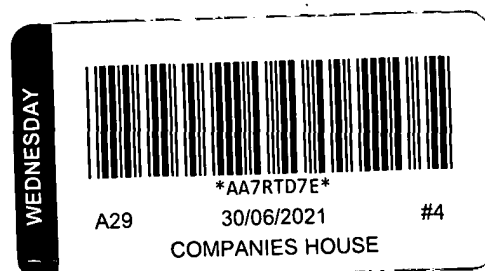


CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020



CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

CLUB INFORMATION

Directors	T Sandgaard (appointed 25 September 2020) L Rifkind (appointed 24 February 2021)
Registered number	01788466
Registered office	The Valley Floyd Road London SE7 8BL
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor 25 Moorgate London EC2R 6AY

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

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CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2020

Introduction

The directors present their strategic report for the year ended 30 June 2020.

The principal activity of the Charlton Athletic Football Company Limited (the 'club') continues to be the operation of a professional football club, together with related commercial activities.

Our primary aim is to deliver on field success, whilst delivering on the needs of all stakeholders.

Covid

The COVID-19 virus has created a public health emergency and taken many loved ones from families and friends. The outlook for all of us is uncertainty and football clubs are no different. The 2019/20 season was temporarily suspended on 13 March 2020 and the team returned to training on 25 May 2020.

Our club went into this in a challenging position with questions over its ownership and finances at the time. We have carried out every effort available to us to ensure that we can bring the club into as strong a state as possible and into a position where it can grow.

We would like to send everyone the very best wishes in this difficult time and look forward to welcoming you back to the Valley when it is safe to do so to watch the team you love.

Football review

First team

The first team competed in the Sky Bet Championship after getting promoted from Sky Bet League One the previous season.

The club enjoyed a very positive start to the season but we were hit by a large number of injuries in the winter which slowed the side's progress and was no doubt a contributing factor to the club's relegation back to Sky Bet League One on the final day of the season.

The average home league attendance was 18,017, up from 11,827 the previous season in League One. The highest home attendance of the year was 25,363 when Blackburn Rovers visited in February for the club's annual "Football For A Fiver" game.

We would like to thank everyone for their support throughout the season and in endorsing the change of ownership to our current owner, Thomas Sandgaard.

It's a tremendously exciting time at the club and we are working to ensure that the club develops and evolves into one we can all continue to be proud of for many years to come.

To bring personnel matters up to date, the Board took the recent decisions to appoint Nigel Adkins as the new football manager to work alongside our technical director Ged Roddy, as well as assistant coaches, Jason Euell and Jonathan Jackson.

The Board is delighted with the quality of our first team coaching staff demonstrating the club's commitment to evolving and improving the calibre of our football from the inside out.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

Youth Academy

Our youth academy is the backbone of our football development plan. We want to support and foster home-grown talent where we can and we are delighted to report that our academy continues to deliver our Academy Performance Plan.

There is no doubt that the 2019/20 season was challenging, as games were cancelled and our Academy training could not resume until late July for U18s and U23s and late August for U9s to U16s, however, our staff and players showed great resilience in remaining patient for guidelines and enthusiastic when permitted.

There were 6 Academy debutants in the First Team over the 2019/20 season. Of the debutants, Josh Davison (U20) made 9 appearances. Albie Morgan continued to establish himself as a first team player, with a further 23 appearances, and Alfie Doughty (U20) progressed impressively as a young professional and made 30 appearances during the season.

The EPPP Player Productivity Figures produced by the Premier League demonstrate our commitment to our youth players with a PL / EFL ranking of 13 out of 92, EFL ranking of 6 out of 72 and Cat 2 ranking of 5 out of 20.

These figures are formulated on the basis of academy graduates who have played in our first team, but also elsewhere in the professional game having come through our youth development programme.

The annual Academy budget stayed generally consistent with previous seasons. There is an ongoing commitment at the Academy to develop players to the highest standards ready for senior football.

All Heads of Department have been tasked with drawing up realistic and achievable targets and an action plan for the 2020/21 season with consideration of their performance in the 2019/20 season.

Looking at the future of our academy players, we hope to be able to promote even more of our best.

Ownership

The club was owned by Staprix NV, a company registered in Belgium until 23 January 2020, at such time the club was transferred to East Street Investments Ltd. On 25 September 2020, Clear Ocean Capital Limited, an indirect wholly-owned subsidiary of Thomas Sandgaard, then acquired the club.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the club's long-term performance. These risks and uncertainties are monitored by the Board on a regular basis.

Income

The club derives a significant amount of revenue from ticket sales. Gate receipts are dependent on matchday attendance, the COVID pandemic has exposed how highly clubs are dependent on such income. Gate receipts are dependent on the team's performance on the pitch, and in turn the team's performance is related to quality of coaching and the ability to attract the right players to compete competitively.

Expenditure

Expenditure within the playing squad and staffing as well as non-squad expenses are continually monitored and reviewed with a view to restrict unnecessary expenses and maximise efficiencies.

