilities at the training ground, as well as a change in management at the end of the season.
- **Balance sheet**
Whilst the Balance Sheet is showing a net liabilities position, funding for the group continues to be provided by its Chairman, Tony Bloom, by way of interest free loans and equity conversion.

The cost of purchased players, net of appropriate discounting on acquisition and less amortisation, are recorded in the accounts at £100.8m at the year end. This doesn't however reflect home grown players or the current market value of the playing squad, which in the opinion of the Board is considerably higher.

Profit and Sustainability Rules

The Premier League operates profitability and sustainability rules. Under the rules adjusted losses of £105m over a three year period are allowable. The operating profit or loss is adjusted for depreciation and allowable expenditure such as our investment in our Category 1 academy. The Club has complied with all of the Premier League's Rules for the 2018/19 season.

Playing Matters

Whilst the team was able to maintain our Premier League status in the 2018/19 season, our league form dipped quite considerably in the second half of the season. The Board felt the Club needed a new direction and new style. New management has been brought in and further investment has been made in the playing squad over the summer and the Club has made a promising start to the 2019/20 season.

The Brighton and Hove Albion Football Club Limited

Strategic report for the year ended 30 June 2019 *(continued)*

Sponsors

The Club is grateful to its many sponsors and business partners who continue to support the club's growth. In particular, we would like to thank American Express, Nike and JD Sports. The Club is also grateful for the continued support and hard work of Sodexo. As our catering and non-matchday events partner, Sodexo continue to provide an excellent service.

Supporters and Staff

The Board would like to take this opportunity to thank the Club's fans for their continued fantastic support and would also like to thank all our staff for their continued hard work, commitment and professionalism.

Future developments

Retention of the Club's Premier League status remains the primary objective, but as set out in the Chairman's Statement the club's vision is to be a top-ten club in the Premier League, and a top-four club in the Women's Super League.

Principal risks

The principal risk, as faced by all football clubs, is the risk of relegation and the adverse effect it would have on revenue streams and the ability to retain and recruit talented staff.

Whilst the full impact of the UK exit from the European Union is unknown, there is a risk that it could result in some instability with regard to the freedom of movement of footballers and other staff. In addition to this, whilst no specific contracts or agreements have been identified that would have a material impact on the group in the short to medium-term, a disorderly Brexit could impact on the wider economy and on consumer spending, which could have a direct impact on match-day revenue and an indirect impact on future centrally negotiated media rights.

This report was approved by the board and signed on its behalf by.



D A Jones
Director

Date 17/1/2020

The Brighton and Hove Albion Football Club Limited

Directors' report for the year ended 30 June 2019

The directors present their report and the financial statements for the year ended 30 June 2019.

Results and dividends

The loss for the year, after taxation, amounted to £16,828,000 (2018 – profit of £16,960,000).

The directors are unable to recommend the payment of a dividend (2018 - £Nil).

Directors

The directors who served during the year were:

A G Bloom (Chairman)
P J Barber (CEO)
R A Bloom
D L Chapman
R F Comer
A S Franks
P W Godfrey
D A Jones (Finance Director)
M J Perry
M L Sugarman
M J Walder

Employee involvement

Within the bounds of commercial confidentiality, the club endeavours to keep staff at all levels informed of matters that affect the progress of the company and are of interest to them as employees.

Equality & Safeguarding

The club is committed to equality of opportunity for all staff and applications for employment or promotion from individuals both internally and externally are encouraged regardless of age, disability, sex, gender reassignment, sexual orientation, pregnancy and maternity, race, religion or belief and marriage and civil partnerships.

The club complies with all applicable employment laws relating to working terms and conditions, including pay (the club pays the voluntary living wage). The club have successfully attained the preliminary level of the Premier League Equality Standard and we are now working towards the intermediate level of the standard.

The club is fully committed to safeguarding and promoting the welfare of children, young people and vulnerable adults and expect all staff and volunteers to share this commitment.

Matters covered in the strategic report

Matters relating to principal activities, future developments, risks and uncertainties and KPIs are contained within the Strategic Report.

Brighton and Hove Albion Football Club Limited

Directors' report for the year ended 30 June 2019 *(continued)*

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next annual general meeting.

