
CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

CLUB INFORMATION

Directors	L Rifkind T Sandgaard
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 2021

Introduction

The directors present their strategic report for the year ended 30 June 2021.

Principal activity

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.

Football review

First team

The first team competed in Sky Bet League One following relegation from the Sky Bet Championship the previous season.

Thomas Sandgaard purchased Charlton Athletic on September 25th 2020, shortly after the start of the club's League One campaign.

The team set off ambitiously to chase a place in the League One play-off places. On March 15th 2021, Lee Bowyer resigned as the club's Manager and joined Birmingham City.

The Board acted quickly and, on March 18th 2021, appointed Nigel Adkins as the new Charlton Manager, with a focus on a promotion place.

Johnnie Jackson remained as Assistant Manager with Jason Euell promoted to the role of First Team Coach.

The team generally finished the season strongly, missing out on a place in the play-offs on goal difference.

With the season played mostly behind closed doors, due to the Covid-19 pandemic, a limited amount of supporters were allowed in to just three home games during the season.

In October 2021, the Board decided to replace Nigel Adkins with Johnnie Jackson with the aim to deliver on our season's objectives.

The Board are committed to improving Charlton's chances of promotion from Sky Bet League One by a three-pronged approach to the Charlton development cycle:

- (i) support the academy's ambitions to achieve Category One status;
- (ii) invest in the playing squad; and
- (iii) hire well at the club to bring out the best in our team.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Youth Academy

Academy performance for 2020/21 continued to deliver and further consolidate the beliefs and values in the Academy Performance Plan. The Academy continues to produce home grown players for our First Team and remains an integral part of the football business model.

There were 4 Academy debutants in the First Team over the 2020/21 season. Of the debutants, Charlie Barker made most appearances, 9 in total, including 3 league appearances.

By the end of the 2020/21 season the First Team squad of 28 players was comprised of 6 Academy graduates (21%). The season target was 30%, a target that is normally achieved, but 4 Academy graduates were transferred during the season, including Alfie Doughty and Dillon Phillips. Both players had been at the Academy since the Under 9 age, further strengthening the belief in long term player development.

The EPPP player productivity figures, produced by the Premier League continues to be impressive: with youth players with a PL / EFL ranking of 5 out of 92, EFL ranking of 1 out of 72 and Cat 2 ranking of 1 out of 20.

These figures are formulated based on academy graduates who have played in our First Team during that time, but also elsewhere in the professional game having come through our youth 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 with over 70% of the KPI's achieved.

The future continues to look bright for the young player coming through the Academy programme at Charlton Athletic. There is considerable depth of talent throughout the age groups and the logical next step with the financial support of the current owner is to apply and succeed in the ambition of becoming a Category 1 Academy. Our youth programme should be functioning and continuing to succeed at the 'top table' of elite Academy football. Our best need to experience playing against the best!

Ownership

The club was owned by East Street Investments Ltd a company registered in the United Kingdom until 25th September 2020, at such time the club was transferred to Clear Ocean Capital Limited, an indirect wholly owned subsidiary of Thomas Sandgaard.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

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 match day attendance, the COVID-19 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.

Financial review

Capital Investment

As a result of games being played behind closed doors for much of the season, the club's revenue opportunities were reduced dramatically, with no supporters in the stadium, making it difficult to justify a return on any capital expenditure.

For the 2021/22 season, there has been substantial capital expenditure, including large investment putting in place the facilities for the club to become a Category One Academy.

	2021	2020	Variance	Variance
	£000	£000	£000	%
Central income	4,731	7,820	(3,089)	(40)
Match-day	233	4,542	(4,309)	(95)
Commercial	1,602	2,117	(515)	(24)
Other	390	887	(497)	(56)
Total	6,956	15,366	(8,410)	(55)

Central income consists of English Football League (EFL) and Premier League (PL) central and covid distributions. League One status decreased our share on these awards, for the financial year and EFL distributions received were £848k (2020 - £2.99m), PL solidarity payments were £697.5k (2020 - £4.5m). The PL covid distribution contributed £1.2m.