Impact of COVID-19

Government restrictions imposed on the football industry to limit social interactions have seriously impacted our ability to admit fans to the stadium on match days and non-match days, and our ability to create usual income streams. The club will continue to work with Government guidelines on social distancing measures.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

Financial review

Capital Investment

Despite the impacts of COVID-19, the club invested £400,000 in its facilities, including: the (i) improvement and installation of First Team changing rooms at both the Valley and our Sparrows Lane training ground; and (ii) the continuation of ground landscaping at Sparrows Lane.

Turnover

	2020 £000	2019 £000	Variance £000	Variance %
Central income	7,820	1,515	6,305	416
Match-day	4,542	4,151	391	9
Commercial	2,117	1,308	809	62
Other	887	899	(12)	(1)
Total	15,366	7,873	7,493	95

Central income consists of English Football League (EFL) and Premier League (PL) central distributions. Championship status increases our share of these awards: the EFL distributions increased from £0.8m to £2.99m for Championship Status, and PL solidarity increasing from £0.7m in League one to £4.5m in the Championship. Due the extension of the season into July 2020, £465k of central funding from the EFL and Premier League was deferred into 2020/21.

Match-day income consists primarily of ticket income, match-day hospitality, advertising and programmes. The movement from 2018/19 was due to the improved revenue generated by increases in attendance over the 19 games which was played in front of crowds. Due to COVID-19 the 2019/20 match programme was then played behind closed doors for the last 4 games.

Commercial income comprises sponsorship, non-match day events and retail. With the last 4 home games played behind closed doors, the club saw an increase in commercial income from the switch to streaming the games live on Charlton TV.

Other income comprises youth academy grant income arising from the Elite Player Performance Plan and club contributions from Valley Gold, the lottery organisation directly linked to the club, which further supports the development of players in our successful Youth Academy.

Operating expenses

Operating expenses, excluding depreciation and player amortisation, were £19.5m (2019: £15.8m), a £3.7m increase on the prior year primarily reflecting the increased cost of player wages in the Championship (£1.7m), as well as increases in spending committed to by East Street Investments Ltd (£0.9m). Total staff costs including the players, were £12.2m (2019: £10.4m).

Profit on disposal of players' registrations

Profit on disposal of players' registrations amounted to £4.4m (2019: £2.9m). Several previous player contingent clauses were triggered during this financial year from historical player sales, e.g. Lookman, Gomez, Palmer, Pope and Grant as well as player sales in the summer transfer window e.g. Dijksteel.

Loss before taxation

Once interest, depreciation and amortisation are taken into account the loss before taxation for the year was £1.1m (2019: Loss of £10.1m).

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020

Key Performance Indicators

The key performance indicators discussed above are further detailed in Notes 2 and 4 to the financial statements. These revenue and cost centres are monitored regularly by the Board against detailed budgets.

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

Thomas Sandgaard
Thomas Sandgaard (Jun 29, 2021 15:58 MDT)

T Sandgaard
Director

Date: 29/06/2021

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2020

The directors present their report and the financial statements for the year ended 30 June 2020.

Results and dividends

The total comprehensive loss for the year, after taxation, amounted to £1,529k (2019: loss £10,073k).

No dividends have been paid or proposed in the year (2019: £Nil).

Directors

The directors who served during the year were:

T Al Nasirat (appointed 23 January 2020, resigned 25 September 2020)
R Duchâtelet (appointed 3 January 2014, resigned 23 January 2020)
C I Florica (appointed 19 March 2020, resigned 25 September 2020)
S J Gallen (appointed 2 September 2019, resigned 23 January 2020)
J A G Heller (appointed 23 January 2020, resigned 19 March 2020)
M I Mihail (appointed 19 March 2020, resigned 25 September 2020)
R A Murray Obodynski (appointed 21 July 1991, resigned 23 January 2020)
M Southall (appointed 23 January 2020, resigned 19 March 2020)

Directors appointed post the year end are disclosed on the club Information page.

Future developments

The objective is to be competitive in League One, challenging for promotion to the Championship. The club will continue to monitor and control operating costs and maximise revenue opportunities to invest in the First Team squad and the further development of the Youth Academy.

Charitable contributions

The club provides match tickets, hospitality and signed memorabilia for numerous charitable organisations, local schools and youth teams. The club also provides certain administrative resources to the South of England Foundation, a registered charity that trades as the Charlton Athletic Community Trust. These resources are not material and have not been quantified. The club also facilitated fundraising for a variety of charitable organisations on match days at the Valley. There were no political donations.

Club's policy for payment of creditors

The club does not have a standard creditor payment policy. Payment terms are normally agreed with suppliers at the time of placing orders. All suppliers fulfilling the conditions of order will be paid in accordance with the terms agreed. Trade creditors represented 49 days (2019: 67 days) of annual purchases, when the effect of major capital works and player purchases are excluded.

Engagement with employees

The club places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the club. This is achieved through formal and informal meetings. The club operates an equal opportunity policy for recruitment and training development which gives equal opportunities to all employees regardless of age, gender, sexual orientation, marital status, nationality, pregnancy, colour, race, religion or ethnic origin. The club gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled it is the club's policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees where appropriate.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the club's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the club's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Post balance sheet events

Since the year end the disposal of players' registrations has generated income of £5,559k (2019: £1,080k).

