

**Middlesbrough Football & Athletic  
Company (1986) Limited  
Annual report and financial statements  
for the year ended 30 June 2014**

MONDAY



\*A44AGSMH\*

A04

30/03/2015

#62

COMPANIES HOUSE

**Middlesbrough Football & Athletic Company (1986) Limited**  
**Annual report and financial statements**  
**for the year ended 30 June 2014**  
**Contents**

Directors and advisers for the year ended 30 June 2014.....	1
Strategic report for the year ended 30 June 2014.....	2
Directors' report for the year ended 30 June 2014.....	3
Independent auditors' report to the members of Middlesbrough Football & Athletic Company (1986) Limited	5
Profit and loss account for the year ended 30 June 2014.....	7
Note of historical cost profits and losses for the year ended 30 June 2014 .....	8
Balance sheet as at 30 June 2014.....	9
Statement of accounting policies for the year ended 30 June 2014 .....	10
Notes to the financial statements for the year ended 30 June 2014 .....	13

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Directors and advisers for the year ended 30 June 2014**

### **Directors**

S Gibson

K Lamb ( non executive )

### **Company Secretary and registered office**

A W Bage FCA

Riverside Stadium

Middlesbrough

TS3 6RS

### **Solicitors**

The Endeavour Partnership LLP

Tobias House

St Mark's Court

Teesdale Business Park

Teesside

TS17 6QW

Charles Russell LLP

5 Fleet Place

London

EC4M 7RD

### **Bankers**

Barclays Bank Plc

Barclays House

71 Grey Street

Newcastle upon Tyne

NE99 1JP

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and statutory auditors

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Strategic report for the year ended 30 June 2014**

The directors present their Strategic report for the Company for the year ended 30 June 2014.

### **Business Review**

The team started season 2013-14 with moderate results without improving on the final league position of the previous season. In October the manager's contract was terminated and in November a new Head Coach was appointed. Average attendance for the 2013-14 season was 1,000 down on the previous season. Cup performances were disappointing being knocked out in the first round of both competitions having reached the fifth round in the previous season in both campaigns. The team improved their league form towards the end of the season to finish 12<sup>th</sup> but the overall financial effect of the performances was a reduction in gate revenues.

In the year to June 2014 player trading achieved profits of £683,900 from player sales.

After taxation the results for the year show a loss of £15,588,000 (2013: £13,934,000).

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks which principally occur around football, employees and finance related matters.

#### **Football**

The Company continually faces the risk of the team underperforming against crowd expectations which can have a significant impact on revenue streams and cash generation. The Company makes prudent financial planning assumptions with regards to match attendances and cup success.

#### **Employees**

The Company's performance depends largely on the team manager and his staff and players. The resignation or transfer of key individuals and the ability to recruit people with the right experience, skills and potential has a significant impact on performance. To manage these requirements the Company is constantly analysing its market place and has performance reviews together with performance related remuneration in place to retain key individuals.

#### **Finance**

The Company operates in a challenging business environment and market sector where revenue streams can fluctuate significantly depending upon team performance on the pitch and costs can be unrelated to income being generated. The Company continuously reviews the level of fixed costs incurred with a view to restricting unnecessary expense and matching costs to revenue streams.

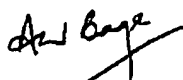
### **Key Performance Indicators**

Given the nature of the business the Company is of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Charitable donations**

Charitable donations made in the year amounted to £205,000 (2013: £24,200). The Company provides match tickets, hospitality and autographed memorabilia for numerous charitable organisations, schools and youth teams in the local community.

By order of the board

  
A W Bage FCA  
Company Secretary

28<sup>th</sup> November 2014

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Directors' report for the year ended 30 June 2014**

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2014. The Company's registered number is 1947851.

### **Principal activities**

The principal activity of the Company is the operation of a professional football club.