This report was approved by the board and signed on its behalf by:



R F Comer
Director

Date 17th January 2020.

The Brighton and Hove Albion Football Club Limited

Directors' responsibilities statement for the year ended 30 June 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Brighton and Hove Albion Football Club Limited

Independent auditor's report

TO MEMBERS OF THE BRIGHTON AND HOVE ALBION FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of The Brighton and Hove Albion Football Club Limited ("the Company") for the year ended 30 June 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, 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 Financial Reporting Standard 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 Company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Brighton and Hove Albion Football Club Limited

Independent auditor's report (*continued*)

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

The Brighton and Hove Albion Football Club Limited

Independent auditor's report (*continued*)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 22-01-2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Brighton and Hove Albion Football Club Limited

Statement of comprehensive income for the year ended 30 June 2019

		2019		2018	
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Total £'000
	Note				
Turnover	3	143,132	-	143,132	139,155
Operating expenses		(129,351)	(33,237)	(162,588)	(123,734)
Profit on player trading		-	5,216	5,216	3,367
Operating (loss)/profit before interest and taxation	5	13,781	(28,021)	(14,240)	18,788
Interest receivable and similar income	8	61	-	61	17
Interest payable and similar charges	9	(251)	(2,398)	(2,649)	(1,037)
(Loss)/profit before taxation		13,591	(30,419)	(16,828)	17,768
Tax on (loss)/profit	10	808	-	808	(808)
(Loss)/profit after taxation		14,399	(30,419)	(16,020)	16,960
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		14,399	(30,419)	(16,020)	16,960
(Loss)/profit for the year attributable to:					
Owners of the parent company		14,399	(30,419)	(16,020)	16,960

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 15 to 29 form part of these financial statements.

The Brighton and Hove Albion Football Club Limited

Statement of financial position at 30 June 2019

<i>Company number 00081077</i>	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	11		100,822		58,960
Tangible assets	12		4,604		2,189
			105,426		61,149
Current assets					
Stocks	13	557		331	
Debtors: amounts falling due within one year	14	40,454		31,903	
Cash at bank and in hand	15	686		8,842	
		41,697		41,076	
Creditors: amounts falling due within one year	16	(264,769)		(203,517)	
Net current liabilities			(223,072)		(162,441)
Total assets less current liabilities			(117,646)		(101,292)
Creditors: amounts falling due after more than one year	17		(8,752)		(9,086)
Net liabilities			(126,398)		(110,378)
Capital and reserves					
Called up share capital	18		105		105
Capital redemption reserve	19		8		8
Profit and loss account	19		(126,511)		(110,491)
			(126,398)		(110,378)

The financial statements were approved by the Board of Directors and authorised for issue on 17/1/2020



D A Jones
Director

The notes on pages 15 to 29 form part of these financial statements.

The Brighton and Hove Albion Football Club Limited

Statement of changes in equity for the year ended 30 June 2019

	Called up share capital £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2017	105	8	(127,451)	(127,338)
Comprehensive income for the year				
Profit for the year	-	-	16,960	16,960
Total comprehensive income for the year	-	-	16,960	16,960
At 30 June 2018	105	8	(110,491)	(110,378)
Comprehensive income for the year				
Profit for the year	-	-	(16,020)	(16,020)
Total comprehensive income for the year	-	-	(16,020)	(16,020)
At 30 June 2019	105	8	(126,511)	(126,398)

The notes on pages 15 to 29 form part of these financial statements.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019

1 Accounting policies

The Brighton and Hove Albion Football Club Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are presented in Pounds Sterling as this is the currency of the primary economic environment in which the company operates and is rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Brighton and Hove Albion Holdings Limited as at 30 June 2019 and these financial statements may be obtained from Companies House.

Going concern

For the year ended 30 June 2019 the company made a loss after tax of £16,020,000, and had net current liabilities of £223,072,000 and net liabilities of £126,398,000. Management have assessed the ability of the company to continue as a going concern, taking into account current and forecasted trading levels and cashflow requirements under reasonably foreseeable club performance scenarios, together with the fact that the Chairman has given a non-binding undertaking not to demand repayment of loans payable to him until such a time when the Group is in a position to do so. He has also undertaken to make further funds available should it be required. The directors have therefore concluded that it remains appropriate to prepare the financial statements on a going concern basis.