In addition, transfer costs, termination payments and agency fees totalling £1,405k (2019: £221k) were paid.

Subsequent to the year end, the club terminated hire purchase lease agreements for six vehicles, the total amount paid via settlement agreements was £261k, which represented a hire purchase liability of £492k as at the year ended 30 June 2020. The termination of the six hire purchase agreements post year end released future minimum lease payments of £602k, disclosed in note 27.

On 25 September 2020, Clear Ocean Capital Limited, a company controlled by Thomas Sandgaard purchased 100% of the ordinary share capital in the club, by way of the acquisition of 26,477,268 ordinary shares.

As part of the change in ownership of the club, a deed of waiver and release was signed on 25 September 2020 in respect of obligations owed by the club to Staprix NV. The loan owed to Staprix NV of £44,247k (note 17) was waived in consideration for certain fixtures within leasehold improvement assets which were owned by the club as at 25 September 2020 (note 14) and contingent consideration being payable by the club to Staprix NV if the club is promoted to the Premier League before 25 September 2030. The details of which have not been disclosed as they are considered to be prejudicial to the arrangements entered into by the club as part of the 25 September 2020 transaction.

On the 25 September 2020 the lease agreements relating to the Valley Stadium and Training Ground were amended including revising the rent from £188k to £500k per annum.

On 28 September 2020, Clear Ocean Capital Limited provided the club with a loan for £10,500k. The loan is interest free, unsecured and is repayable on 28 September 2025 with the option for early repayments to be made by the club but not required.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2020**

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Thomas Sandgaard

Thomas Sandgaard (Jun 29, 2021 15:58 MDT)

T Sandgaard
Director

Date: 29/06/2021

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the club and of the profit or loss of the club for that period.

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

- select suitable accounting policies for the club's financial statements 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the club will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the club's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF CHARLTON ATHLETIC FOOTBALL
COMPANY LIMITED**

Opinion

We have audited the financial statements of Charlton Athletic Football Company Limited (the 'club') for the year ended 30 June 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Analysis of Net Debt and the 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 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 30 June 2020 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 club 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

Opinion 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the 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 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 where 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 club'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 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.

Nexia Smith & Williamson

Andrew Bond (Senior Statutory Auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants

Statutory Auditor

25 Moorgate

London

EC2R 6AY

Date: 29/06/2021

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 £000	2019 £000
Turnover	4	15,366	7,873
Gross profit		15,366	7,873
Administrative expenses		(22,986)	(19,770)
Exceptional items	5	1,451	-
Other operating income	6	888	-
Operating loss	7	(5,281)	(11,897)
Profit on disposal of players		4,401	2,864
Interest receivable and similar income	10	181	-
Interest payable and expenses	11	(435)	(1,040)
Loss before tax		(1,134)	(10,073)
Tax on loss	12	72	-
Loss for the financial year		(1,062)	(10,073)
Deferred tax movement on revaluation of leasehold properties		(467)	-
Other comprehensive loss for the year		(467)	-
Total comprehensive loss for the year		(1,529)	(10,073)

The notes on pages 19 to 41 form part of these financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED
REGISTERED NUMBER:01788466

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	13	310	829
Tangible assets	14	39,494	41,314
		<u>39,804</u>	<u>42,143</u>
Current assets			
Debtors: amounts falling due after more than one year	15	1,034	500
Debtors: amounts falling due within one year	15	2,888	2,001
Cash at bank and in hand	16	138	478
		<u>4,060</u>	<u>2,979</u>
Creditors: amounts falling due within one year	17	(52,512)	(7,558)
Net current liabilities		<u>(48,452)</u>	<u>(4,579)</u>
Total assets less current liabilities		<u>(8,648)</u>	<u>37,564</u>
Creditors: amounts falling due after more than one year	18	(9,570)	(76,344)
Provisions for liabilities			
Deferred tax	21	(4,982)	(4,515)
Other provisions	22	(130)	-
		<u>(5,112)</u>	<u>(4,515)</u>
Net liabilities		<u><u>(23,330)</u></u>	<u><u>(43,295)</u></u>
Capital and reserves			
Called up share capital	23	26,477	4,983
Revaluation reserve	24	21,241	21,708
Profit and loss account	24	(71,048)	(69,986)
Shareholders' deficit		<u><u>(23,330)</u></u>	<u><u>(43,295)</u></u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED
REGISTERED NUMBER:01788466

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Thomas Sandgaard

Thomas Sandgaard (Jun 29, 2021 15:58 MDT)

T Sandgaard
Director

Date: 29/06/2021

The notes on pages 19 to 41 form part of these financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE 2020 AND 30 JUNE 2019**

	Called up share capital £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
At 1 July 2018	4,983	21,708	(59,913)	(33,222)
Comprehensive income for the year				
Loss for the year	-	-	(10,073)	(10,073)
Total comprehensive income for the year	-	-	(10,073)	(10,073)
At 1 July 2019	4,983	21,708	(69,986)	(43,295)
Comprehensive income for the year				
Loss for the year	-	-	(1,062)	(1,062)
Deferred tax movement on revaluation of leasehold properties	-	(467)	-	(467)
Total comprehensive income for the year	-	(467)	(1,062)	(1,529)
Shares issued during the year	21,494	-	-	21,494
At 30 June 2020	26,477	21,241	(71,048)	(23,330)

