West Bromwich Albion Football Club Limited

Annual Report and Financial Statements for the year ended 30 June 2019

Registered number: 03295063

Directors and advisers

Directors

P Y Li
M J Jenkins
K Xu
M Miles

Registered number

03295063

Registered office

The Hawthorns
West Bromwich
West Midlands
B71 4LF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Strategic report for the year ended 30 June 2019

Introduction

The principal activity of the company is that of a Professional Football Club.

Business review

The 2018/19 Season saw West Bromwich Albion Football Club compete in the EFL Championship for the first time since 2010 following relegation from the Premier League.

The Board decided that Darren Moore, who had overseen a revival in form as caretaker Head Coach for six games at the end of the previous season, should be appointed full time Head Coach for the season ahead.

Although relegation brought about a significant reduction in revenue, it was decided that as strong a squad as possible should be retained in order to enhance the prospects of an immediate return to the Premier League. While four senior players (Evans, Chadli, Foster and McClean) were sold, the board resisted other offers for other senior players and recruited Sam Johnstone, Kyle Bartley, Conor Townsend and Jonathan Bond while supplementing the squad by extensive use of the loan market.

Unfortunately, the team was never able to deliver a consistency of results and performance-levels that suggested a challenge for automatic promotion was likely. Indeed, as the final third of the season unfolded, a sequence of just four wins in 12 and no home wins in 2019, including defeats to three of our closest promotion rivals, raised serious concerns about our ability to maintain a place in the Play Off positions.

With great regret, it was decided to terminate the contract of Darren Moore on March 9 following another unconvincing home performance against the Championship's bottom club. Jimmy Shan was promoted from the senior coaching staff to take over in a caretaker capacity and performed strongly to retain the role until the end of the season.

The team accumulated 80 points from 46 games and, although finishing outside the automatic promotion positions the board had targeted, secured our Play Offs position with two games to spare. Unfortunately, the team failed to progress through the Play Offs, losing on penalties in the semi-finals.

Financially the Football club has made a loss before tax for the year of £6.6m (2018: Loss of £7.4m). The relegation from the Premier League saw media related activities income fall from £102m to £52.8m, a reduction of 48.2% which includes the first year of parachute payments.

Elsewhere gate receipts remained relatively static with only a 1.6% fall. However, this does include a Play Off semi-final, a number of home cup games and 23 vs 19 home league games. Other commercial income fell from £12.8m to £7.8m as the commercial realities of not being in the Premier League took hold.

Wages and salaries fell to £46.8m (2018: £92.2m), mainly owing to clauses in player contracts reducing basic wages on relegation.

The Football Club has seen an overall net decrease in cash of £7.9m (2018: net decrease in cash of £30.3m), owing in the main to the cash commitments on players purchased in the previous Premier League years of £14.5m in the year as well as Operating cash flow falling to £6.5m used in the period (2018: £9.5m generated in the period).

Principal risks and uncertainties

The Board is aware of the risks which affect the Company. It has analysed previous seasons spent in the Premier League and Championship and has tried to implement lessons learned from this experience. The long-term policy of the Club is to return to the Premier League and improve its infrastructure year on year.

Credit and liquidity risk are the main financial jeopardies faced by the Company. Credit risk is mitigated by implementing effective credit control procedures on trade and other debtors. Liquidity Risk is mitigated by

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

running detailed cash flow forecasts and budgets, enabling Management to make effective decisions in a timely manner.

The Board also actively monitors and considers the role of the Financial Fair Play ('FFP') regulations in how it operates. These regulations require that the Board considers all aspects of how any player transfer or wage agreements entered into are beneficial to the Club in the long-term as well as the short-term. Furthermore, if the Club remains in the EFL Championship for a prolonged period this will have a direct impact on the trading practices and wage structures to which the Club will adopt and commit. As a result - and in a calculated contrast to its Premier League strategy - the board has targeted a greater emphasis on the development of younger talent at first team level. It is designed to provide future funding opportunities which will help ensure a competitive squad being retained in the long term while fulfilling the requirements of FFP. This has already begun with the reshaping of the squad in the Summer 2019 transfer window.