Match-day income consists primarily of ticket income, match-day hospitality, advertising and programmes, the movement from 20/21 was due to only 3 games being played in front of a reduced crowd and the rest of the season being played behind closed.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Capital investment (continued)

Commercial income comprises of primarily sponsorship, non-matchday events, streaming and retail. With the majority of the 20/21 season being played behind closed doors. There was a large increase in streaming due to all games being available to watch on Charlton TV. This was offset by a decrease in sponsorship and non-matchday events due to the covid pandemic.

Other income principally comprises youth academy grant income arising from the Elite Player Performance Plan. Other income also includes 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 £14.9m (2020 - £19.5m), a £4.6m decrease on the prior year primarily reflecting the reduced cost of player wages in League One (£2.4m). Total staff costs; including the players, were £9.3m (2020 - £12.2m).

Profit on disposal of players' registrations

Profit on disposal of players' registrations amounted to £5.6m (2020 - £4.4m). Several previous player contingent clauses were triggered during this financial year from historical player sales, e.g. Lookman, Grant, Dijksteel and Pope as well as Player sales including Bonne, Phillips, Doughty and Williams.

Profit/(Loss) before taxation

Once interest, depreciation and amortisation are taken into account the profit before taxation for the year was £4.2m (2020 - £1.1m loss).

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 (Mar 30, 2022 19:42 MDI)

T Sandgaard
Director

Date: 30/03/2022

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their report and the financial statements for the year ended 30 June 2021.

Results and dividends

The total comprehensive income/(loss) for the year, after taxation, amounted to £8,114k (2020 - loss £1,529k).

No dividends have been paid or proposed in the year (2020 - £Nil).

Directors

The directors who served during the year were:

L Rifkind (appointed 24 February 2021)
T Al Nasirat (resigned 25 September 2020)
C I Florica (resigned 25 September 2020)
M I Mihail (resigned 25 September 2020)
T Sandgaard (appointed 25 September 2020)

Future developments

The short term objective is to be competitive in League One and target play off places to regain Championship status as soon as possible. The Company will continue to monitor and control operating costs and maximise revenue opportunities to further invest back in to the First Team squad and 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 55 days (2020 - 49 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 2021

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 statement of financial position events

Since the year end the disposal of players' registrations has generated income of £2,000k (2020: £5,559k).

In addition, transfer costs, termination payments and agency fees totalling £1,848k (2020: £1,405k) were paid.

On 3 December 2021, a third party provided the club with a loan for £350k. The loan is to facilitate investment in the fixed assets of the Youth Academy with a view to achieving Category One Academy Status. The loan attracts interest at 2.5% per annum in arrears, is unsecured and is repayable on 3 December 2024, with the option for extension by mutual written agreement. Voluntary early repayment of the loan can be made by the club but is not required.

On 20 December 2021, 31 January 2022 and 29 March 2022, the club obtained additional loans from Clear Ocean Capital Limited for £600k, £300k and £600k, respectively. The additional loans of £1,500k are in accordance with the terms relating to the £10,500k loan obtained from Clear Ocean Capital Limited on 28 September 2020; interest free, unsecured and repayable on 28 September 2025 with the option for early repayments to be made by the club but not required.

On 11 February 2022, the club received a donation from Valley Gold to support the academy to the value of £163k.

On 23 March 2022 the repayment terms of £10,500k loan between the club and Clear Ocean Capital Limited entered into on 28 September 2020 and the additional loans provided by Clear Ocean Capital Limited on 20 December 2021, 31 January and 29 March 2022 for £600k, £300k and £600k were amended to be repayable on demand at any time by the Lender. The loan remains interest free and unsecured.

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 (Mar 30, 2022 19:42 MDT)

T Sandgaard
Director

Date: 30/03/2022

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

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 MEMBERS 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 2021 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 2021 and of its profit 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the club's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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. 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 7, 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.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the club's legal and regulatory framework through enquiry of management concerning their understanding of relevant laws and regulations and of the club's policies and procedures regarding compliance. We also drew on our existing understanding of the club's industry and regulation.