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020	2019
	£000	£000
Cash flows from operating activities		
Loss for the financial year	(1,062)	(10,073)
Adjustments for:		
Amortisation of intangible assets	744	1,797
Depreciation of tangible assets	2,785	2,201
Interest payable	435	1,040
(Increase)/decrease in debtors	(1,601)	60
(Decrease)/increase in creditors	(343)	1,932
Foreign exchange differences	(157)	-
Net cash generated from operating activities	801	(3,043)
Cash flows from investing activities		
Purchase of intangible fixed assets	(262)	(543)
Purchase of tangible fixed assets	(965)	(391)
Sale of intangible fixed assets	36	110
Net cash from investing activities	(1,191)	(824)
Cash flows from financing activities		
Loans advanced	1,656	4,150
Repayment of loans	(1,606)	(165)
Net cash used in financing activities	50	3,985
Net (decrease)/increase in cash and cash equivalents	(340)	118
Cash and cash equivalents at beginning of year	478	360
Cash and cash equivalents at the end of year	138	478
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	138	478
	138	478

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 JUNE 2020

	At 1 July 2019 £000	Cash flows £000	New finance leases £000	Other non- cash changes £000	At 30 June 2020 £000
Cash at bank and in hand	478	(340)	-	-	138
Debt due after 1 year	(73,112)	(608)	-	67,676	(6,044)
Debt due within 1 year	-	-	-	(44,247)	(44,247)
Finance leases due after 1 year	-	69	(624)	93	(462)
Finance leases due within 1 year	-	-	-	(93)	(93)
Total	(72,634)	(879)	(624)	23,429	(50,708)

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. General information

Charlton Athletic Football Company Limited (the 'club') is a private company, limited by shares, domiciled and incorporated in England and Wales (registered number: 01788466). The registered office address is The Valley, Floyd Road, London, SE7 8BL.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 club's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

As at 30 June 2020, the club had net current liabilities of £48,452k (2019: £4,579k), net liabilities of £23,330k (2019: £43,295k) and a total comprehensive loss for the financial year of £1,529k (2019: £10,073k).

During the year and subsequent to the year ended 30 June 2020 the occurrence of the COVID-19 virus has resulted in matches being played behind closed doors, which has had a significant impact on the football industry. The duration and extent of the measures the UK Government announced to tackle the ongoing COVID-19 pandemic, creates significant challenges to the football industry including the club and there is considerable uncertainty in forecasting the impact of the measures on the business. The impact of football matches being played behind closed doors and with restricted capacities has had a profound impact on ticket income and match day revenue streams.

The COVID-19 pandemic is likely to continue to have a significant ongoing impact on the operations of the club including potentially into the 2021/22 season. These factors and future policy announcements by the UK Government are largely outside of the control of the club's Directors but could have a significant impact on the club, requiring additional funding to be obtained for the club to continue for the foreseeable future. The Directors have sought to reduce costs and utilise government support schemes to mitigate the impact, including the Coronavirus Job Retention Scheme (CJRS).

As described in note 29, the ownership of the club changed in September 2020. Following the change in ownership the new ultimate controlling party provided proof of funds and letters of intent to the EFL as part of the requirements for new owners stating their commitment to provide financial support to allow the club to meet its financial obligations.

As also described in note 29 the following events relevant to the solvency of the club occurred:

- The club's major debt, being a loan of £44,247k from Staprix NV, was waived.
- Clear Ocean Capital Limited, a company controlled by T Sandgaard, provided the club with a loan for £10,500k which is repayable on 28 September 2025.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

The Directors have prepared forecasts which estimate that the club has sufficient cash to continue as a going concern and pay its liabilities as they fall due for the foreseeable future, being a period of at least one year from the date of approval of the accounts. The forecasts include additional funding to be provided by T Sandgaard. Mr Sandgaard has also confirmed that, if necessary, he will provide additional funding above that envisaged in the base projections. The directors expect this need for additional funding may be necessary if, for example, there are shortfalls from projected revenues as a result of the ongoing pandemic.

On the basis of the events since the balance sheet date described above and the ongoing support from the controlling party, the Directors believe that, whilst there is no absolute assurance, there is reasonable assurance that the club will be able to meet its liabilities as they fall due for the foreseeable future being a period of not less than one year from the approval of these financial statements. Accordingly, it is appropriate to prepare the accounts on a going concern basis and the accounts do not include any adjustments that would be required if the club was unable to continue as a going concern.

2.3 Revenue

Turnover represents income receivable from football and related commercial activities excluding transfer fees receivable and value added tax. Broadcast and matchday income is recognised when related matches are played. Advance season tickets sales are included within deferred income and released to turnover in the relevant season.