Key performance indicators

	Year ended 30 June 2019	**Year ended 30 June 2018**	**Year ended 30 June 2017**	**Year ended 30 June 2016**	**Year ended 30 June 2015**
League	Championship	Premier League	Premier League	Premier League	Premier League
Turnover	£70.8m	£124.8m	£137.9m	£98.3m	£96.3m
Operating profit/(loss) before player trading	£6.3m	£11.9m	£43.8m	£11.4m	£12.9m
(Loss)/ Profit before tax	(£6.6m)	(£7.4m)	£39.8m	£1.2m	£3.7m
League position	4th	20th	10th	14th	13th
Points	80	31	45	43	44
Average attendance	24,100	24,500	23,900	24,600	25,100
Season ticket holders	17,750	17,350	16,750	17,925	18,300

This report was approved by the board on 19 December 2019 and signed on its behalf.

M J Jenkins
Director

Directors' report
for the year ended 30 June 2019

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

Future developments
Following the failure to gain immediate promotion back to the Premier League, the Club has undergone a full review and restructure with a view to change the dynamic of its senior squad by radically reducing its average age. This process saw the Club targeting the recruitment of new younger players in the transfer market and the integration of players from the Academy. The Club viewed this as vital to both revitalise the squad with higher-energy and hungrier players to enhance competitive performance while developing their capabilities in order to raise the potential for higher re-sale value. This in turn is intended to enhance the Club's future finance and reduce its dependency on Premier League income. The shift of operational focus in the recruitment and advancement of Academy-produced talent has already seen a number of players sold and purchased – details of which can be found in the Post Balance Sheet Events section of these financial statements.

As part of this restructure the Club also placed a studied emphasis on the appointment of a new Head Coach and after an extensive recruitment process named former Champions League, Premier League and international manager Slaven Bilic in the role.

Results and dividends
The loss for the year, after taxation, amounted to £5.7m (2018: loss of £5.8m).
No dividends were paid or are proposed for the year ended 30 June 2019 (2018 - £Nil).

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements were:
P Y Li
M J Jenkins
K Xu (Appointed 22 October 2018)
M Miles (Appointed 22 October 2018)
S Carrington (Resigned 15 March 2019)
R Garlick (Resigned 3 August 2018)
P C Band (Resigned 30 September 2018)

Directors' responsibilities statement
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.

Directors' report
for the year ended 30 June 2019

Going concern
The Board acknowledges that the pressure on the financial operations of a Football Club are complex and far-ranging. In order to mitigate the risks the Board operates stringent budgeting and forecasting procedures, including profit and loss, balance sheet and cash flow forecasts which are updated regularly and based on prudent assumptions. These forecasts are primarily focused on the next two seasons and operating a 'break-even' position on the cash flow over that period. In respect of a longer term vision, five-year forecasts are also prepared along the same basis.

In January 2019, the Club agreed an overdraft facility with its Bank to ensure that the needs of the Club in the January transfer window and beyond could be met. This was secured against the future cash flows from the Premier League parachute payments. Following the January transfer activity there was no need to utilise this facility which was therefore satisfied in July 2019 and has not been replaced.

The current Club forecasts give no indication that an overdraft facility or other funding arrangement is required at any stage over the 12 months from the date of approval of these financial statements. However, where the introduction of such funding is to the benefit of the Club, it will be considered on its merits.

Employees
The Company continues its policy of keeping its employees informed on a regular basis of matters concerning them as employees and on financial and economic factors affecting the performance of the Company.

Disabled persons
The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities. Any employee who becomes disabled is encouraged to remain in the Company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available and any necessary training is arranged.

Disabled employees are treated equally with all employees in respect of their eligibility for training, career development and promotion.

Post balance sheet events
Since 30 June 2019 the Club has purchased and sold players registrations at a total initial cost of £17.9m (2018: £11.8m) and for proceeds of £35.6m (2018: £16.4m).

Disclosure of information to auditors
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.

Auditors
The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 December 2019 and signed on its behalf.

M J Jenkins
Director

Independent auditors' report to the members of West Bromwich Albion Football Club Limited

Report on the audit of the financial statements

Opinion

In our opinion, West Bromwich Albion Football Club Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its loss and cash flows 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 2019; the Profit and loss account, the Statement of cash flows, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 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 2019 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 Directors' responsibilities statement set out on page 4, 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.

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.

Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
19 December 2019

Profit and loss account
for the year ended 30 June 2019

	Note	Operations excluding player amortisation and trading	Player amortisation and trading	2019 Total	2018 Total
		£'000	£'000	£'000	£'000
Turnover	4	70,823	-	70,823	124,762
Operating Expenses		(64,558)	(23,290)	(87,848)	(138,189)
Profit on disposal of players registrations		-	10,067	10,067	5,831
Operating profit/(loss)	5	6,265	(13,223)	(6,958)	(7,596)
Interest receivable and similar income	9			329	222
Loss before taxation				(6,629)	(7,374)
Tax on loss	10			937	1,619
Loss for the financial year				(5,692)	(5,755)

The results derive wholly from continuing operations of the Company.

There are no recognised gains and losses other than those included above. Accordingly, no statement of other comprehensive income is presented.

Player trading includes fees received for players out on loan, as well as amortisation, impairment and profit on disposal of players' registrations.

Balance Sheet
as at 30 June 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	11		**35,582**		57,011
Tangible assets	12		**20,331**		21,346
Investment property	13		**1,532**		2,232
			57,445		80,589
Current assets					
Stocks	14	**577**		736	
Debtors: amounts falling due after more than one year	15	**5,392**		5,077	
Debtors: amounts falling due within one year	15	**29,577**		22,953	
Cash at bank and in hand		**1,216**		9,141	
		36,762		37,907	
Creditors: amounts falling due within one year	16	**(51,782)**		(61,805)	
Net current liabilities			**(15,020)**		(23,898)
Total assets less current liabilities			**42,425**		56,691
Creditors: amounts falling due after more than one year	17		**(4,581)**		(11,955)
Provisions for liabilities					
Deferred tax	19		**(3,100)**		(4,300)
Net assets			**34,744**		40,436
Capital and reserves					
Revaluation reserve	21		**3,725**		3,816
Investment property revaluation reserve	21		**(613)**		(575)
Profit and loss account	21		**31,632**		37,195
Total shareholders' funds			**34,744**		40,436

The financial statements on pages 8 to 32 were approved by the Board of Directors on 19 December 2019 and signed on its behalf by

M J Jenkins
Director
The notes on pages 13 to 32 form part of these financial statements.

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

	Revaluation reserve	Investment property revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2018	3,816	(575)	37,195	40,436
Comprehensive loss for the year				
Loss for the year	-	-	(5,692)	(5,692)
Transfer to profit and loss reserves for depreciation on revaluation gains of property	-	(38)	38	-
Transfer of revaluation reserve	(91)	-	91	-
Total transfers between reserves	(91)	(38)	129	-
Total comprehensive loss for the year	(91)	(38)	(5,563)	(5,692)
At 30 June 2019	3,725	(613)	31,632	34,744

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

	Revaluation reserve	Investment property revaluation reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 July 2017	3,908	(575)	42,858	46,191
Comprehensive loss for the year				
Loss for the year	-	-	(5,755)	(5,755)
Transfer to profit and loss reserves for depreciation on revaluation gains of property	(92)	-	92	-
Total transfers between reserves	(92)	-	92	-
Total comprehensive loss for the year	(92)	-	(5,663)	(5,755)
At 30 June 2018	3,816	(575)	37,195	40,436

West Bromwich Albion Football Club Limited

Statement of cash flows
for the year ended 30 June 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Loss for the financial year	**(5,692)**	(5,755)
Adjustments for:		
Amortisation and impairment of players' registrations	**23,290**	25,364
Depreciation of tangible assets	**1,283**	1,324
Profit on disposal of player registrations	**(10,067)**	(5,831)
Profit on disposal of tangible assets	**(54)**	(75)
Interest received	**(329)**	(222)
Taxation credit	**(937)**	(1,619)
Decrease/(Increase) in stocks	**159**	(54)
(Increase)/Decrease in debtors	**(5,209)**	3,157
Decrease/(Increase) in amounts owed by group undertakings	**(566)**	(216)
Decrease in creditors	**(8,325)**	(6,530)
Net cash (used in)/generated from operating activities	**(6,447)**	9,543
Corporation tax received/(paid)	**1,157**	(2,675)
Cash flows from investing activities		
Purchase of player registrations	**(21,776)**	(41,728)
Sale of player registrations	**18,326**	5,972
Purchase of tangible fixed assets	**(316)**	(1,730)
Sale of tangible fixed assets	**802**	78
Interest received	**329**	222
Net cash used in investing activities	**(2,635)**	(37,186)
Net decrease in cash and cash equivalents	**(7,925)**	(30,318)
Cash and cash equivalents at beginning of year	**9,141**	39,459
Cash and cash equivalents at the end of year	**1,216**	9,141
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**1,216**	9,141

Notes to the Financial Statements
for the year ended 30 June 2019

1. General information

West Bromwich Albion Football Club Limited is a private company limited by shares incorporated and domiciled in England and Wales, United Kingdom. The address of its registered office is shown on the company information page.