### **Directors**

The directors of the Company during the year, and up to the date of signing the financial statements, are listed below:

S Gibson      (Chairman)  
K Lamb        ( non executive ).

### **Dividends**

The directors do not recommend payment of a dividend (2013: £nil).

### **Future Outlook**

The Club will continue to keep control of operating costs and aim to make as much income as possible available to invest in the football team. The Club will continue to strive for promotion to the Premier League whether through automatic promotion or a place in the play-offs.

### **Going Concern**

The going concern basis of the company depends on funds from The Gibson O'Neill Company Limited, the ultimate parent undertaking, who will continue to provide financial support to the Company for the foreseeable future.

### **Post Balance Sheet Events**

Player transfer activity has resulted in six players being sold and one player having his contract terminated by mutual consent and seven players being bought. Three players have also been acquired on season long loans.

### **Financial Risk Management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, foreign exchange risk and credit risk.

#### *Liquidity risk*

The Company manages its liquidity risk on a daily basis through cash monitoring and cash flow forecasting to ensure that it operates within the parameters of its financial plan incorporating support from The Gibson O'Neill Company Limited, the ultimate controlling party.

#### *Foreign exchange risk*

The Company is exposed to foreign exchange risk as a result of acquisition and disposal of player registrations. The risk is managed through a range of various hedging instruments.

#### *Credit risk*

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are shown net of provisions for impairment where it is considered the Company will not be able to collect all amounts due. The Company considers it has no significant concentration of credit risk as its exposure is spread over a large number of customers. The largest sums will be due from other football clubs as instalments for player transfer sales and these sums are protected by the Football Creditor rules.

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Directors' report for the year ended 30 June 2014 (continued)**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

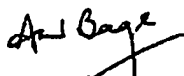
### **Disclosure of information to auditors**

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



A W Bage FCA  
Company Secretary

28<sup>th</sup> November 2014

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Independent auditors' report to the members of Middlesbrough Football & Athletic Company (1986) Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Middlesbrough Football & Athletic Company (1986) Limited, comprise:

- the Balance Sheet as at 30 June 2014;
- the Profit and loss account and Note of historical cost profits and losses for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Middlesbrough Football & Athletic Company (1986) Limited**

### **Independent auditors' report to the members of Middlesbrough Football & Athletic Company (1986) Limited (continued)**

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Bill MacLeod (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
28 November 2014



# Middlesbrough Football & Athletic Company (1986) Limited

## Profit and loss account for the year ended 30 June 2014

	Note	30 June 2014 £'000	30 June 2013 £'000
Turnover	1	12,813	14,212
Cost of sales		(26,906)	(26,291)
Gross loss		(14,093)	(12,079)
Administrative expenses before player amortisation		(3,391)	(5,633)
Player amortisation and impairment	2	(3,934)	(4,740)
Administrative expenses		(7,325)	(10,373)
Other operating income	5	309	114
Operating loss		(21,109)	(22,338)
Profit on sale of registrations		684	3,744
Loss on ordinary activities before interest and taxation		(20,425)	(18,594)
Interest payable and similar charges	6	(15)	(15)
Interest receivable and similar income	6	-	148
Loss on ordinary activities before taxation	7	(20,440)	(18,461)
Tax on loss on ordinary activities	8	4,852	4,527
Loss for the financial year	19	(15,588)	(13,934)

All of the Company's operations are continuing.

There are no recognised gains or losses other than those included in the losses above; therefore no separate statement of total recognised gains and losses has been presented.

