

Middlesbrough Football & Athletic
Company (1986) Limited
Annual report and financial statements
for the year ended 30 June 2018



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Middlesbrough Football & Athletic Company (1986) Limited

Directors and advisers for the year ended 30 June 2018

Directors

S Gibson

K Lamb (non-executive)

Company secretary and registered office

David Joyes

Riverside Stadium

Middlesbrough

England

TS3 6RS

Solicitors

The Endeavour Partnership LLP

Tobias House

St Mark's Court

Teesdale Business Park

Teesside

TS17 6QW

Northridge Law LLP

The Bloomsbury Building

Holborn

London

WC1A 2SL

Womble Bond Dickinson (UK) LLP

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112 Quayside

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NE1 3DX

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 2018

The directors present their Strategic report for the Company for the year ended 30 June 2018.

Business review

The Club competed in the Championship in the 2017/2018 season following relegation from the Premier League in May 2017. The Club secured a play-off position in the 2017/18 season, finishing 5th in the League however promotion was not achievable following a play-off semi-final defeat against Aston Villa.

After taxation the results for the year show a loss of £6,648,000 (2017: profit of £11,486,000).

Total comprehensive income for the year was £160,000 (2017: £11,486,000) following the revaluation of the stadium and training ground properties in the current year. Net liabilities have therefore decreased £160,000 on prior year to £56,927,000 (2017: £57,087,000).

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 biggest risk to the Club is failing to perform competitively in the league in which it competes. This is managed by developing and recruiting a first team squad suited to the relevant league and employing a management team and support team with the requisite knowledge and experience.

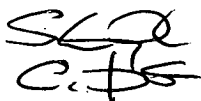
Finance

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.

By order of the Board



S Gibson
Chairman

30 November 2018

Middlesbrough Football & Athletic Company (1986) Limited

Directors' report for the year ended 30 June 2018

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2018. 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 (2017: £nil).

Future outlook

The Club continues to compete in the EFL Championship in the 2018-2019 season. It will continue to keep control of operating costs and make as much income as possible available to invest in the football team. The Club will continue to strive for progression and promotion to the Premier League.

Going concern

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

Post balance sheet events

Player transfer activity in respect of senior professionals after 30 June 2018 has resulted in the following:

- Two player acquisitions/registrations
- Four players brought into the Club on season-long loans
- Six players transferred out of the Club
- Two players loaned out to other clubs on a temporary basis.

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.

Foreign exchange risk

The Company is exposed to foreign exchange risk as a result of acquisition and disposal of player registrations. Post balance sheet use of forward exchange contracts is used to manage this risk.

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 2018 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they 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.

By order of the Board



S Gibson
Chairman

30 November 2018

Middlesbrough Football & Athletic Company (1986) Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Middlesbrough Football & Athletic Company (1986) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether

Middlesbrough Football & Athletic Company (1986) Limited

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

Reporting on other information (continued)

there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Middlesbrough Football & Athletic Company (1986) Limited

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

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Bill MacLeod (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
30 November 2018

Middlesbrough Football & Athletic Company (1986) Limited

Statement of Comprehensive Income for the year ended 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000
Turnover	1	61,996	121,392
Cost of sales		(51,314)	(89,507)
Gross profit		10,682	31,885
Administrative expenses before player amortisation and impairment		(6,529)	(7,766)
Player amortisation and impairment		(24,453)	(28,340)
Administrative expenses		(30,982)	(36,106)
Other operating income	4	114	114
Operating loss		(20,186)	(4,107)
Profit on sale of registrations		15,335	11,270
(Loss)/profit on ordinary activities before interest and taxation		(4,851)	7,163
Interest payable and similar charges	5	(1,545)	(293)
(Loss)/profit on ordinary activities before taxation	6	(6,396)	6,870
Tax on (loss)/profit on ordinary activities	7	(252)	4,616
(Loss)/profit for the financial year	18	(6,648)	11,486
Other Comprehensive Income for the Year			
Unrealised surplus on property revaluation	9	6,808	-
Total Comprehensive Income for the year		160	11,486

All of the Company's operations are continuing.