Subsequent to the year end the Chairman has provided further capital to the Group in order to further develop the playing squad and the club infrastructure.

The financial statements make no provision for any adjustment should the going concern basis not be appropriate.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

1 Accounting policies (continued)

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Match day revenue is recognised on the day the games are played. The revenue received in advance for season tickets is deferred and released in the season the ticket was purchased for, in line with home games played.

Sponsorship and similar commercial income is recognised over the duration of the respective contracts in line with goods and services provided.

Retail revenue and catering income is recognised at the point goods and services are delivered to the customer.

Facility fees for live television coverage of games are recognised when earned.

Premier League and central distribution revenue is recognised on an accruals basis in line with games played.

Intangible assets

Player registrations

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets, with cost discounted to present value at the acquisition date at an appropriate market rate for leveraged player receivables, where payments are deferred beyond 12 months.

Costs of players' registrations comprise transfer fees and solidarity payments. Payments of transfer fees based on future performance criteria are recognised when the criteria are assessed as being probable that they will be met. In most cases this is when the condition has been met. Player registration costs are fully amortised in equal instalments over the period of the players' individual contracts. Where a player's contract is extended beyond its initial period, amortisation is calculated over the period of the extended contract from the date on which it is signed. All amortisation is recognised within operating expenses on the statement of comprehensive income. Players' registrations are written down for impairment in certain circumstances when the carrying amount is assessed as exceeding the amount recoverable through use or sale. See below for accounting policy relating to impairment.

The profit or loss on disposal of a player's registration is calculated as the difference between the present value of the transfer fee received less the net book value at the date of sale and less any direct costs of the transfer. Receipts of transfer fees based on the future performance of the transferred player or the buying club are recognised when the future criteria are met or are virtually certain to be met.

Impairment of player registrations

The carrying amounts of player registration costs are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

1 Accounting policies (continued)

The directors do not consider it possible to determine the value in use of an individual player in isolation, as individual players cannot generate cash flows independently. However, in circumstances where it is apparent that, as at the period end date, the player would not be available for selection to play for the Club, such as permanent injury or a firm intention to sell or loan the player (without further selection), the player is taken outside of the wider football club cash generating-unit ("CGU") and valued on a recoverable amount basis, being the directors' best estimate of the player's fair value less cost to sell. In the case of a permanent injury the recoverable amount is assessed with reference to insurance values. Any resulting impairment charge is made in operating expenses. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Where there is an impairment of a particular player's registration costs consideration is given to whether there is simultaneously an onerous contract arising. Where onerous contracts exist, a provision is recognised equal to the net cost of exiting from the contract.

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	-	25% straight line
Fixtures, fittings and equipment	-	20-33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Stocks

Stock is stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stock is assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 *(continued)*

1 Accounting policies *(continued)*

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (*continued*)

1 Accounting policies (*continued*)

Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

1 Accounting policies (continued)

Player remuneration

Signing on fees in respect of players contracts are expensed to the Statement of Comprehensive Income over the term of their contract. Remuneration of players is charged in accordance with the terms of the applicable contractual arrangements. Bonuses and other short term benefits are recognised when services are rendered and there is a constructive or legal obligation to pay them.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires of management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management evaluates its estimates and judgements with reference to historical experience and expectations of future events and current market conditions.

In preparing these financial statements, the directors have had to make the following judgment:

Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

3 Turnover

	2019 £'000	2018 £'000
An analysis of turnover by class of business is as follows:		
Matchday	18,537	18,523
Broadcasting	113,492	110,272
Commercial	9,644	8,846
Other	1,459	1,514
	<hr/>	<hr/>
	143,132	139,155
	<hr/>	<hr/>

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

4 Employees

	2019 £'000	2018 £'000
Staff costs including directors' remuneration, were as follows:		
Wages and salaries	88,286	67,793
Social security costs	12,003	8,942
Pension costs	292	270
	<hr/>	<hr/>
	100,581	77,005
	<hr/>	<hr/>
The average monthly number of employees, including directors, during the year was as follows:	Number	Number
Player staff	87	78
Non-playing staff	867	841
	<hr/>	<hr/>
	954	919
	<hr/>	<hr/>

Included in non-playing staff are 551 (2018: 541) staff who are employed on a part-time basis.