## **Middlesbrough Football & Athletic Company (1986) Limited**

### **Note of historical cost profits and losses for the year ended 30 June 2014**

	<b>30 June 2014 £'000</b>	<b>30 June 2013 £'000</b>
Reported loss on ordinary activities before taxation	<b>(20,440)</b>	<b>(18,461)</b>
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on revalued amounts	<b>519</b>	<b>519</b>
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(19,921)</b>	<b>(17,942)</b>
<b>Historical cost loss for the year retained after taxation</b>	<b>(15,069)</b>	<b>(13,415)</b>

# Middlesbrough Football & Athletic Company (1986) Limited

## Balance sheet as at 30 June 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
<b>Fixed assets</b>					
Intangible assets	9		4,229		2,472
Tangible assets	10		30,420		31,471
			<b>34,649</b>		<b>33,943</b>
<b>Current assets</b>					
Stocks	11	903		660	
Debtors	12	4,207		11,229	
Cash at bank and in hand		263		1,820	
		<b>5,373</b>		<b>13,709</b>	
Creditors: amounts falling due within one year	13	(16,734)		(12,766)	
<b>Net current (liabilities)/assets</b>			<b>(11,361)</b>		<b>943</b>
<b>Total assets less current liabilities</b>			<b>23,288</b>		<b>34,886</b>
<b>Creditors: amounts falling due after more than one year</b>					
	14		77,228		77,049
Deferred income	15		726		840
Provisions for liabilities	16		2,576		3,651
			<b>80,530</b>		<b>81,540</b>
<b>Capital and reserves</b>					
Called up share capital	17		56,056		51,056
Capital contribution	18		26,000		26,000
Revaluation reserve	18		16,085		16,604
Profit and loss account	18		(155,383)		(140,314)
<b>Total shareholders' deficit</b>	19		<b>(57,242)</b>		<b>(46,654)</b>
			<b>23,288</b>		<b>34,886</b>

The financial statements on pages 8 to 26 were approved by the board on 28th November 2014 and were signed on its behalf by:

  
S Gibson  
Director

Middlesbrough Football & Athletic Company (1986) Limited

Registered Number 1947851

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Statement of accounting policies for the year ended 30 June 2014**

### **Basis of accounting**

The financial statements have been prepared on the going concern basis under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The going concern basis of the Company depends on continued support from The Gibson O'Neill Company Limited, the ultimate parent undertaking, which has undertaken to provide financial support to the Company to the extent necessary for a period of at least the next 12 months.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

### **Cash flow statement**

Under FRS 1 (revised 1996) "Cash flow statements" the Company is exempt from the requirements to prepare a cash flow statement on the grounds that the ultimate parent undertaking includes the Company in its own published consolidated financial statements.

### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, which is their purchase cost, together with any incidental costs of acquisition, or at valuation, less accumulated depreciation. Leasehold Properties are revalued on a depreciated replacement cost basis every five years with an interim valuation in the third year of the cycle.

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets less their estimated residual values on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Long leasehold buildings	2 - 10
Motor vehicles	25
Fixtures, fittings, plant and machinery	2 - 20

Land is not depreciated.

### **Finance leases**

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting year. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Statement of accounting policies for the year ended 30 June 2014 (continued)**

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

### **Grants**

Grants that relate to specific projects are treated as deferred income which is then credited to the profit and loss account over the related project's useful life. Other grants are credited to the profit and loss account when received.

### **Foreign currencies**

Transactions in foreign currencies are translated at the rate ruling at the date of the transaction except where the rate of exchange is fixed by a relevant matching forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account in the year in which they arise.

### **Turnover**

Turnover represents income receivable from the Company's principal activities, and is exclusive of value added tax and transfer fees in relation to registrations and contracts of employment. Matchday and Season ticket receipts are recognised over the year of the football season as games are played. The fixed element of broadcasting revenue is recognised over the duration of the football season whilst facility fees for additional live coverage are taken when earned. Merit awards are accounted for only when known at the end of the football season. Sponsorship and similar commercial income is recognised over the duration of the respective contracts.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, except for certain exemptions which under FRS 19 "Deferred taxation" should not be recognised.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the year in which timing differences reverse, based on taxation rates and law enacted or substantially enacted at the balance sheet date.