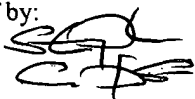
Middlesbrough Football & Athletic Company (1986) Limited

Balance sheet as at 30 June 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Intangible assets	8		62,542		50,126
Tangible assets	9		51,356		46,966
			113,898		97,092
Current assets					
Stocks	10	1,212		2,172	
Debtors	11	47,194		26,287	
Cash at bank and in hand		535		194	
		48,941		28,653	
Creditors: amounts falling due within one year	12	(188,457)		(169,163)	
Net current liabilities			(139,516)		(140,510)
Total assets less current liabilities			(25,618)		(43,418)
Creditors: amounts falling due after more than one year	13		(26,788)		(10,217)
Accruals and deferred income	14		(270)		(384)
Provisions for liabilities	15		(4,251)		(3,068)
			(31,309)		(13,669)
Net liabilities			(56,927)		(57,087)
Capital and reserves					
Called up share capital	16		64,056		64,056
Capital contribution	17		26,000		26,000
Revaluation reserve	17		33,266		27,438
Profit and loss account	17		(180,249)		(174,581)
Total shareholders' deficit	18		(56,927)		(57,087)

The financial statements on pages 8 to 26 were approved by the Board on 30 November 2018 and were signed on its behalf by:

S Gibson
Director



Middlesbrough Football Club & Athletic Company (1986) Limited. Registered number: 1947851

Middlesbrough Football & Athletic Company (1986) Limited

Statement of changes in equity for the year ended 30 June 2018

	Called up share capital £'000	Capital contribution £'000	Revaluation reserve £'000	Profit and Loss Account £'000	Total £'000
Balance at 1 July 2016	64,056	26,000	28,418	(187,047)	(68,573)
Profit for the year	-	-	-	11,486	11,486
Transfer	-	-	(980)	980	-
Share capital issued	-	-	-	-	-
Balance at 30 June 2017	64,056	26,000	27,438	(174,581)	(57,087)
Balance at 1 July 2017	64,056	26,000	27,438	(174,581)	(57,087)
Loss for the year	-	-	-	(6,648)	(6,648)
Revaluation	-	-	6,808	-	6,808
Transfer	-	-	(980)	980	-
Balance at 30 June 2018	64,056	26,000	33,266	(180,249)	(56,927)

Middlesbrough Football & Athletic Company (1986) Limited

Statement of accounting policies for the year ended 30 June 2018

General information

Middlesbrough Football & Athletic Company (1986) Limited is a company limited by share capital. Incorporated and domiciled in England, registration number 1947851.

Basis of accounting

The Financial Statements have been prepared on the going concern basis under the historical cost convention modified for the revaluation of certain fixed assets, and in accordance with Financial Reporting Standard 102 (FRS 102). The Company is deemed a qualifying entity under FRS 102. On this basis its ultimate parent company has approved its eligibility for disclosure exemptions, this report excludes a cash flow statement, key management compensation disclosure and related party disclosures.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the year as required by paragraph 4.12(a)(iv); and
- The requirements of Section 11 paragraphs 11.41 (b), 11.41 (c), 11.41 (e), 11.41 (f), 11.42, 11.44, 11.45, 11.47, 11.48 (a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26 (in relation to those cross referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29 (a), 12.29(b) and 12.29A providing disclosures equivalent to those required by this FRS are included in the consolidated financial statements of the group in which the entity is consolidated.

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.

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 2018 (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.

Exceptional Items

Exceptional costs incurred by the Company are separately identified in the notes to the financial statements. Exceptional items are one off costs or incomes which are material both in size and nature.

Middlesbrough Football & Athletic Company (1986) Limited

Statement of accounting policies for the year ended 30 June 2018 (continued)

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 21.

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 FRS102 the Scheme is a funded multi-employer defined benefit scheme and the defined benefit obligation is to be recorded at its present value set by the scheme actuary discounted at appropriate rates. The change in present value not due to contributions paid is taken to the profit and loss account in the 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.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statement requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following critical judgements have been applied in preparing these financial statements:

- 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.
- Property valuation - Leasehold properties were revalued at 30 June 2018 by Montagu Evans, 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.
- Depreciation of Fixed assets – Fixed assets are depreciated over their useful life. The useful life is based on management's estimate of the period that the assets will generate revenue and will be reviewed annually for continued appropriateness. The carrying values will be tested for impairment where there is an indication that the value of an asset might be impaired.

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018

1 Turnover

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

	30 June 2018 £'000	30 June 2017 £'000
Gate receipts	7,138	8,714
Cup competitions	286	930
Sponsorship & commercial	5,652	8,178
Broadcasting	46,300	100,605
Merchandising	2,620	2,965
Total turnover	61,996	121,392

2 Directors' emoluments

	30 June 2018 £'000	30 June 2017 £'000
Aggregate emoluments	5	5

All emoluments relate to one (2017: one) director. The other director of the entity was remunerated through another group entity and received no emoluments in respect of this entity. None of the directors are accruing benefits under the defined contribution scheme (2017: None).