We understand that the club comply with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change.
- The directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- The engagement of external experts to ensure ongoing tax compliance.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements and which are central to the club's ability to conduct its business and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the club:

Have a direct effect on the determination of material amounts and disclosures in the financial statements. These include:

- Health and safety regulations, including building and fire safety;
- The UK Companies Act 2006 and FRS 102 in respect of the preparation and presentation of the financial statements; and
- Tax legislation.

Do not have a direct effect on the financial statements but compliance with which may be fundamental to the club's ability to operate or to avoid a material penalty. These include:

- The Football Association (FA), English Football League (EFL) and FIFA regulations.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Discussion with senior management including consideration of known or suspected non-compliance with the above regulations;
- We communicated with the club's management regarding existing litigation;
- We have reviewed legal correspondence throughout the year; and
- We obtained written management representations about any potential or ongoing legal disputes.

The senior statutory auditor led a discussion with members of the engagement team regarding the susceptibility of the club's and financial statements to material misstatement, including how fraud might occur.

The areas identified in this discussion were:

- Revenue recognition; and
- Journal entries.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

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

The procedures that we carried out in order to gain evidence in the above area included:

- Testing of revenue transactions to underlying documentation; and
- Testing journal entries, selected based on specific risk assessments applied based on the club's processes and controls surrounding manual journals.

The senior statutory auditor was satisfied that the engagement team collectively had the appropriate competence and capabilities to identify or recognise irregularities.

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: 31/03/2022

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 £000	2020 £000
Turnover	4	6,956	15,366
Gross profit		<u>6,956</u>	<u>15,366</u>
Administrative expenses		(16,185)	(22,986)
Exceptional items	5	(205)	1,451
Other operating income	6	509	888
Profit on disposal of leasehold assets	7	8,093	-
Operating loss	8	<u>(832)</u>	<u>(5,281)</u>
Profit on disposal of players		5,595	4,401
Interest receivable and similar income	11	-	181
Interest payable and similar expenses	12	(535)	(435)
Profit/(loss) before tax		<u>4,228</u>	<u>(1,134)</u>
Tax on profit/(loss)	13	(1,096)	72
Profit/(loss) for the financial year		<u><u>3,132</u></u>	<u><u>(1,062)</u></u>
Other comprehensive income/(loss) for the year			
Deferred tax movement on revaluation of leasehold properties		-	(467)
Realised deferred tax relating to disposal of leasehold assets previously taken to equity		4,982	-
Total comprehensive income/(loss) for the year		<u><u>8,114</u></u>	<u><u>(1,529)</u></u>

The notes on pages 19 to 43 form part of these financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED
REGISTERED NUMBER:01788466

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	14	1,347	310
Tangible assets	15	393	39,494
		<u>1,740</u>	<u>39,804</u>
Current assets			
Debtors: amounts falling due after more than one year	16	2,050	1,034
Debtors: amounts falling due within one year	16	3,820	2,888
Cash at bank and in hand	17	3,461	138
		<u>9,331</u>	<u>4,060</u>
Creditors: amounts falling due within one year	18	(6,283)	(52,512)
Net current assets/(liabilities)		<u>3,048</u>	<u>(48,452)</u>
Total assets less current liabilities		<u>4,788</u>	<u>(8,648)</u>
Creditors: amounts falling due after more than one year	19	(15,682)	(9,570)
Provisions for liabilities			
Deferred tax	22	-	(4,982)
Other provisions	23	(130)	(130)
		<u>(130)</u>	<u>(5,112)</u>
Net liabilities		<u>(11,024)</u>	<u>(23,330)</u>
Capital and reserves			
Called up share capital	24	26,477	26,477
Revaluation reserve	25	-	21,241
Capital contribution	25	4,192	-
Profit and loss account	25	(41,693)	(71,048)
Shareholders' deficit		<u>(11,024)</u>	<u>(23,330)</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED
REGISTERED NUMBER:01788466