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Statement of accounting policies for the year ended 30 June 2014 (continued)**

### **Intangible assets - Compensation and loan fees**

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised over the length of the respective players' initial contract. Where a playing contract is extended, the unamortised balance at the date of the amendment, together with any new costs associated with the extension is amortised over the remaining revised contract life. Provision is made for any impairment and player registrations are written down for impairment when the carrying value exceeds the amount recoverable through use or sale of the relevant income generating unit. Provision is also made for the onerous element of players' contracts where a player's registration is impaired.

Where a part of the consideration payable on acquiring a player's registration is contingent upon a future event, the amount of the consideration is recognised once the event occurs and is amortised from the date of the event. The total amount which is currently considered possible is disclosed in note 22.

Profit or losses on the sale of registrations represent the compensation or loan fees receivable, net of any transaction costs, less the amortised cost of the registrations.

### **Pension costs**

The Company is making contributions in respect of its share of the deficit of the defined benefit section of the Football League Pension and Life Assurance Scheme (the "Scheme").

Under the provisions of FRS 17 "Retirement Benefits" the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and, accordingly, no disclosures are made under the provisions of FRS 17. Contributions are made as advised by the scheme actuary.

The Company also provides access to stakeholder pension plans for employees. The employer's contributions are charged to the profit and loss account in the year in which the liability to pay arises.

### **Financial instruments**

The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest and foreign exchange rates. The instruments used to hedge future exposures are interest rate swaps and forward currency contracts.

Receipts and payments on interest rate instruments are recognised as adjustments to the interest expense in the year. Gains and losses on foreign currency hedges are recognised on maturity of the underlying transactions.

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014

### 1 Turnover

Turnover is generated entirely from the Company's principal activity in the United Kingdom and is analysed as follows:

	30 June 2014	30 June 2013
	£'000	£'000
Gate receipts	3,803	4,645
Cup competitions	65	460
Sponsorship & commercial	3,412	3,685
Broadcasting	4,288	4,220
Merchandising	1,245	1,202
<b>Total turnover</b>	<b>12,813</b>	<b>14,212</b>

### 2 Player amortisation and impairment

Administrative expenses include the following amounts:

	30 June 2014	30 June 2013
	£'000	£'000
Amortisation of transfer fees	2,854	4,028
Impairment in player values (note 9)	1,080	712
<b>Total player amortisation and impairment</b>	<b>3,934</b>	<b>4,740</b>

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 3 Directors' emoluments

	30 June 2014	30 June 2013
	£'000	£'000
Aggregate emoluments	4	4

None of the directors are accruing benefits under the defined contribution scheme (2013: None).

Included above are the following amounts paid to the highest paid director:

	30 June 2014	30 June 2013
	£'000	£'000
<b>Highest paid director</b>		
Aggregate emoluments	4	4
Contributions to money purchase pension schemes	-	-
	4	4

### 4 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	30 June 2014	30 June 2013
By activity	Number	Number
Playing staff	45	44
Other staff	111	104
	156	148



# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 4 Employee information (continued)

	30 June 2014	30 June 2013
	£'000	£'000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	14,385	18,561
Social security costs	1,818	2,109
Other pension costs (note 21)	82	75
	16,285	20,745

### 5 Other operating income

	30 June 2014	30 June 2013
	£'000	£'000
Release of deferred grant income	309	114
	309	114

### 6 Interest

	30 June 2014	30 June 2013
	£'000	£'000
On bank loans and overdrafts refunded	-	(148)
On finance leases	15	15
	15	(133)

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 7 Loss on ordinary activities before taxation

	30 June 2014 £'000	30 June 2013 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
- tangible owned fixed assets	1,630	1,640
- tangible fixed assets held under finance leases	40	45
Amortisation of intangible fixed assets	2,854	4,028
Impairment of intangible fixed assets	1,080	712
Auditors' remuneration for:		
- audit services	34	32
- other services to the Company – other services relating to taxation	46	79
Amortisation of deferred grant	(114)	(114)