The financial statements are prepared for the year ended 30 June 2019 (2018: year ended 30 June 2018).

The company's ultimate parent company is Yunyi Guokai (Shanghai) Sports Development Limited, a company registered in China. The highest company for which Group financial statements as at 30 June 2019 have been prepared is West Bromwich Albion Holdings Limited, a company incorporated in England and Wales.

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. Accounting policies have been applied consistently. Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The company has taken advantage of the exemption not to include key management personnel information.

The following principal accounting policies have been applied:

2.2 Going concern

The Board acknowledges that the pressure on the financial operations of a Football Club are complex and far-ranging. In order to mitigate the risks the Board operates stringent budgeting and forecasting procedures, including profit and loss, balance sheet and cash flow forecasts which are updated regularly and based on prudent assumptions. These forecasts are primarily focused on the next two seasons and operating a 'break-even' position on the cash flow over that period. In respect of a longer term vision, five-year forecasts are also prepared along the same basis.

In January 2019, the Club agreed an overdraft facility with its Bank to ensure that the needs of the Club in the January transfer window and beyond could be met. This was secured against the future cash flows from the Premier League parachute payments. Following the January transfer activity there was no need to utilise this facility which was therefore satisfied in July 2019 and has not been replaced.

The current Club forecasts give no indication that an overdraft facility or other funding arrangement is required at any stage over the 12 months from the date of approval of these financial statements. However, where the introduction of such funding is to the benefit of the Club, it will be considered on its merits.

Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.3 Turnover

Turnover represents all income arising from the activities of the company excluding player transfer fees and Value Added Tax. Included within turnover are Premier League and EFL receipts, net gate receipts, merchandising/retail receipts, sponsorship and advertising receipts, conferencing and events receipts and other income.

Premier League and EFL income is recognised in full in the season to which it relates.

Season tickets and Seasonal hospitality income is recognised over the season to which they relate and released over the home matches played.

Sponsorship and advertising income is recognised over the duration of the contract. Dependent on the terms of the contract this can be spread on a match to match or straight line basis.

Net gate receipts, including match day hospitality receipts, are recognised on the relevant match date.

Conference and event income is recognised on the date of the event.

Retail income is recognised at the point of sale.

2.4 Intangible fixed assets and amortisation

The cost of acquiring players' registrations is included in the balance sheet as intangible assets at cost less amortisation, which is charged over the length of the relevant contract. Contingent consideration is recognised when the defined events have been triggered. Provision is made where, in the opinion of the directors, an impairment of the carrying value of the players' registrations has occurred.

2.5 Tangible fixed assets

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

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

Notes to the Financial Statements
for the year ended 30 June 2019

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets 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:

Freehold land	- Nil
Freehold property	- 2% to 20% straight line
Fixtures,fittings,plant & equipment	- 2% to 25% straight line

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 the Profit and loss account.

2.6 Revaluation of tangible fixed assets

The company applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as the deemed cost for certain freehold property. The properties are being depreciated from the valuation date. As the assets are depreciated or sold an appropriate transfer is made from the revaluation reserve to retained earnings.

2.7 Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Profit and loss account.

2.8 Stocks

Stocks are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

At each balance sheet date, stocks are assessed for impairment. Any impairment loss is recognised immediately in the Profit and loss account.

2.9 Debtors

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

2. Accounting policies (continued)

2.10 *Cash and cash equivalents*

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

2.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, and amounts owed by or to group undertakings.

Basic financial instruments (other than those wholly repayable or receivable within one year), are measured at amortised cost, using the effective interest method. The effective interest rate is the rate which exactly discounts the estimated future payments or receipts over the life of the instrument to its carrying amount at initial recognition, re estimated periodically to reflect changes in the market rate of interest. Basic financial instruments that are payable or receivable within one year, typically trade creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

2.12 Creditors

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

2.13 Foreign currency translation

Functional and presentation currency

The Company'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.

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 the Profit and loss account.

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

Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.14 Operating leases

Rentals paid under operating leases are charged to the Profit or loss on a straight line basis over the period of the lease.

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plans are held separately from the Company in independently administered funds.