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2021

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

Thomas Sandgaard
Thomas Sandgaard (Mar 30, 2022 19:42 MDT)

T Sandgaard
Director

Date: 30/03/2022

The notes on pages 19 to 43 form part of these financial statements.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Called up share capital £000	Revaluation reserve £000	Capital contribution £000	Profit and loss account £000	Total equity £000
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 1 July 2020	26,477	21,241	-	(71,048)	(23,330)
Comprehensive income for the year					
Profit for the year	-	-	-	3,132	3,132
Realised deferred tax relating to disposal of leasehold property	-	4,982	-	-	4,982
Total comprehensive income for the year	-	4,982	-	3,132	8,114
Capital contribution	-	-	4,192	-	4,192
Transfer of revaluation reserve	-	(26,223)	-	26,223	-
At 30 June 2021	26,477	-	4,192	(41,693)	(11,024)

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	2021	2020
	£000	£000
Cash flows (used in)/generated from operating activities		
Profit/(loss) for the financial year	3,132	(1,062)
Adjustments for:		
Amortisation of intangible assets	483	744
Depreciation of tangible assets	849	2,785
Interest payable	535	435
Taxation charge	1,096	-
Increase in debtors	(1,948)	(1,601)
Decrease in creditors	(1,484)	(343)
Corporation tax received/(paid)	8	(157)
Profit on disposal of leasehold assets	(8,093)	-
Net cash (used in)/generated from operating activities	(5,422)	801
Cash flows used in investing activities		
Purchase of intangible fixed assets	(1,653)	(262)
Sale of intangible assets	133	36
Purchase of tangible fixed assets	(104)	(965)
Sale of tangible fixed assets	449	-
Net cash used in investing activities	(1,175)	(1,191)
Cash flows generated from financing activities		
Loans advanced	10,500	1,656
Repayment of loans	-	(1,606)
Repayment of finance leases	(555)	-
Interest paid	(25)	-
Net cash generated from financing activities	9,920	50
Net increase/(decrease) in cash and cash equivalents	3,323	(340)

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

	2021 £000	2020 £000
Cash and cash equivalents at beginning of the year	138	478
Cash and cash equivalents at the end of the year	<u>3,461</u>	<u>138</u>
Cash and cash equivalents at the end of the year comprise:		
Cash at bank and in hand	<u>3,461</u>	<u>138</u>
	<u>3,461</u>	<u>138</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 30 JUNE 2021**

	At 1 July 2020 £000	Cash flows £000	Loans advanced £000	Repayment of finance leases £000	Non-cash movement £000	At 30 June 2021 £000
Cash at bank and in hand	138	3,323	-	-	-	3,461
Debt due after 1 year	(6,044)	-	(10,500)	-	3,682	(12,862)
Debt due within 1 year	(44,247)	-	-	-	44,247	-
Finance leases due after 1 year	(462)	-	-	462	-	-
Finance leases due within 1 year	(93)	-	-	93	-	-
Total	(50,708)	3,323	(10,500)	555	47,929	(9,401)

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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:

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.2 Going concern

As at 30 June 2021, the club had net liabilities of £11,024k (2020: £23,330k) and a total comprehensive income for the financial year of £8,114k (2020: loss £1,529k).

During the year the ongoing pandemic of the COVID-19 virus has resulted in majority of matches being played behind closed doors, which has had a significant impact on the football industry. 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 for 2020/21 season.

The Directors have sought to tighten on costs and look to reduce the use of the government support schemes to mitigate the impact, including the use of the Coronavirus Job Retention Scheme (CJRS) in 2021/22 season, which ended on 30 September 2021.

As described in notes 29 and 31, 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.