### 8 Tax on loss on ordinary activities

#### (a) Analysis of credit in the year

	30 June 2014 £'000	30 June 2013 £'000
<b>Current tax</b>		
Group relief	(4,154)	(4,455)
Group relief - adjustments in respect of prior years	377	(756)
<b>Total current tax</b>	<b>(3,777)</b>	<b>(5,211)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(198)	122
Adjustments in respect of prior years	(486)	719
Effect of changes in tax rates	(391)	(157)
<b>Total deferred tax (note 16)</b>	<b>(1,075)</b>	<b>684</b>
<b>Tax on loss on ordinary activities</b>	<b>(4,852)</b>	<b>(4,527)</b>

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 8 Taxation on loss on ordinary activities (continued)

#### (b) Factors affecting tax credit for the year

The tax assessed for the year is higher (2013: lower) than the standard rate of corporation tax in the UK of 22.50% (2013: 23.75%). The differences are explained below:

	30 June 2014	30 June 2013
	£'000	£'000
<b>Loss on ordinary activities before taxation</b>	<b>(20,440)</b>	<b>(18,461)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.50% (2013: 23.75%)	(4,599)	(4,384)
<i>Effects of:</i>		
Net expenses not deductible for tax purposes	407	(83)
Accelerated capital allowances	(82)	12
Other timing differences	120	-
Adjustments to tax charges in respect of prior years	377	(756)
<b>Current tax credit for the year</b>	<b>(3,777)</b>	<b>(5,211)</b>

#### (c) Factors that may affect future tax charges

No provision has been made for deferred tax on unrealised revaluation gains. Such tax would become payable only if the gains were realised by sale of the revalued assets. The amount unprovided in this respect is £2,136,000 (2013: £2,457,000).

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 9 Intangible assets

	Transfer fees paid for players' contracts £'000
<b>Cost</b>	
At 1 July 2013	13,243
Additions	5,691
Disposals	(7,129)
<b>At 30 June 2014</b>	<b>11,805</b>
<b>Accumulated amortisation</b>	
At 1 July 2013	10,771
Charge for the year	2,854
Impairments	1,080
Disposals	(7,129)
<b>At 30 June 2014</b>	<b>7,576</b>
<b>Net book amount</b>	
<b>At 30 June 2014</b>	<b>4,229</b>
<b>At 30 June 2013</b>	<b>2,472</b>

The impairment charge for the year above of £1,080,000 relates to adjustments to certain players' registrations to reflect reductions in their recoverable net book values.

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 10 Tangible assets

	Long leasehold land and buildings £'000	Motor vehicles £'000	Fixtures, fittings, plant and machinery £'000	Total £'000
<b>Cost or valuation</b>				
At 1 July 2013	42,558	14	3,945	46,517
Additions	238	-	381	619
Disposals	-	(14)	(199)	(213)
<b>At 30 June 2014</b>	<b>42,796</b>	<b>-</b>	<b>4,127</b>	<b>46,923</b>
<b>Accumulated depreciation</b>				
At 1 July 2013	11,677	14	3,355	15,046
Charge for the year	1,442	-	228	1,670
Disposals	-	(14)	(199)	(213)
<b>At 30 June 2014</b>	<b>13,119</b>	<b>-</b>	<b>3,384</b>	<b>16,503</b>
<b>Net book amount</b>				
<b>At 30 June 2014</b>	<b>29,677</b>	<b>-</b>	<b>743</b>	<b>30,420</b>
<b>At 30 June 2013</b>	<b>30,881</b>	<b>-</b>	<b>590</b>	<b>31,471</b>

Cumulative finance costs capitalised included in the total cost above amounts to £483,000 (2013: £483,000).

Included in the net book amount of fixtures, fittings, plant and machinery is an amount of £410,167 (2013: £450,142) in respect of assets held under finance leases.