5 Operating profit

	2019 £'000	2018 £'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	1,235	795
Amortisation of intangible assets	33,238	19,311
Defined contribution pension cost	292	270
Operating lease payments	219	65
	<hr/>	<hr/>

6 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	26	25
	<hr/>	<hr/>
Fees payable to the Company's auditor in respect of:		
Other services relating to taxation	64	28
	<hr/>	<hr/>

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

7 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	1,904	1,822
Company contributions to defined contribution pension schemes	33	33
	<hr/>	<hr/>
	1,937	1,855
	<hr/>	<hr/>

During the year retirement benefits were accruing to 3 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,496,000 (2018 - £1,407,000). This remuneration included benefits related to retention and personal performance.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,000 (2018 - £nil).

8 Interest receivable and similar income

	2019 £'000	2018 £'000
Other interest receivable	61	17
	<hr/>	<hr/>

9 Interest payable and similar charges

	2019 £'000	2018 £'000
Unwinding of discount on transfer fees payable	2,398	785
Bank and credit card charges	251	252
	<hr/>	<hr/>
	2,649	1,037
	<hr/>	<hr/>

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

10 Taxation

	2019 £'000	2018 £'000
Taxation on profit on ordinary activities	(808)	808

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2018 – 19%). The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before tax	(16,828)	17,768
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(3,197)	3,376
Effects of:		
Expenses not deductible for tax purposes	45	37
Group relief obtained	-	(806)
Deferred tax not recognised	475	(40)
Adjustment to deferred tax rate	232	-
Utilisation of losses brought forward	-	(1,759)
Deferred tax not recognised	1,882	-
Adjustments in respect of prior periods	(245)	-
Total tax (credit)/charge for the year	(808)	808

Factors that may affect future tax charges

At 30 June 2019, the company had approximately £138.2m (2018 - £124.4m) of trading losses to carry forward.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements
for the year ended 30 June 2019 (*continued*)

11 Intangible assets

	Player registration £'000
<i>Cost</i>	
At 1 July 2018	82,556
Additions	77,868
Disposals	(8,530)
	<hr/>
At 30 June 2019	151,894
	<hr/>
<i>Amortisation</i>	
At 1 July 2018	23,596
Charge for the year	33,238
On disposals	(5,762)
	<hr/>
At 30 June 2019	51,072
	<hr/>
<i>Net book value</i>	
At 30 June 2019	100,822
	<hr/>
At 30 June 2018	58,960
	<hr/>

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements
for the year ended 30 June 2019 (*continued*)

12 Tangible fixed assets

	Fixtures and fittings £'000
<i>Cost</i>	
At 1 July 2018	5,138
Additions	3,650
Disposals	-
	<hr/>
At 30 June 2019	8,788
	<hr/>
<i>Depreciation</i>	
At 1 July 2018	2,949
Charge for the year	1,235
Disposals	-
	<hr/>
At 30 June 2019	4,184
	<hr/>
<i>Net book value</i>	
At 30 June 2019	4,604
	<hr/>
At 30 June 2018	2,189
	<hr/>

13 Stocks

	2019 £'000	2018 £'000
Goods for resale	557	331
	<hr/>	<hr/>

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

14 Debtors

	2019 £'000	2018 £'000
Trade debtors	7,029	10,372
Transfers receivable within one year	5,494	1,473
Transfers receivable after more than one year	715	1,369
Amounts owed by group undertakings	22,337	14,954
Other debtors	833	304
Prepayments and accrued income	3,546	3,431
Corporation tax recoverable	500	-
	<hr/>	<hr/>
	40,454	31,903
	<hr/>	<hr/>

Amounts owed by group undertakings are interest free and repayable on demand.