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 during the year, as detailed within note 29.
- Clear Ocean Capital Limited, a company controlled by T Sandgaard, provided the club with a loan for £10,500k during the year as detailed within note 19, the repayment terms of this loan were amended on 23 March 2022 to be repayable on demand at any time by the lender as detailed within note 30.
- Since the year end Clear Ocean Capital Limited has provided the club with additional loans for £600k, £300k and £600k as detailed within note 30, with the repayment terms of these loans being amended on 23 March 2022 to be repayable on demand at any time by the lender.

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. T Sandgaard has provided the club with a letter of financial support for a period of not less than 12 months from the date of signing these financial statements.

On the basis of the events described above and the ongoing support from the controlling party T Sandgaard, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.3 Turnover

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 profit or loss.

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'.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

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 profit or loss in the period incurred.

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 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 profit or loss in the same period as the related expenditure.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

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 is charged or credited to profit or loss except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

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.

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.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

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.

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:

Short-term leasehold improvements	- 7%
Motor vehicles	- 25%
Interior fit outs	- 10 - 20%
Ground and office equipment	- 20%

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.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. Accounting policies (continued)

2.18 Revaluation of tangible fixed assets

Individual freehold and 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.

Individual freehold and leasehold properties are derecognised on disposal. The gain or loss on disposal is recognised as the difference between the disposal proceeds and the carrying value of the asset, using the revaluation model at the date of disposal. This net gain is included in profit and loss.

The balance in the revaluation reserve relating to the individual freehold and leasehold property disposed of is transferred directly to retained earnings.

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 2021

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 2021

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 FRS 102, 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 2021). Should this not be achieved the present value of the loans will differ materially from the value currently presented.

Clear Ocean Capital Limited loan

On 28 September 2020, Clear Ocean Capital Limited provided the club with a £10,500k loan. The loan is interest free, unsecured loan and repayable on 28 September 2025 with the option for early repayments to be made by the club but not required (note 19). Under FRS 102, this connected party loan is required to be recognised at present value which differs from the original transaction value. In calculating the present value management have assessed 10.73% to represent the market rate of interest for a similar loan. Given the highly subjective nature of assessing a market rate of interest, applying a different market rate of interest assumption, would give rise to a materially different loan value to that currently presented.

Operating leases

On 25 September 2020 the lease agreements relating to the Valley Stadium and Training Ground were amended following Clear Ocean Capital Limited's acquisition of the club, including revised rents and lease terms of 15 years, respectively. The directors have assessed that these leases represent operating leases in accordance with FRS 102 Section 20.5.

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 2021

4. Turnover

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

	2021 £000	2020 £000
Television and broadcast	4,731	7,820
Ticket income and match day activities	233	4,542
Commercial	1,602	2,117
Other	390	887
	<u>6,956</u>	<u>15,366</u>

5. Exceptional items

	2021 £000	2020 £000
Loan waiver	-	1,451
Severance pay	(205)	-
	<u>(205)</u>	<u>1,451</u>

During the previous 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

	2021 £000	2020 £000
Profit on disposal of motor vehicle assets	26	-
Furlough income	195	634
Grant income	211	214
Other income	77	40
	<u>509</u>	<u>888</u>

In 2021, government grants of £195k (2020 - £634k) 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 2021

7. Profit on disposal of leasehold assets

	2021 £000	2020 £000
Profit on disposal of leasehold assets	8,093	-
	<u>8,093</u>	<u>-</u>

The profit on disposal of leasehold assets via a deed of waiver, relates to the release of the loan owed by the club to Staprix NV of £44,247k (note 18). This loan was waived in consideration for certain fixtures within leasehold improvement assets which were owned by the club as at 25 September 2020 (note 15). In addition the loan owed to Baton 2010 Limited of £1,753k was waived.