2.16 Provisions for liabilities

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

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

Notes to the Financial Statements for the year ended 30 June 2019

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, 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 balance sheet date in the countries where the Company operates and generates income.

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

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

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

2.18 Grants

Grants in respect of capital expenditure are treated as deferred income and released to the Profit and loss account over the expected useful lives of the assets concerned.

Grants relating to expenditure arising out of the provisions of the Safety of Sports Grounds Act 1975 are credited to the profit and loss in the same period in which the expenditure is charged.

2.19 Heritage Assets

The Club holds a collection of football memorabilia which is not recognised in the Balance Sheet as cost information is not readily available and the directors believe that the benefits of obtaining valuations for these items would not justify the cost. The memorabilia has been built up over many years through existing items from the Club, donations and occasional acquisitions. The Club draws upon the collection for display in the stadium. The directors are of the opinion, that should a valuation for the collection be obtained, that the valuation would not be material in the context of these financial statements and is incidental to the main activity of the Club. Consequently further disclosures under FRS102 in respect of Heritage Assets are not deemed necessary.

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

In applying the Company's accounting policies as described in note 2, the Company's Management are required to exercise judgment and make estimates and assumptions concerning the Company's future.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors considered relevant, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the directors have made the following key judgments, estimates or assumptions:

Tangible assets, depreciation and residual values

The Directors have reviewed the estimates for useful lives and associated residual values of all tangible asset classes and have concluded that useful lives and residual values are appropriate.

The useful lives of the assets and residual values are assessed regularly and may vary depending on a number of factors. Residual value and useful life assessments consider issues such as future market conditions, the remaining life of the asset and potential disposal values.

Intangible assets, amortisation and residual values

The Directors have reviewed the estimates for useful lives and associated residual values of all intangible asset classes and have concluded that asset lives and residual values are appropriate.

The useful lives of the assets and residual values are assessed regularly and may vary depending on a number of factors. In re-assessing useful lives, factors such as player health and fitness are taken into account. Residual value assessments consider issues such as future market conditions, current league status retention, the remaining life of the asset and the net present value of future cashflows.

Impairment of non-current assets

The Company assesses the impairment of tangible and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results, including relegation from the current league:
- Significant damage or, in the context of players, significant injury;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Notes to the Financial Statements for the year ended 30 June 2019

4. Turnover

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

	2019 £000	2018 £000
Gate receipts	**7,315**	7,434
Merchandising	**2,950**	2,522
Media related activities	**52,787**	101,979
Other commercial income	**7,771**	12,827
	70,823	124,762

All turnover arose within the United Kingdom, and relates to the principal activity.

The Company only recognises one segment, being football operations, therefore no further segmental information is provided.

5. Operating profit / (loss)

The operating profit / (loss) is stated after charging / (crediting):

	2019 £000	2018 £000
Depreciation of tangible fixed assets	**1,283**	1,324
Amortisation of player registrations	**22,711**	25,364
Impairment of intangible assets	**579**	-
(Profit) on disposal of tangible fixed assets	**(54)**	(75)
Stock recognised as an expense	**1,530**	1,258
Impairment of stocks	**39**	9
Impairment of trade debtors	**-**	-
Operating lease rentals - land and property	**195**	99

Notes to the Financial Statements for the year ended 30 June 2019

6. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**32**	31
Fees payable to the Company's auditor in respect of:		
Audit-related assurance services	**10**	10
Taxation compliance services	**9**	9
Tax advisory services	**-**	-
All other assurance services	**-**	-
All other services	**7**	7
	26	26

The fees above include amounts paid on behalf of the Group, of which West Bromwich Albion Football Club Limited is a member.

Notes to the Financial Statements for the year ended 30 June 2019

7. Employees

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

	2019 £000	2018 £000
Wage and salaries	**41,786**	82,613
Social security costs	**4,849**	9,415
Other pension costs	**181**	173
	46,816	92,201

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

	2019 No.	2018 No.
First Team Players and Coaching	**63**	65
Scholars and Youth coaching	**82**	79
Administration and Commercial	**78**	79
Ground Staff	**22**	21
	245	244

In addition to the above the Club also employs an average of 258 (2018: 216) temporary staff.

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	**914**	1,124
Company contributions to defined contribution pension schemes	**39**	52
	953	1,176

During the year retirement benefits were accruing to 6 directors (2018: 5) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £437,000 (2018: £219,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2018: £17,000).