15 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	686	8,842
	<hr/>	<hr/>
	686	8,842
	<hr/>	<hr/>

16 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank overdrafts	8,331	-
Other loans	-	141
Trade creditors	2,679	3,015
Transfer payable	14,326	9,861
Amounts owed to group undertakings	210,206	159,606
Other taxation and social security	6,524	9,180
Corporation tax payable	-	808
Other creditors	268	53
Accruals and deferred income	22,435	20,853
	<hr/>	<hr/>
	264,769	203,517
	<hr/>	<hr/>

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

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

17 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Transfers payable	8,400	9,086
Accruals and deferred income	352	-
	<hr/>	<hr/>
	8,752	9,086
	<hr/>	<hr/>

18 Share capital

	2019 £'000	2018 £'000
Shares classified as equity		
<i>Allotted, called up and fully paid</i>		
320,932 ordinary shares of £0.25 each	80	80
25,000 ordinary A shares of £1 each	25	25
	<hr/>	<hr/>
	105	105
	<hr/>	<hr/>

19 Reserves

Capital redemption reserve

The reserve represents the equity instruments of issued and subsequently reacquired treasury shares.

Profit and loss account

The reserve represents the cumulative losses of the company.

20 Contingencies

Under the terms of contracts with other football clubs in regard to player transfers, additional fees could become receivable and payable if certain defined performance criteria are fulfilled. The maximum that could be receivable is £6,932,000 (2018 - £3,300,000) and the maximum that could become payable is £11,746,000 (2018 - £6,272,000).

Additionally, no provision is included in the accounts for signing on fees, as at 30 June 2019, of £8,997,000 (2018: £11,577,000) which would become due to certain players if they are still in the service of the Club on specific future dates.

21 Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £292,000 (2018 - £270,000). Contributions totaling £Nil (2018 - £Nil) were payable to the fund at the balance sheet date.

The Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 (continued)

22 Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £'000	2018 £'000
Not later than 1 year	1,369	1,025
Later than 1 year and not later than 5 years	5,342	4,015
Later than 5 years	150,842	114,132
	<hr/>	<hr/>
	157,553	119,172
	<hr/>	<hr/>

23 Related party transactions

Brighton & Hove Albion Holdings Limited

At the year end, the company owed £201,244,000 (2018 - £152,244,000) to the parent company, Brighton & Hove Albion Holdings Limited.

The Community Stadium Limited

The company rents the American Express Community Stadium and the American Express Elite Football Performance Centre for a rent of £1,333,333 (2018 - £1,333,333) per annum from a fellow subsidiary, The Community Stadium Limited. At the year end, the company owed The Community Stadium Limited £8,849,000 (2018 - £7,248,000), and The Community Stadium Limited owed the company £19,454,000 (2018 - £13,923,000).

New Monks Farm Development Limited

During the year there were no transactions with fellow subsidiary, New Monks Farm Development Limited. At the year end, New Monks Farm Development Limited owed the company £68,000 (2018 - £68,000).

Brighton & Hove Sports and Leisure Limited

At the year end, the company owed £113,000 (2018 - £113,000) to Brighton & Hove Sports and Leisure Limited, a fellow subsidiary which was dissolved during the year.

Brighton & Hove Albion Women's Football Club Limited

The company pays costs on behalf of a fellow subsidiary, Brighton & Hove Albion Women's Football Club Limited. At the year end, Brighton & Hove Albion Women's Football Club Limited owed the company £2,815,000 (2018 - £1,032,000).

Albion in the community

The company has a charitable arm, Albion in the Community. At the year end, the charity owed the company £22,000 (2018 - £32,000), and the company owed the charity £2,000 (2018 - £22,000).

Brighton and Hove Albion Football Club Limited

Notes forming part of the financial statements for the year ended 30 June 2019 *(continued)*

23 Related party transactions *(continued)*

CCI Accountants

The company uses CCI Accountants, a firm in which RF Comer (director) is a partner, for advisory services relating to capital projects. During the year, the company paid CCI Accountants £8,000 (2018 - £nil) for these services. At the year-end no amounts were payable (2018 - £Nil).

Other

The company uses Dr E Perry, the wife of M Perry (director) to provide counselling services for employees. During the year, the company paid Dr Perry £5,000 (2018 - £12,000) for these services. At the year-end no amounts were payable to Dr Perry (2018 - £Nil).

24 Controlling party

The immediate and ultimate parent company is Brighton & Hove Albion Holdings Limited, a company incorporated in England and Wales, by virtue of its 99.98% holding of the Company's issued share capital. As at 30 June 2019, the ultimate controlling party was A Bloom by virtue of his 93.74% shareholding in the parent company.

The financial statements of the group that include the results of the company may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.