

Company Registration No. 07940335 (England and Wales)

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

tc accounts · tax · legal · financial planning

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PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

CONTENTS

	Page
Company information	1
Strategic report	2 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10 - 11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 26

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	Mr. M Catlin Mr M Eisner Mr E Eisner Mr B Eisner Mr A Eisner Mr A Redman
Company number	07940335
Registered office	Fratton Park Frogmore Road Portsmouth Hampshire United Kingdom PO4 8RA
Auditor	TC Group 3 Acorn Business Centre Northharbour Road Cosham Portsmouth Hampshire United Kingdom PO6 3TH
Bankers	Barclays Bank Plc PO Box 6 Portsmouth Hampshire PO6 3DH
Solicitors	Verisona 1000 Lakeside North Harbour Portsmouth PO6 3EN

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Football performance

After an encouraging first season back in League One; we entered the 2018-19 season focussed on improving on the eighth position achieved in the previous campaign and challenging for promotion.

We consolidated the squad in summer 2018 with the recruitment of seven new players on permanent contracts, including established players such as Lee Brown, Tom Naylor and younger progressive signings such as Ronan Curtis and Louis Dennis. With some additional loan signings including Ben Thompson and Andre Green at the end of August 2018 the team gelled together well on the pitch and we remained in the top two positions until early February when a combination of injuries, volume of games and recalled loan players resulted in the team faltering and eventually finishing in fourth position.

The improved league form was supplemented by some exciting matches in the FA Cup and Checkatrade EFL Trophy, albeit we suffered a first round exit in the League Cup. In the FA Cup; we overcame Maidenhead, Rochdale and Norwich City before losing to QPR in a fourth-round replay. The team's success in the EFL Checkatrade Trophy resulted in us playing promotion rivals Sunderland in front of 85,000 passionate supporters in a thrilling match at Wembley Stadium, which we dramatically won in a penalty shoot-out.

Unfortunately, Sunderland were able to extract revenge by defeating us in the May League One play-off matches resulting in us failing to gain promotion back to the Championship despite an impressive haul of eighty-eight points in the regulation season.

The Cup success boosted the club's revenues from a combination of prize money, share of gate receipts and TV monies. We had 14,000 Season Ticket holders when we kicked-off the new season at Fratton Park against Luton Town in August 2018.

There was continued investment behind the scenes in the infrastructure at Fratton Park and training ground facility at ROKO.

Trading performance

We achieved a net profit of £3.3m on the transfer of players during the year.

Turnover increased by £2.7m due to increased gate receipts of £1.5m from share of gate receipts from extended runs in the FA Cup and winning the Checkatrade Cup. TV fees from cup matches increased year-on-year by £0.4m. Hospitality income increased by £0.1m and sponsorship & commercial income increased by £0.2m. Merchandising income increased by £0.4m as a result of the new deal with Nike.

The traditional 'EBITDA' (Earnings before Interest Depreciation & Amortisation) showed a £3.0m profit.

The depreciation and amortisation charges of £1.0m represent non-cash write-downs, which include depreciation on assets acquired when the club came out of administration, and £0.5m in respect of the write-down of intangible player assets. The final net result is an overall profit of £2.1m.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Balance sheet

The retained profit for the year earned by club operations bolstered the Balance Sheet to a total of £14.7m net assets

During the year we continued the renovation and improvement programme of work on the Fratton Park facilities with new investment of £1.5m.

At the end of the year the balance sheet showed a net asset position of £14.7m. It should be noted that included within creditors on the balance sheet is £3.8m of deferred income in relation to advance season ticket, hospitality and commercial income which will be released to the profit and loss as games are played during the 2019/20 season and hence will not require repayment.

In terms of cash flows, the club recorded a net cash outflow from its operating activities of £0.9m for the year ended 30th June 2019, compared to a net cash inflow of £0.6m in the prior year.

Ownership

The club drew down £1.0m from the owner's investment fund during the year and £6.0m was remaining in the fund at the end of the financial year.

Financial risk management objectives and policies

Principal risks and uncertainties

The principal risk to the business is the performance of the team which may affect revenue obtained from games and also sponsorship. The cost base of the business, in common with other football clubs, is relatively fixed in the short-term, hence unfavourable movements in revenue can lead to a significant variation in profits.