Leasehold properties were revalued at 30 June 2010 by Sanderson Weatherall Limited, Chartered Surveyors, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom. The Riverside Stadium and the training headquarters were valued on a depreciated replacement cost basis and other properties were valued on an open market value basis.

In accordance with the company's accounting policy, an interim valuation was undertaken by Sanderson Weatherall Limited on 30 June 2013. This interim valuation was completed under the same bases as the 2010 valuation, and accorded a depreciated replacement cost value of £40,700,000 to the Riverside stadium and training headquarters. In light of the trading performance of the business, the directors did not adjust the carrying value of the stadium and training headquarters based on this valuation, as it was the view of the directors that the depreciated carrying value recorded for these properties was a better representation of their recoverable value.

The directors have reassessed this position as at 30 June 2014 and remain of the view that the depreciated carrying value recorded best represents their recoverable value.

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 10 Tangible assets (continued)

#### Analysis of long leasehold land and buildings at cost or valuation

	2014	2013
	£'000	£'000
At cost	1,796	1,558
At valuation	41,000	41,000
	42,796	42,558

If long leasehold land and buildings had not been revalued, they would have been included at the following amounts:

	2014	2013
	£'000	£'000
Cost	29,708	29,470
Aggregate depreciation	(16,117)	(15,194)
Net book amount	13,591	14,276

### 11 Stocks

	2014	2013
	£'000	£'000
Goods for resale	903	660

### 12 Debtors

	2014	2013
	£'000	£'000
Trade debtors	937	479
Amounts owed by group undertakings	2,629	8,103
Compensation and loan fees receivable	-	-
Other debtors	352	2,273
Prepayments and accrued income	289	374
	4,207	11,229

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

## Middlesbrough Football & Athletic Company (1986) Limited

### Notes to the financial statements for the year ended 30 June 2014 (continued)

#### 13 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Trade creditors	1,710	879
Amounts owed to Group Undertakings	800	-
Compensation and loan fees payable	2,026	1,204
Taxation and social security payable	3,989	4,021
Other creditors	130	1,718
Deferred income	3,043	2,949
Accruals	5,036	1,995
	16,734	12,766

#### 14 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Amounts owed to group undertakings	75,875	75,925
Compensation and loan fees payable	817	251
Taxation and social security payable	274	548
Other creditors	262	325
	77,228	77,049

Amounts owed to group undertakings due after more than one year represent amounts due to the immediate parent undertaking which are repayable on demand, unsecured and interest free.

The directors have received confirmation from the immediate parent undertaking that there is no need for or intention of seeking repayment within one year of the Balance Sheet date and hence the directors have deemed it appropriate to reflect the amount owed as due after more than one year.

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 15 Deferred income

	£'000
<b>Grants</b>	
At 1 July 2013	840
Amortised in year	(114)
<b>At 30 June 2014</b>	<b>726</b>

The grants relate to Football Trust grants provided for the development of disabled and community facilities within the stadium.

### 16 Provisions for liabilities

The amounts provided for deferred taxation are as follows:

	2014	2013
	£'000	£'000
Accelerated capital allowances	1,215	1,311
Short term timing differences	1,361	2,340
	<b>2,576</b>	<b>3,651</b>
 At 1 July 2013		<b>3,651</b>
Charged to the profit and loss account (note 8)		(1,075)
<b>At 30 June 2014</b>		<b>2,576</b>

The potential liabilities not recognised for deferred taxation are:

	2014	2013
	£'000	£'000
Capital gains/revaluations	2,136	2,457



# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 16 Provisions for liabilities (continued)

A number of changes to the UK Corporation Tax system were substantially enacted as part of the Finance Bill 2013 on 2<sup>nd</sup> July 2013. The corporation tax rate reduced to 21% on 1 April 2013. Accordingly, the Company's results for this accounting period are taxed at an effective rate of 22.5%.