8. Operating loss

The operating loss is stated after charging:

	2021 £000	2020 £000
Amortisation of intangible assets	483	744
Depreciation of tangible fixed assets	849	2,785
Hire of plant and machinery	7	12
Fees payable to the club's auditor for the audit of the club's annual financial statements	33	29
Non-audit fees	5	3
Operating lease rentals	<u>660</u>	<u>312</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

9. Employees

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

	2021 £000	2020 £000
Wages and salaries	8,369	11,072
Social security costs	902	1,094
Cost of defined contribution scheme	65	75
	<u>9,336</u>	<u>12,241</u>

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

	2021 No.	2020 No.
Full time playing, training and football management	106	100
Administration, commercial and stadium maintenance	43	47
Casual staff	16	18
	<u>165</u>	<u>165</u>

10. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	362	65
Club contributions to defined contribution pension schemes	-	1
	<u>362</u>	<u>66</u>

During the year, there were no retirement benefits accruing to directors (2020 - 2) in respect of defined contribution pension schemes.

During the year no directors received benefits in kind (2020 - £3k).

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

11. Interest receivable and similar income

	2021 £000	2020 £000
On unwinding of discounting on ex-director loans	-	181

Note 19 provides detail on the discounting of the ex-director loans.

12. Interest payable and similar expenses

	2021 £000	2020 £000
Other loan interest payable	535	435

13. Taxation

	2021 £000	2020 £000
Corporation tax		
Current tax on profits/(losses) for the year	1,096	(72)
Taxation on profit/(loss)	1,096	(72)
Taxation on profit/(loss) on ordinary activities	1,096	(72)

The directors have included a prudent judgemental corporation tax provision of £1,096k for the year ended 30 June 2021. The directors are seeking professional advice before final submission of the corporation tax computation, which initial discussions indicate may eliminate the corporation tax liability.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £000	2020 £000
Profit/(loss) on ordinary activities before tax	4,228	(1,135)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	803	(215)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	131	37
Capital allowances for year in excess of depreciation	(658)	378
Non-taxable income	(382)	(41)
Research and development tax credit	(7)	(72)
Unrelieved tax losses carried forward	5,460	1,630
Remeasurement of deferred tax for changes in tax rates recognised in other comprehensive income	(496)	(1,789)
Chargeable gains	(3,755)	-
Total tax charge/(credit) for the year	1,096	(72)

Factors that may affect future tax charges

Finance Act 2021 includes legislation to increase the main rate of corporation tax from 19% to 25% from 1 April 2023.

The club has tax losses of approximately £92 million (2020 - £102 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 2021

14. Intangible assets

	Players' registrations £000
Cost	
At 1 July 2020	2,889
Additions	1,653
Disposals	(2,605)
At 30 June 2021	<u>1,937</u>
Amortisation	
At 1 July 2020	2,579
Charge for the year	483
On disposals	(2,472)
At 30 June 2021	<u>590</u>
Net book value	
At 30 June 2021	<u><u>1,347</u></u>
At 30 June 2020	<u><u>310</u></u>

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 2021**

15. Tangible fixed assets

	Short-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost or valuation				
At 1 July 2020	45,398	615	5,391	51,404
Additions	-	-	104	104
Disposals	(45,398)	(522)	-	(45,920)
At 30 June 2021	-	93	5,495	5,588
Depreciation				
At 1 July 2020	6,829	157	4,924	11,910
Charge for the year	612	59	178	849
Disposals	(7,441)	(123)	-	(7,564)
At 30 June 2021	-	93	5,102	5,195
Net book value				
At 30 June 2021	-	-	393	393
At 30 June 2020	38,569	458	467	39,494

During the year the leasehold property assets were disposed of via a deed of waiver (see note 18) and the fixed and floating charge held by Starprix NV was satisfied.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

16. Debtors

	2021 £000	2020 £000
Due after more than one year		
Trade debtors	2,050	1,034
	<u>2,050</u>	<u>1,034</u>
Due within one year		
Trade debtors	3,480	1,744
Bad debt provision	(22)	-
Amounts owed by group undertakings	155	-
Other debtors	29	226
Prepayments and accrued income	178	918
	<u>3,820</u>	<u>2,888</u>

17. Cash and cash equivalents

	2021 £000	2020 £000
Cash at bank and in hand	3,461	138
	<u>3,461</u>	<u>138</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

18. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Other loans	-	44,247
Trade creditors	1,242	1,692
Corporation tax	1,104	-
Other taxation and social security	416	1,727
Obligations under finance lease and hire purchase contracts	-	93
Other creditors	556	2,271
Accruals and deferred income	2,965	2,482
	<u>6,283</u>	<u>52,512</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 at 30 June 2020, as the loan could 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.