9. Interest receivable and similar income

	2019 £000	2018 £000
Other interest receivable	**329**	*222*
	329	222

10. Tax on loss

	2019 £000	2018 £000
Corporation tax		
Current tax on loss for the year	**-**	(1,499)
Adjustments in respect of previous periods	**263**	(1,020)
Total current tax	**263**	(2,519)
Deferred tax		
Origination and reversal of timing differences	**34**	3
Roll over relief on player registration timing differences	**(732)**	(663)
Other player registration timings differences	**338**	825
Prior year adjustments	**-**	735
Losses carried forward	**(840)**	-
Total deferred tax	**(1,200)**	900
Taxation on loss on ordinary activities	**(937)**	(1,619)

Notes to the Financial Statements for the year ended 30 June 2019

10. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 -19%). The differences are explained below:

	2019	2018
	£000	£000
Loss on ordinary activities before tax	**(6,629)**	(7,374)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(1,260)**	(1,401)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**28**	144
Fixed asset differences	**-**	-
Adjustments to tax charge in respect of prior periods	**36**	(285)
Group relief surrendered	**-**	-
Effect of change in tax rates	**259**	(77)
Total tax credit for the year	**(937)**	(1,619)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Certain players' registrations which have subsequently been sold have been dealt with under the intangible asset rollover regime resulting in a deferment of the liability into new player registrations.

Notes to the Financial Statements for the year ended 30 June 2019

11. Intangible assets

	Player registrations £000
Cost	
At 1 July 2018	107,132
Additions	12,704
Disposals	(29,340)
At 30 June 2019	90,496
Accumulated Amortisation	
At 1 July 2018	50,121
Charge for the year	22,711
On disposals	(18,497)
Impairment	579
At 30 June 2019	54,914
Net book value	
At 30 June 2019	35,582
At 30 June 2018	57,011

Notes to the Financial Statements for the year ended 30 June 2019

12. Tangible assets

	Freehold property £000	Fixtures, fittings, plant & equipment £000	Total £000
Cost or valuation			
At 1 July 2018	29,335	7,240	36,575
Additions	3	313	316
Disposals	-	(82)	(82)
At 30 June 2019	29,338	7,471	36,809
Accumulated Depreciation			
At 1 July 2018	9,916	5,313	15,229
Charge for the year on owned assets	590	693	1,283
Eliminated on disposal	-	(34)	(34)
At 30 June 2019	10,506	5,972	16,478
Net book value			
At 30 June 2019	18,832	1,499	20,331
At 30 June 2018	19,419	1,927	21,346

13. Investment property

	Freehold investment property £000	Long term leasehold investment property £000	Total £000
Valuation			
At 1 July 2018	1,200	1,032	2,232
Additions	-	-	-
Disposals	(700)	-	(700)
At 30 June 2019	500	1,032	1,532

On 21 June 2017 three of the investment properties held were professionally valued by Chartered Surveyors, on an open market for existing use basis.

The 2019 valuations for the investment properties were made by the Directors, on an open market value for existing use basis.

14. Stocks

	2019 £000	2018 £000
Goods for resale	577	736
	577	736

There is no material difference between the replacement cost of stocks and the amounts stated above.

Stocks are stated after provisions for impairment of £39,000 (2018: £9,000).

Notes to the Financial Statements for the year ended 30 June 2019

15. Debtors

	2019 £000	2018 £000
Amounts falling due after more than one year		
Amounts receivable in respect of player transfers	**5,392**	5,077
	5,392	5,077

	2019 £000	2018 £000
Amounts falling due within one year		
Trade debtors	**404**	574
Amounts receivable in respect of player transfers	**12,363**	10,094
Amounts owed by group undertakings	**6,715**	6,870
Other debtors	**6,192**	777
Corporation tax	**528**	1,948
Prepayments and accrued income	**2,674**	2,272
Prepayments and accrued income – intercompany	**702**	418
	29,577	22,953

Trade debtors are stated after provisions for impairment of £105,000 (2018: £121,000)

Amounts totalling £3,664,000 (2018: £3,535,000) owed by group undertakings are unsecured, payable on demand and interest free. Amounts totalling £3,753,000 (2018: £3,753,000) are unsecured, payable on demand, accrue interest at the Bank of England's Base rate + 5% and are guaranteed by the ultimate parent company.

16. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**1,268**	695
Amounts payable in respect of player transfers	**15,225**	16,990
Deferred grants	**67**	67
Amounts owed to group undertakings	**23,733**	23,733
Other taxation and social security	**1,843**	6,338
Other creditors	**41**	185
Accruals and deferred income	**9,605**	13,797
	51,782	61,805

Amounts owed to group undertakings are unsecured, have no fixed date for repayment and are all repayable on demand. The directors do not expect to make substantial repayment of the amounts owed to group undertakings within 12 months following approval of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2019

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

	2019 £000	2018 £000
Amounts payable in respect of player transfers	**3,320**	10,627
Deferred grants	**1,261**	1,328
	4,581	11,955

18. Financial instruments

	2019 £000	2018 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**5,392**	5,077
Financial assets that are measured at undiscounted amount receivable	**28,228**	28,370
	33,620	33,447
Financial liabilities		
Financial liabilities measured at amortised cost	**3,320**	10,627
Financial liabilities that are measured at undiscounted amount payable	**45,259**	47,621
	48,579	58,248

Financial assets measured at undiscounted amount of the cash or other considerations, expected to be paid or received comprise cash at bank, trade debtors, amounts receivable in respect of player transfers within one year, other debtors, accrued income and amounts owed by group undertakings.

Financial assets measured at amortised cost comprise amounts receivable in respect of player transfers falling due after more than one year.

Financial liabilities measured at undiscounted amount payable comprise trade creditors, amounts payable in respect of player transfers within one year, amounts due to group undertakings, other creditors and accruals.

Financial liabilities measured at amortised cost comprise amounts payable in respect of player transfers falling due after more than one year.

19. Deferred taxation

	2019 £000
At beginning of year	4,300
Credited to profit or loss	(1,200)
At end of year	**3,100**

The provision for deferred taxation is made up as follows:

	2019 £000	2018 £000
Player registration timing differences	3,921	4,315
Other timing differences	(821)	(15)
	3,100	4,300

Included within the deferred tax provision is £126,343 (2018: £126,360) in respect of deferred tax recognised on the revaluation of the investment property.

20. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted and fully paid		
2 ordinary shares of £1 each (2018: 2 ordinary shares of £1 each)	**2**	2

21. Reserves

Revaluation reserve

The revaluation reserve represents amounts revalued in relation to freehold property.

Investment property revaluation reserve

The investment property revaluation reserve represents amounts revalued in relation to investment property net of deferred tax recognised on the revaluation.

Profit & loss account

The profit and loss account reserve represents all current and prior period cumulative profits and losses.

Notes to the Financial Statements for the year ended 30 June 2019

22. Contingent liabilities

a) The terms of certain contracts with other football clubs in respect of the transfer of players' registrations include the payment of certain amounts upon fulfilment of a specific number of appearances in the future, or the occurrence of future events, which amounts to £13.2m (2018: £8.7m).
b) The company is party to a cross guarantee and debenture over its assets to secure balances due to bankers by other group companies.

23. Pension commitments

The Company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £181,479 (2018: £173,435). Contributions totalling £37,784 (2018: £28,418) were payable to the funds at the balance sheet date and are included in creditors.

24. Commitments under operating leases

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

	2019 £000	2018 £000
Not later than 1 year	**60**	557
Later than 1 year and not later than 5 years	**27**	38
Total	**87**	595

25. Related party transactions

The company has taken advantage of FRS102 Section 33.1A exemption from disclosing transactions with group undertakings where it is eligible to do so.

Notes to the Financial Statements for the year ended 30 June 2019

26. Post balance sheet events

Since 30 June 2019 the Club has purchased and sold players registrations at a total initial cost of £17.9m (2018: £11.8m) and for proceeds of £35.6m (2018: £16.4m).

Since 30 June 2019, the club has committed to begin work on the installation of a new bollards system around the stadium to ensure that The Hawthorns is as secure as possible for spectators. This work is expected to cost the club in the region of £1.5m.

27. Controlling party

The company's ultimate parent company is Yunyi Guokai (Shanghai) Sports Development Limited, a company registered in China. The highest company for which Group financial statements are available is West Bromwich Albion Holdings Limited, a company incorporated in England and Wales. These financial statements can be obtained from Companies House. The company's immediate parent company is West Bromwich Albion Group Limited, a company incorporated in England and Wales.

The ultimate controlling party of Yunyi Guokai (Shanghai) Sports Development Limited is G Lai.