A further reduction to the main rate was also substantially enacted as part of the Finance Bill 2013 on 2<sup>nd</sup> July 2013, reducing the main rate to 20% from 1 April 2015. Consequently, a deferred tax rate of 20% has been included in the financial statements, as this is the rate at which deferred tax is likely to unwind.

### 17 Called-up share capital

	2014 £'000	2013 £'000
<b>Authorised</b>		
56,056,000 (2013: 51,056,000) ordinary shares of £1 each	56,056	51,056
<b>Allotted and fully paid</b>		
56,056,000 (2013: 51,056,000) ordinary shares of £1 each	56,056	51,056

During the year £5,000,000 of amounts owed to fellow group undertakings was swapped for an equal amount of newly issued ordinary share capital of the Company at par value.

### 18 Reserves

	Capital contribution £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 July 2013	26,000	16,604	(140,314)
Loss for the financial year	-	-	(15,588)
Transfer	-	(519)	519
At 30 June 2014	26,000	16,085	(155,383)

# Middlesbrough Football & Athletic Company (1986) Limited

## Notes to the financial statements for the year ended 30 June 2014 (continued)

### 19 Reconciliation of movement in shareholders' deficit

	30 June 2014 £'000	30 June 2013 £'000
Opening shareholders' deficit	(46,654)	(32,720)
Increase in Share capital	5,000	-
Loss for the financial year	(15,588)	(13,934)
Closing shareholders' deficit	(57,242)	(46,654)

### 20 Related party transactions

The Company has taken advantage of the exemption permitted under FRS 8, Related Party Transactions, not to disclose transactions with other group companies.

### 21 Pension and similar commitments

The Company is a participating employer in the Football League Limited Pension and Life Assurance Scheme ("the Scheme"). Accrual of benefits under a final salary basis was suspended with effect from 31 August 1999 following an actuarial review which revealed a substantial deficit.

As one of a number of participating employers the Company is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The Company is advised only of its share of the deficit in the Scheme and the contributions required to make good the deficit.

The current deficit, based on the latest actuarial valuation at 31 August 2009, is being paid off over a period of 10 years from September 2009. The creditor as at 30 June 2014 amounts to £60,000 (2013: £60,000) due within one year and £239,800 (2013: £299,800) due after more than one year.

The Company also provides access to stakeholder pension plans for employees. The employer's contributions are charged to the profit and loss account in the year in which the liability to pay arises.

The total pension cost for the Company was £82,000 (2013: £75,000). The balance accrued at 30 June 2014 £10,791 (2013: £45,863).

# **Middlesbrough Football & Athletic Company (1986) Limited**

## **Notes to the financial statements for the year ended 30 June 2014 (continued)**

### **22 Contingent liabilities and assets**

Under the terms of certain contracts for the purchase of players' registrations, future payments may be due to third parties, dependent upon the success of the team or individual players. At the balance sheet date the maximum contingent liability was £845,000 (2013: £1,140,000).

Any additional fees which may become payable or receivable under these agreements will be accounted for in the year that the event occurs.

### **23 Post balance sheet events**

Player transfer activity has resulted in six players being sold and one player having his contract terminated by mutual consent and seven players being bought. Three players have also been acquired on season long loans.

### **24 Immediate and ultimate parent undertaking**

The immediate parent undertaking is Middlesbrough Football & Athletic Company Holdings Limited.

The ultimate parent undertaking is The Gibson O'Neill Company Limited, a Company registered in England and Wales.

The Gibson O'Neill Company Limited is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 June 2014. The consolidated financial statements of The Gibson O'Neill Company Limited are available from the Company secretary at Brignell Road, Riverside Park Industrial Estate, Middlesbrough, TS2 1PS.

### **25 Ultimate controlling party**

Mr S Gibson, Chairman of the Company, is the ultimate controlling party by virtue of his 75% holding in the shares of The Gibson O'Neill Company Limited, the ultimate parent undertaking.