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

3 Employee information

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

	30 June 2018	30 June 2017
By activity	Number	Number
Playing staff	79	81
Other staff	158	153
	237	234

	30 June 2018	30 June 2017
	£'000	£'000
Staff costs (for the above persons):		
Wages and salaries	43,190	57,102
Social security costs	5,256	7,484
Other pension costs (note 20)	261	357
	48,707	64,943

4 Other operating income

	30 June 2018	30 June 2017
	£'000	£'000
Release of deferred grant income	114	114

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

5 Interest payable and similar charges

	30 June 2018	30 June 2017
	£'000	£'000
On bank loans and overdrafts	2	278
On finance leases	15	15
Other interest	1,528	-
	1,545	293

6 (Loss)/profit on ordinary activities before taxation

	30 June 2018	30 June 2017
	£'000	£'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
- tangible owned fixed assets	2,840	2,887
- tangible fixed assets held under finance leases	31	28
Player amortisation and impairment		
-amortisation of intangible fixed assets (note 8)	24,453	24,388
-impairment of intangible fixed assets (note 8)	-	3,952
Auditors' remuneration for:		
- audit services	41	34
- other services to the Company – other services relating to taxation	42	48
Exceptional payroll related charges	-	10,451
Amortisation of deferred grant	(114)	(114)

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

7 Tax on (loss)/profit on ordinary activities

(a) Analysis of tax charge/(credit) in the year

	30 June 2018	30 June 2017
	£'000	£'000
Current tax		
UK corporation tax on profits for the period	(2,567)	215
Group relief - adjustments in respect of prior years	1,636	(5,934)
Total current tax credit	(931)	(5,719)
Deferred tax		
Origination and reversal of timing differences	1,390	1,385
Adjustments in respect of prior years	(60)	21
Effect of changes in tax rates	(147)	(303)
Total deferred tax charge (note 15)	1,183	1,103
Tax charge/(credit) on (loss)/profit on ordinary activities	252	(4,616)

(b) Factors affecting tax charge/(credit) for the year

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	30 June 2018	30 June 2017
	£'000	£'000
(Loss)/profit on ordinary activities before taxation	(6,396)	6,870
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(1,215)	1,357
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	385
Gains, rollover relief etc	37	(142)
Tax rate changes	(146)	(303)
Adjustments from previous periods	1,576	(5,913)
Total tax charge/(credit) for the year	252	(4,616)

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

8 Intangible assets

	Transfer fees paid for players' contracts £'000
Cost	
At 1 July 2017	79,686
Additions	65,963
Disposals	(51,545)
At 30 June 2018	94,104
Accumulated amortisation and impairment	
At 1 July 2017	29,560
Charge for the year	24,453
Disposals	(22,451)
At 30 June 2018	31,562
Net book amount	
At 30 June 2018	62,542
At 30 June 2017	50,126

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

9 Tangible assets

	Long leasehold land and buildings	Fixtures, fittings, plant and machinery	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 July 2017	83,485	6,112	89,597
Additions	347	106	453
Revaluation	2,232	-	2,232
Disposals	(64)	-	(64)
At 30 June 2018	86,000	6,218	92,218
Accumulated depreciation			
At 1 July 2017	38,595	4,036	42,631
Charge for the year	2,354	517	2,871
Revaluation	(4,576)	-	(4,576)
Disposals	(64)	-	(64)
At 30 June 2018	36,309	4,553	40,862
Net book amount			
At 30 June 2018	49,691	1,665	51,356
At 30 June 2017	44,890	2,076	46,966

Cumulative finance costs capitalised included in the total cost above amounts to £483,000 (2017: £483,000).

Included in the net book value of fixtures, fittings, plant and machinery is an amount of £293,077 (2017: £314,510) in respect of assets held under finance leases.

Leasehold properties were revalued at 30 June 2018 by Montagu Evans, 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, the full valuation was undertaken by Montagu Evans on 30 June 2018 and accorded a value of £49,691,000 to the Riverside stadium, training headquarters and other properties being the net of replacement cost of £86,000,000 and related depreciation of £36,309,000.

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

9 Tangible assets (continued)

Analysis of long leasehold land and buildings at cost or valuation

	2018	2017
	£'000	£'000
At valuation in 2015	76,480	76,480
Additions at cost-2016	1,237	1,237
Additions at cost-2017	5,768	5,768
Additions at cost-2018	283	-
Revaluation in 2018	2,232	-
	86,000	83,485

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

	2018	2017
	£'000	£'000
Cost	37,118	36,835
Aggregate depreciation	(20,694)	(18,963)
Net book amount	16,424	17,872

10 Stocks

	2018	2017
	£'000	£'000
Finished goods and goods for resale	1,212	2,172

The difference between purchase price or production cost of stocks another replacement cost is not material.