2.4 Players' registrations

The cost of obtaining players' registrations with the FA are capitalised as intangible assets and amortised evenly over the period of the respective players' contracts. These costs include transfer fees, transfer levies and agents' fees. Payments contingent on the occurrence of uncertain future events are recognised when the event takes place. Players' registrations are written down for impairment when the individual player's carrying value exceeds the amount recoverable through use or sale. Players are derecognised as intangible assets when they are sold, or if their contracts run out. Any profit or loss on disposal is recognised through the statement of comprehensive income.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.5 Foreign currency translation

Functional and presentation currency

The club's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

2.6 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss 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 club in independently administered funds.

The club is a member of the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit pension scheme, where it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. Therefore, as required by FRS 102, the club accounts for the Scheme as if it were a defined contribution scheme. As a result, the amounts charged to Administrative expenses represent the contributions payable to the Scheme. Where material, contributions payable under an agreement with the Scheme to fund past deficits are recognised as a liability in the club's financial statements. These are the known repayments, discounted to the net present value at the year-end using a market rate discount factor. Where material, the unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.7 Operating leases: the club as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.8 Government grants

Grants are accounted under the accruals model and are measured at fair value of the asset received or receivable as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit or loss in the same period as the related expenditure.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 club 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.

2.10 Interest income

Interest income is recognised in profit or loss using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.11 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.13 Signing on fees and loyalty payments

Signing on fees are recognised through profit or loss evenly over the period covered by the players' contract. Loyalty payments are accrued through profit or loss for the period to which they relate.

2.14 Long term season ticket schemes

The net amount received by the club through long term season ticket schemes is treated as deferred income within creditors and is released through profit or loss over the period in which the supporters utilise their season ticket.

2.15 Barter transaction

Exchange of goods or services are recognised as revenue when goods are sold or services are exchanged for dissimilar goods or services in a transaction that has commercial substance.

Revenue is recognised at the fair value of the good or services received adjusted by the amount of any cash or cash equivalents transferred.

2.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the club but are presented separately due to their size or incidence.

2.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

2. Accounting policies (continued)

2.17 Tangible fixed assets (continued)

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:

Leasehold improvements	- 2-7%
Motor vehicles	- 20-25%
Interior fit outs	- 10-20%
Ground and office equipment	- 20-33.33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or 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 profit or loss.

2.18 Revaluation of tangible fixed assets

Individual leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Fair values are determined from market-based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the club 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 profit or loss in the year that the club 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.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

2. Accounting policies (continued)

2.20 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the club becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured on initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the club will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the club's cash management.

Financial liabilities and equity instruments issued by the club are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the club after deducting all of its liabilities. Equity instruments issued by the club are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The judgements, estimates and assumptions are evaluated at each reporting date and are based on historical experience as adjusted for current market conditions and other factors. Management makes estimates and assumptions concerning the future in preparing the financial statements and the actual results will not always reflect the accounting estimates made. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities of the club are outlined below.

Ex-director loans

Under FRS102, these loans have to be recognised at their present value which differs from the original transaction value. In calculating the present value, given the highly subjective nature of any assumption used, it is assumed that promotion to the Premier League is gained at the earliest possibility (i.e. 2 years from 30 June 2020). Should this not be achieved the present value of the loans will differ materially from the value currently presented.

Property valuation

Leasehold property assets are held at fair value (see note 14). The Directors have considered the basis for the value of these assets and the uncertainties arising from the changes in control of the club and arising from the COVID-19 pandemic. They have concluded that it is appropriate to continue to use the replacement cost valuation carried out at 30 June 2016 by Cushman and Wakefield Chartered Surveyors, adjusted for depreciation and additions at cost since that date, as the underlying basis for the valuation. However, as a result of the 15 year lease arrangements entered into in January 2020, they have reassessed the useful life applied. The reassessment has resulted in extra depreciation in the year, applied on a prospective basis of £570k compared to the previous life assumed. The Directors are planning to carry out a full reappraisal of the carrying value of the property for the 2021 year end due to the changes in the ownership of the club and various associated agreements, including the lease arrangements, in September 2020 as described in note 29.

Staprix loan

The Directors have made a judgement that the Staprix NV loan disclosed in note 17 should be classified as falling due within one year and not discounted at a market rate of interest. The judgement has been made despite the loan having a possible term of 10 years on an interest free basis. The reason for this approach relates to the uncertainties over the longevity of the transactions relating to the ownership of the club entered into in January 2020, which existed at the year end, and also the option to buy the assets on which the loan was secured, for which a precondition was the repayment of the loan, also described in note 17. Due to these factors it is not clear that the club had an unconditional right to defer settlement for more than one year at the year end and therefore, to take a conservative approach, it has been treated as a short term loan.

Depreciation of tangible fixed assets

Tangible fixed assets are depreciated over their useful life taking into account residual value where appropriate. The actual useful lives of the assets and residual values may vary depending upon a number of factors, including technological innovation and maintenance programmes.

Players' registrations

The cost of obtaining players' registrations are amortised evenly over the period of the representative players' contracts. The market value of a player could differ significantly from its net book value in the financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

4. Turnover

An analysis of turnover by class of business is as follows:

	2020 £000	2019 £000
Television and broadcast	7,820	1,515
Ticket income and match day activities	4,542	4,151
Commercial	2,117	1,308
Other	887	899
	<u>15,366</u>	<u>7,873</u>

5. Exceptional items

	2020 £000	2019 £000
Loan waiver	<u>1,451</u>	<u>-</u>

During the year, Charlton Athletic Holdings Limited waived a loan amount of £1,451k including accrued interest and fees, owed by the club and therefore releasing the club from all obligations under and in respect of the loan, which has been irrevocably extinguished.