On 25 September 2020, Clear Ocean Capital Limited acquired the club, 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 was waived in consideration for certain fixtures within leasehold improvement assets which were owned by the club as at 25 September 2020 (note 15) and contingent consideration being payable by the club to Staprix NV if the club is promoted to the Premier League before 25 September 2030 (note 26). 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.

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

	2021 £000	2020 £000
Other loans	6,044	6,044
Net obligations under finance leases and hire purchase contracts	-	463
Amounts owed to group undertakings	6,818	-
Other creditors	52	-
Grants received	2,740	2,952
Accruals and deferred income	28	111
	<u>15,682</u>	<u>9,570</u>

Other loans are historic loans from R A Murray and other former directors of the club totalling £7,000 (2020: £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 (2020: £6,044k). The unwinding of discounting of £Nil (2020: £Nil) is included within interest payable (see note 12). In the year the unwinding of discounting of £Nil (2020: £181k) has been reversed and is included within interest receivable (see note 11), this reflects the revised discounted present value of the loan.

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. In accordance with FRS 102 this loan has been discounted to present value using a discount factor 10.73%, giving a net present value of £6,818k as at 30 June 2021, with £4,192k being recognised as a capital contribution. The unwinding of discount of £510k is included within interest payable (see note 12).

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NOTES TO THE FINANCIAL STATEMENTS
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20. Loans

Analysis of the maturity of loans is given below:

	2021 £000	2020 £000
Amounts falling due within one year		
Other loans	-	44,247
Amounts falling due 2-5 years		
Other loans	3,365	3,365
Amounts owed by group undertakings	6,818	-
	<u>10,183</u>	<u>3,365</u>
Amounts falling due after more than 5 years		
Other loans	2,679	2,679
	<u>12,862</u>	<u>50,291</u>

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £000	2020 £000
Within one year	-	93
Between 1-5 years	-	462
	<u>-</u>	<u>555</u>

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22. Deferred taxation

	2021 £000	2020 £000
At beginning of year	4,982	4,515
(Credited)/charged to other comprehensive income	(4,982)	467
At end of year	-	4,982

The provision for deferred taxation is made up as follows:

	2021 £000	2020 £000
Revaluation of tangible fixed assets	-	4,982

23. Provisions

	Dilapidation provision £000
At 1 July 2020	130
At 30 June 2021	130

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24. Share capital

	2021	2020
	£000	£000
Allotted, called up and fully paid		
26,477,268 Ordinary shares of £1.00 each	26,477	26,477

25. Reserves

Revaluation reserve

The revaluation reserve arose on the revaluation of the Valley Stadium and Sparrows Lane Training Ground and was stated net of deferred tax (2020 - £4,982k). Upon disposal of the leasehold properties, the realised fair value of £26,223k previously taken to equity, was transferred directly to retained earnings.

Capital contribution

This reserve relates to capital contributions arising on financing transactions with the club's parent company, Clear Ocean Capital Limited (note 19).

Profit and loss account

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

26. Contingent assets and liabilities

Additional transfer and agent fees £227k (2020 - £235k) will become payable depending on players making specific numbers of appearances, gaining international honours and on-field playing success.

Additional fee are receivable of £1,255k (2020 - £1,550k) where players sold make specific numbers of appearances, gain international honours or achieve on-field success.

As detailed within note 18, contingent consideration may be payable by the club to Staxip NV if the club is promoted to the Premier League before 25 September 2030. This contingent consideration payable by the club is considered to be a contingent liability as at 30 June 2021. 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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

27. Pension commitment

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 2021 the club's share of the deficit was £174k (2020 - £131k).

The club currently pays total contributions of £30k (2020 - £28k), 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 1 July 2026.