Stock recognised in the income statement during the year as an expense of £3,200,000 (2017- £2,305,000).

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

11 Debtors

	2018	2017
	£'000	£'000
Trade debtors	1,294	1,087
Amounts owed by group undertakings	15,396	13,961
Corporation Tax	-	1,135
Compensation and loan fees receivable	26,877	8,112
Taxation and social security	1,130	-
Other debtors	866	429
Prepayments and accrued income	1,631	1,563
	47,194	26,287

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

12 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	4,208	4,708
Bank Loan	7,075	8,579
Amounts owed to group undertakings	93,594	93,560
Compensation and loan fees payable	37,972	21,907
Taxation and social security	8,120	19,165
Other creditors	1,801	272
Deferred income	30,036	5,759
Accruals	5,651	15,213
	188,457	169,163

The amounts owed to Group companies are repayable on demand however a signed letter of support has been obtained which states that the loans will not be recalled within 12 months of the signing of these financial statements.

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

13 Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Compensation and loan fees payable	18,160	9,964
Taxation and social security	8,274	-
Other creditors	354	253
	26,788	10,217

14 Accruals and deferred income

	2018	2017
	£'000	£'000
Grants		
At 1 July	384	498
Amortised in year	(114)	(114)
At 30 June	270	384

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

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

15 Provisions for liabilities

The amounts provided for deferred taxation are as follows:

	2018	2017
	£'000	£'000
Accelerated capital allowances	904	1,213
Short term timing differences	3,347	1,855
	4,251	3,068

Movement		
At 1 July	3,068	1,965
Adjustment in respect of prior years (note 7)	(60)	21
Charged to the profit and loss account (note 7)	1,243	1,082
At 30 June	4,251	3,068

16 Called-up share capital

	2018	2017
	£'000	£'000
Authorised		
64,056,000 (2017: 64,056,000) ordinary shares of £1 each	64,056	64,056
Allotted, issued, called-up and fully paid		
64,056,000 (2017: 64,056,000) ordinary shares of £1 each	64,056	64,056

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

17 Reserves

	Capital contribution	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 July 2017	26,000	27,438	(174,581)
Loss for the financial year	-	-	(6,648)
Revaluation	-	6,808	
Transfer	-	(980)	980
At 30 June 2018	26,000	33,266	(180,249)

18 Reconciliation of movement in shareholders' deficit

	30 June 2018	30 June 2017
	£'000	£'000
Opening shareholders' deficit	(57,087)	(68,573)
Increase in Share capital	-	-
(Loss)/profit for the financial year	(6,648)	11,486
Revaluation	6,808	-
Closing shareholders' deficit	(56,927)	(57,087)

19 Related party transactions

The company has taken advantage of the exemption in Section 33.1A of FRS 102 from the requirement to disclose transactions with its parents and fellow subsidiaries on the grounds that it is a wholly owned subsidiary of a group headed by Gibson O'Neill Group Limited, whose financial statements are publicly available.

There are no further related party transactions which fall to be disclosed under the Financial Reporting Standards (FRS 102 paragraph 33.1).

The company considers all members of key management to be the directors. Their remuneration is disclosed in note 2.

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

20 Pensions

Middlesbrough Football Club ('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 Scheme's actuary has advised that the participating employer's share of the underlying assets and liabilities of the Scheme cannot be identified on a reasonable and consistent basis and, accordingly, it has been accounted for by the company as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2017. The results of the 2017 valuation demonstrated an overall increase in scheme deficit, to be shared across its members. On the basis of this valuation and contributions thereafter, the Club's notional share of the deficit was £414,000 as at 30 June 2018 (£268,000 as at 30 June 2017). The Club pays total contributions of £57,000 per annum which increases at 5.0% per annum, which will be sufficient to pay off the deficit by May 2025.

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 for the year, across all schemes, was £261,000 (2017: £357,000).

21 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 £6.2m (2017: £7.6m).

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

22 Post balance sheet events

Player transfer activity in respect of senior professionals after 30 June 2018 has resulted in the following:

- Two player acquisitions/registrations
- Four players brought into the Club on season-long loans
- Six players transferred out of the Club
- Two players loaned out to other clubs on a temporary basis.

In respect of transfer fees payable/receivable for senior professionals (including loan fees, agent fees and transfer fee levy), the activity after 30 June 2018 has resulted in net income of £27.7m, some of which is paid/received immediately and some of which is deferred over a number of years.

Middlesbrough Football & Athletic Company (1986) Limited

Notes to the financial statements for the year ended 30 June 2018 (continued)

23 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 private company registered in Middlesbrough, England.

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 2018. 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.

24 Ultimate controlling party

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.