6. Other operating income

	2020 £000	2019 £000
Furlough income	634	-
Grant income	214	-
Other income	40	-
	<u>888</u>	<u>-</u>

In 2020, government grants of £634k (2019: £nil) were received under the Coronavirus Job Retention Scheme as part of a government initiative to provide immediate financial support as a result of the Covid-19 pandemic to reimburse the club for 80% of the wages of certain employees who were placed on a temporary period of absence but were kept on the payroll. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

7. Operating loss

The operating loss is stated after charging:

	2020 £000	2019 £000
Amortisation of intangible fixed assets	744	1,797
Depreciation of tangible fixed assets	2,785	2,201
Other operating lease rentals	312	170
Hire of plant and machinery	12	23
Fees payable to the club's auditor for the audit of the club's annual financial statements	29	23
	<u> </u>	<u> </u>

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2020 £000	2019 £000
Wages and salaries	11,072	9,477
Social security costs	1,094	909
Cost of defined contribution scheme	75	46
	<u> </u>	<u> </u>
	<u>12,241</u>	<u>10,432</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Full time playing, training and football management	100	96
Administration, commercial and stadium maintenance	47	40
Casual staff	18	18
	<u> </u>	<u> </u>
	<u>165</u>	<u>154</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

9. Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	65	-
Club contributions to defined contribution pension schemes	1	-
	<u>66</u>	<u>-</u>

During the year retirement benefits were accruing to 2 directors (2019: Nil) in respect of defined contribution pension schemes.

During the year 2 directors received benefits in kind of £3k (2019: £Nil).

10. Interest receivable

	2020	2019
	£000	£000
On unwinding of discounting on ex-director loans	<u>181</u>	<u>-</u>

Note 18 provides detail on the discounting of the ex-director loans.

11. Interest payable and similar expenses

	2020	2019
	£000	£000
Other loan interest payable	435	859
On unwinding of discounting on ex-director loans	-	181
	<u>435</u>	<u>1,040</u>

Note 18 provides detail on the discounting of the ex-director loans.

12. Taxation

	2020	2019
	£000	£000
Corporation tax		
Current tax on profits for the year	(72)	-
Taxation on loss	<u>(72)</u>	<u>-</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: *higher than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	(1,135)	(10,073)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(215)	(1,914)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	37	6
Capital allowances for year in excess of depreciation	378	179
Non-taxable income	(41)	(20)
Research and development tax credit	(72)	-
Unrelieved tax losses carried forward	1,630	1,749
Remeasurement of deferred tax for changes in tax rates recognised in other comprehensive income	(1,789)	-
Total tax charge for the year	(72)	-

Factors that may affect future tax charges

The club has tax losses of approximately £102 million (2019: £103 million) available to carry forward against future trading profits.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

13. Intangible assets

	Players' registrations £000
Cost	
At 1 July 2019	7,139
Additions	262
Disposals	(4,512)
	<hr/>
At 30 June 2020	2,889
	<hr/>
Amortisation	
At 1 July 2019	6,310
Charge for the year	744
On disposals	(4,475)
	<hr/>
At 30 June 2020	2,579
	<hr/>
Net book value	
At 30 June 2020	310
	<hr/>
At 30 June 2019	829
	<hr/>

The figures for cost of player registrations are historical cost figures for purchased players only. Accordingly the net book value of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take into account the value of any players developed through the club's youth system.

The directors consider the net realisable value of intangible assets to be considerably greater than their net book value.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

14. Tangible fixed assets

	Short-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 July 2019	45,232	93	5,114	50,439
Additions	166	522	277	965
At 30 June 2020	<u>45,398</u>	<u>615</u>	<u>5,391</u>	<u>51,404</u>
Depreciation				
At 1 July 2019	4,501	91	4,533	9,125
Charge for the year	2,328	66	391	2,785
At 30 June 2020	<u>6,829</u>	<u>157</u>	<u>4,924</u>	<u>11,910</u>
Net book value				
At 30 June 2020	<u>38,569</u>	<u>458</u>	<u>467</u>	<u>39,494</u>
At 30 June 2019	<u>40,731</u>	<u>2</u>	<u>581</u>	<u>41,314</u>

Cost or valuation at 30 June 2020 is as follows:

	Land and buildings £000
At cost	21,634
At valuation:	
Revalued at 30 June 2020 and 30 June 2019 by the directors	23,764
	<u>45,398</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

14. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2020 £000	<i>2019 £000</i>
Cost	21,634	<i>21,468</i>
Net book value	21,634	<i>21,468</i>

Leasehold properties were revalued to fair value at 30 June 2020 based on a valuation undertaken by the directors. It is the opinion of the directors that the valuation of leasehold properties has not changed materially from the valuation carried forward at 30 June 2016 by Cushman and Wakefield Chartered Surveyors.

Staprix NV has a fixed and floating charge over the leasehold property assets. See note 29 for post balance sheet events relating to the disposal of certain fixtures within short term leasehold property assets.