28. Commitments under operating leases

At 30 June 2021 the club had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Land and building leases		
Not later than 1 year	623	446
Later than 1 year and not later than 5 years	2,315	1,106
Later than 5 years	4,640	1,993
	<u>7,578</u>	<u>3,545</u>
	2021 £000	2020 £000
Other leases		
Not later than 1 year	76	201
Later than 1 year and not later than 5 years	66	623
Later than 5 years	-	1
	<u>142</u>	<u>825</u>

CHARLTON ATHLETIC FOOTBALL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

29. Related party transactions

Since the 25 September 2020 the club is a wholly owned subsidiary within Clear Ocean Capital Limited group, for which consolidated financial statements are publicly available that include the club's results from 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 £1,368k (2020: £1,723k).

During the year, the club was invoiced £Nil (2020: £150k) for consultancy services provided by two former directors.

During the year, the club was invoiced £Nil (2020: £15k) for a promotion party at the end of 2018/19 season by a company controlled by a former director.

During the year, the club paid credit card expenses of £Nil (2020: £4k) on behalf of a former director.

During the prior year, the club entered into two motor vehicle lease on behalf of a former director and paid £Nil (2020: £26k) during the year.

During the prior year, the club entered into property leases on behalf of two former directors and paid £Nil (2020: £77k) during the year.

The club owes £Nil (2020: £2,600k) to a former director included within other loans due after more than one year. The club owes £Nil (2020: £5k) to a former director included within trade creditors due within one year. The club is owed £Nil (2020: £4k) from a former director included within trade debtors due within one year.

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 as at 30 June 2020 (note 18) was waived on 25 September 2020, in consideration for certain fixtures within leasehold improvement assets which were owned by the club as at 25 September 2020 (note 15) 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.

The Staprix loan of £44,247k as at 30 June 2020 disclosed in note 18 has been satisfied in the year when ownership changed from Panarama Magic General Contracting LLC to Clear Ocean Capital Limited.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

30. Post statement of financial position events

Since the year end the disposal of players' registrations has generated income of £2,000k (2020: £5,559k).

In addition, transfer costs, termination payments and agency fees totalling £1,848k (2020: £1,405k) were paid.

On 3 December 2021, a third party provided the club with a loan for £350k. The loan is to facilitate investment in the fixed assets of the Youth Academy with a view to achieving Category One Academy Status. The loan attracts interest at 2.5% per annum in arrears, is unsecured and is repayable on 3 December 2024, with the option for extension by mutual written agreement. Voluntary early repayment of the loan can be made by the club but is not required.

On 20 December 2021, 31 January 2022 and 29 March 2022, the club obtained additional loans from Clear Ocean Capital Limited for £600k, £300k and £600k, respectively. The additional loans of £1,500k are in accordance with the terms relating to the £10,500k loan obtained from Clear Ocean Capital Limited on 28 September 2020; interest free, unsecured and repayable on 28 September 2025 with the option for early repayments to be made by the club but not required.

On 11 February 2022, the club received a donation from Valley Gold to support the academy to the value of £163k.

On 23 March 2022 the repayment terms of £10,500k loan between the club and Clear Ocean Capital Limited entered into on 28 September 2020 and the additional loans provided by Clear Ocean Capital Limited on 20 December 2021, 31 January 2022 and 29 March 2022 for £600k, £300k and £600k were amended to be repayable on demand at any time by the Lender. The loan remains interest free and unsecured.

31. Controlling party

From 1 July 2020 to 24 September 2020, the club's ultimate holding company was Panorama Magic General Contracting LLC, a company registered in UAE which was the ultimate controlling company and its ultimate controlling party was T Al Nasirat. The club's immediate parent company was East Street Investments Limited, a company registered in England and Wales.

On 25 September 2020, Clear Ocean Capital Limited, a company registered in England, acquired the club 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 of Clear Ocean Capital Limited for the 10 month period ended 30 June 2021. The ultimate controlling party is now T Sandgaard.

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