15. Debtors

	2020 £000	<i>2019 £000</i>
Due after more than one year		
Trade debtors	1,034	<i>500</i>
	1,034	<i>500</i>
Due within one year		
Trade debtors	1,744	<i>1,295</i>
Other debtors	226	<i>60</i>
Prepayments and accrued income	918	<i>646</i>
	2,888	<i>2,001</i>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

16. Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	138	478
	<u>138</u>	<u>478</u>

17. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Other loans	44,247	-
Trade creditors	1,692	1,729
Amounts owed to group undertakings	-	2,019
Other taxation and social security	1,727	842
Obligations under finance lease and hire purchase contracts	93	-
Other creditors	2,271	37
Accruals and deferred income	2,482	2,931
	<u>52,512</u>	<u>7,558</u>

Following East Street Investments Limited acquisition of the club on 23 January 2020, a new loan agreement was entered into between the club and Staprix NV for £44,247k. The loan was interest free, repayable in 10 years from 23 January 2020 and secured over the leasehold assets of the club. East Street Investments Limited and Staprix NV also entered into a Put and Call Option on 23 January 2020, under which East Street Investments Limited were able to purchase the Stadium, Training Ground and Playing fields freehold assets from 23 January 2020 until 23 January 2030 and Staprix NV could sell the property from 23 January 2025 until 23 January 2030. For the option to be exercised the loan of £44,247k would need to be repaid in full, therefore the loan has been disclosed as due within one year as the loan can be called to be repaid by East Street Investments Limited from 23 January 2020 and due to the uncertainty over the East Street Investments Limited acquisition following EFL investigation.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

18. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Other loans	6,044	6,225
Net obligations under finance leases and hire purchase contracts	463	-
Amounts owed to group undertakings	-	66,887
Grants received	2,952	3,166
Accruals and deferred income	111	66
	<u>9,570</u>	<u>76,344</u>

In the prior year, an amount of £66,887k was owed to Baton 2010 Limited, previously the parent company. This amount consists of £21.6m acquired at the date of acquisition of Baton 2010 Limited by Staprix NV (4 January 2014), the balance consisting of cash funds injected into the club since 4 January 2014 along with capitalised interest at 3% on those funds. The interest rate was reduced to 2% effective from 1 July 2016. Up to 23 January 2020 there was no fixed repayment date for the amounts owed to Baton 2010 Limited.

On 27 December 2019, £21,495k of group loans owed to Baton 2020 Limited were capitalised into shares as noted in note 23. Following the change in ownership on 23 January 2020, there was a substantial modification to the loan balance of £44,247k, where Staprix NV (parent company of Baton 2010 Limited) ceased to be a connected company and a new formalised agreement was entered into between the club and Staprix NV.

Other loans are historic loans from R A Murray and other former directors of the club totalling £7,000k (2019: £7,000k) which are interest free and repayments only commence on promotion of the football club to Premier League. In accordance with FRS 102 these loans have been discounted to present value using a discount factor of 3%, giving a net present value of £6,044k (2019: £6,225k). The unwinding of discounting of £Nil (2019: £181k) is included within interest payable (see note 11). In the year the unwinding of discounting of £181k (2019: £Nil) has been reversed and is included within interest receivable (see note 10), this reflects the revised discounted present value of the loan.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

19. Loans

Analysis of the maturity of loans is given below:

	2020	2019
	£000	£000
Amounts falling due within one year		
Other loans	44,247	-
	44,247	-
Amounts falling due 1-2 years		
Other loans	-	1,021
Amounts owed to group undertakings	-	66,887
Amounts falling due 2-5 years		
Other loans	3,365	3,845
Amounts falling due after more than 5 years		
Other loans	2,679	1,359
	50,291	73,112

Amounts owed to group undertakings as disclosed within note 18 had no fixed repayment date and therefore has been disclosed as falling due within one to two years.

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020	2019
	£000	£000
Within one year	93	-
Between 1-5 years	462	-

Certain motor vehicles are held under finance lease arrangements. Finance lease arrangements are secured by the assets held under finance leases. These lease agreements include fixed lease payments and purchase option at the end of the lease term.

See note 29 for leases terminated post year end.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

21. Deferred taxation

	2020	2019
	£000	£000
At beginning of year	4,515	4,515
Charged to other comprehensive income	467	-
At end of year	4,982	4,515

The provision for deferred taxation is made up as follows:

	2020	2019
	£000	£000
Revaluation of tangible fixed assets	4,982	4,515
	4,982	4,515

22. Provisions

	Dilapidation provision £000
Charged to profit or loss	130
At 30 June 2020	130

23. Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
26,477,268 (2019: 4,982,564) Ordinary shares of £1.00 each	26,477	4,983

On 27 December 2019 21,494,704 Ordinary shares of £1.00 each were allotted to Baton 2010 Limited, with £21,495k of the club's debt owed to Baton 2010 Limited being waived.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

24. Reserves

Revaluation reserve

The revaluation reserve arose on the revaluation of the Valley Stadium and Sparrows Lane Training Ground and is stated net of deferred tax of £4,982k (2019: £4,515k).

Profit and loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

25. Contingent assets and liabilities

Additional transfer and agent fees £235k (2019: £873k) will become payable depending on players making specific numbers of appearances, gaining international honours and on-field playing success.

Additional fee are receivable of £1,550k (2019: £5,015k) where players sold make specific numbers of appearances, gain international honours or achieve on-field success.

26. Pension commitments

The club participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. The Club is unable to identify its share of assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accruals. The Club pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme. At 30 June 2020 the Club's national share of the deficit was £131k (2019: £160k).

The Club currently pays total contributions of £28k (2019: £27k), per annum which increases at 5.0% per annum (first increase at 1 September 2016) and based on the actuarial valuation assumptions used in the Scheme, will be sufficient to pay off the deficit by 29 May 2025.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

27. Commitments under operating leases

At 30 June 2020 the club had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £000	2019 £000
Land and building leases		
Not later than 1 year	446	221
Later than 1 year and not later than 5 years	1,106	399
Later than 5 years	1,993	360
	<u>3,545</u>	<u>980</u>
	2020 £000	2019 £000
Other leases		
Not later than 1 year	201	85
Later than 1 year and not later than 5 years	623	57
Later than 5 years	1	-
	<u>825</u>	<u>142</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

28. Related party transactions

The club was a wholly owned subsidiary within the Baton 2010 Limited group up to 23 January 2020, for which consolidated financial statements are publicly available that include the club's results up to that date and accordingly has taken advantage of the exemptions provided by FRS 102 section 33.1a not to disclose transactions with the other group entities.

The total amount of remuneration paid to key management personnel during the year was £1,723k.

During the year, the club was invoiced £150k (2019: £Nil) for consultancy services provided by two directors.

During the year, the club was invoiced £15k (2019: £nil) for reimbursement for a promotion party at the end of 2018/19 season by a company controlled by a director.

During the year, the club paid credit card expenses of £4k (2019: £nil) on behalf of a director.

The club entered into two motor vehicle leases on behalf of a director and paid £26k (2019: £nil) during the year.

The club entered into a property leases on behalf of two directors and paid £77k (2019: £nil) during the year.

The club owes £2,600k (2019: £2,600k) to a director included within other loans due after more than one year. The club owes £5k (2019: £5k) to a director included within trade creditors due within one year. The club is owed £4k (2019: £4k) from a director included within trade debtors due within one year.

The Staprix loan disclosed in note 17 is guaranteed by Panorama Magic General Contracting LLC, the ultimate controlling company of the club as at the year ended 30 June 2020.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

29. Post balance sheet events

Since the year end the disposal of players' registrations has generated income of £5,559k (2019: £1,080k).

In addition, transfer costs, termination payments and agency fees totalling £1,405k (2019: £221k) were paid.

Subsequent to the year end, the club terminated hire purchase lease agreements for six vehicles, the total amount paid via settlement agreements was £261k, which represented a hire purchase liability of £492k as at the year ended 30 June 2020. The termination of the six hire purchase agreements post year end released future minimum lease payments of £602k, disclosed in note 27.

On 25 September 2020, Clear Ocean Capital Limited, a company controlled by Thomas Sandgaard purchased 100% of the ordinary share capital in the club, by way of the acquisition of 26,477,268 ordinary shares.

As part of the change in ownership of the club, a deed of waiver and release was signed on 25 September 2020 in respect of obligations owed by the club to Staprix NV. The loan owed to Staprix NV of £44,247k (note 17) was waived in consideration for certain fixtures within leasehold improvement assets which were owned by the club as at 25 September 2020 (note 14) and contingent consideration being payable by the club to Staprix NV if the club is promoted to the Premier League before 25 September 2030. The details of which have not been disclosed as they are considered to be prejudicial to the arrangements entered into by the club as part of the 25 September 2020 transaction.

On the 25 September 2020 the lease agreements relating to the Valley Stadium and Training Ground were amended including revising the rent from £188k to £500k per annum.

On 28 September 2020, Clear Ocean Capital Limited provided the club with a loan for £10,500k. The loan is interest free, unsecured and is repayable on 28 September 2025 with the option for early repayments to be made by the club but not required.

30. Controlling party

At the prior year end, the Company's ultimate holding company was Staprix NV, a company registered in Belgium, which was 95% owned by Roland Duchâtelet. The Company's immediate parent company was Baton 2010 Limited, a company registered in England.

On 23 January 2020, East Street Investments Limited, a company registered in England & Wales entered into agreements to become the immediate parent company. Panorama Magic General Contracting LLC, a company registered in UAE was the ultimate controlling company and its ultimate controlling party was T Al Nasirat.

The EFL made enquiries requiring the club and owners to demonstrate that the requirements of the EFL Regulations were met by these parties.

On 25 September 2020 Clear Ocean Capital Limited, a company registered in England, acquired the company and is now the immediate parent company. The ultimate parent company is Sandgaard Capital LLC, which is incorporated in the United States. Following the acquisition the results of the club are expected to be included within the consolidated accounts for Clear Ocean Capital Limited for the 10 month period ending 30 June 2021. The ultimate controlling party is now T Sandgaard.