The company is aware of this risk and addresses the issue by seeking to strengthen the squad through the development and acquisition of players. It is the aim of the directors to maximise the flexibility of the cost base to deal with unexpected revenue reductions.

Financial risk management

The directors have reviewed the financial risk management objectives and policies of the company. They do not believe there to be significant risks in this area. The company does not enter into any hedging instruments as there are not believed to be any material exposures. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers and customers. Management review these terms, the relationships with suppliers and customers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity with which the directors assess the ongoing cash commitments of the company as part of a strict cash flow management programme.

On behalf of the board

Mr. M Catlin

Director

23 March 2020

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

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

Principal activities

The principal activity of the company continued to be that of operating a professional football club.

Results and dividends

The company's profit for the year was £2,058,548. The directors do not recommend the payment of a dividend.

Charitable contributions

The company makes donations to registered charities in the form of autographed kit, equipment and other memorabilia as well as providing substantial support to charities own fundraising activities on match days.

Disabled employees

The company actively encourages applications for employment from disabled people where the requirements of the job can be adequately fulfilled by that person. Where existing employees become disabled, it is the company's policy to make reasonable adjustments wherever practicable in order to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr. M Catlin
Mr M Eisner
Mr E Eisner
Mr B Eisner
Mr A Eisner
Mr A Redman

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The auditor, TC Group, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr. M Catlin

Director

23 March 2020

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of Portsmouth Community Football Club Limited (the 'company') for the year ended 30 June 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic report and Directors report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Blake FCA (Senior Statutory Auditor)
for and on behalf of TC Group

Statutory Auditor
Office: Portsmouth

23 March 2020

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
	Notes	£	£
Turnover	3	11,578,854	8,892,514
Cost of sales		(7,930,310)	(6,192,956)
Gross profit		<u>3,648,544</u>	<u>2,699,558</u>
Administrative expenses		(3,999,889)	(3,801,635)
Profit on disposal of player registrations		3,333,567	475,256
Other operating income		61,548	61,548
EBITDA	4	<u>3,043,770</u>	<u>(565,273)</u>
Depreciation and amortisation		(985,222)	(829,715)
Interest receivable and similar income	7	-	26,644
Profit/(loss) before taxation		<u>2,058,548</u>	<u>(1,368,344)</u>
Taxation	8	-	-
Profit/(loss) for the financial year		<u>2,058,548</u>	<u>(1,368,344)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>2,058,548</u></u>	<u><u>(1,368,344)</u></u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 14 to 26 form part of these financial statements

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	9		1,009,149		516,491
Tangible assets	10		10,097,906		8,778,097
			<u>11,107,055</u>		<u>9,294,588</u>
Current assets					
Stocks	11	12,022		6,057	
Debtors	12	10,419,691		8,922,588	
Cash at bank and in hand		3,993,977		3,334,609	
		<u>14,425,690</u>		<u>12,263,254</u>	
Creditors: amounts falling due within one year	13	<u>(8,182,546)</u>		<u>(6,204,643)</u>	
Net current assets			<u>6,243,144</u>		<u>6,058,611</u>
Total assets less current liabilities			<u>17,350,199</u>		<u>15,353,199</u>
Creditors: amounts falling due after more than one year	14		<u>(2,669,667)</u>		<u>(2,731,215)</u>
Net assets			<u><u>14,680,532</u></u>		<u><u>12,621,984</u></u>

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2019

	Notes	2019		2018	
		£	£	£	£
Capital and reserves					
Called up share capital	17	10,005,673		10,005,673	
Share premium account		5,667,327		5,667,327	
Profit and loss reserves		(992,468)		(3,051,016)	
		<u> </u>		<u> </u>	
Total equity		<u>14,680,532</u>		<u>12,621,984</u>	

The financial statements were approved by the board of directors and authorised for issue on 23 March 2020 and are signed on its behalf by:

Mr. M Catlin
Director

Company Registration No. 07940335

The notes on pages 14 to 26 form part of these financial statements

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Share premium loss reserves account	Profit and loss reserves	Total
Notes	£	£	£	£
Balance at 1 July 2017	5,673	5,667,327	(1,682,672)	3,990,328
Year ended 30 June 2018:				
Loss and total comprehensive income for the year	-	-	(1,368,344)	(1,368,344)
Issue of share capital	17 10,000,000	-	-	10,000,000
Balance at 30 June 2018	10,005,673	5,667,327	(3,051,016)	12,621,984
Year ended 30 June 2019:				
Profit and total comprehensive income for the year	-	-	2,058,548	2,058,548
Balance at 30 June 2019	10,005,673	5,667,327	(992,468)	14,680,532

The notes on pages 14 to 26 form part of these financial statements

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019		2018	
		£	£	£	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	23		(876,510)		615,588
Investing activities					
Purchase of intangible assets		(983,000)		(753,460)	
Proceeds on disposal of intangibles		3,367,831		555,915	
Purchase of tangible fixed assets		(1,848,953)		(2,794,404)	
Club Funds transferred to Parent Company for investment on behalf of Club		1,000,000		(7,000,000)	
Interest received		-		26,644	
Net cash generated from/(used in) investing activities			1,535,878		(9,965,305)
Financing activities					
Proceeds from issue of shares		-		10,000,000	
Net cash (used in)/generated from financing activities			-		10,000,000
Net increase in cash and cash equivalents			659,368		650,283
Cash and cash equivalents at beginning of year			3,334,609		2,684,326
Cash and cash equivalents at end of year			<u>3,993,977</u>		<u>3,334,609</u>

The notes on pages 14 to 26 form part of these financial statements

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Portsmouth Community Football Club Limited (07940335) is a private company limited by shares incorporated in England and Wales. The registered office is Fratton Park, Frogmore Road, Portsmouth, Hampshire, United Kingdom, PO4 8RA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents the total amount receivable from football and related commercial activities, excluding transfer fees receivable, and is stated net of VAT. Income from broadcasting, match days and those elements of commercial activities relating to matches is recognised when the related matches are played. Income from advance ticket sales, including season tickets, is deferred accordingly. Other commercial income is recognised on a receivables basis.

1.3 Intangible fixed assets - player registrations

Player costs

The costs associated with acquiring players' registrations or extending their contracts are capitalised as intangible assets and amortised, in equal installments, over the period of the respective players' contracts. Where a contract is renegotiated prior to the expiry of its original term, the net book value at that time, and any new costs relating to the contract extension, are amortised over the remaining revised contract life.

Under the conditions of certain transfer agreements or contract renegotiations, further fees will be payable in the event of the players concerned making a certain number of first-team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional transfer fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur.

Provision is made for any impairment and player registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Signing on fees are charged evenly to the profit and loss account over the period of the player's contract

Profit or loss on disposal of player's registrations

Profits or losses arising on the disposal of players' contracts are credited or charged to the profit and loss account in the year in the player is sold. They are calculated as the difference arising between the transfer fees receivable and the net book value of the contracts at the time of this disposal. Any excess of net book value of a player's contract over its net realisable value is taken to the profit and loss account as and when it arises.

1 Accounting policies

(Continued)

Amortisation

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Negative Goodwill	5 years straight line
Player Registrations	straight line over the period of the contracts
Trademarks	5 years straight line

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold Property	25 years straight line
Leasehold Property	straight line over the lease term
Other fixed assets	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1 Accounting policies

(Continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.7 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.11 Retirement benefits

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1 Accounting policies

(Continued)

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation of tangible fixed assets

The company establishes a reliable estimate of the useful life of tangible fixed assets from their acquisition. This estimate is based on the expected use of the assets, any legal, regulatory or contractual provisions that can limit useful and historical evidence of the useful like of similar assets.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover		
Football League Basic Award	1,999,061	1,954,112
Ticket sales	6,111,133	4,582,840
Income from sponsors and partners	1,042,448	780,014
Hospitality income	1,332,608	1,219,586
Players on loan	73,791	58,081
Other football related income	472,900	125,000
Broadcasting and related income	546,913	172,881
	<u>11,578,854</u>	<u>8,892,514</u>

4 Loss before taxation

	2019	2018
	£	£
profit/(loss) for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	13,550	12,200
Depreciation of owned tangible fixed assets	529,144	528,595
Amortisation of intangible assets	456,078	301,120
Profit on disposal of intangible assets	(3,333,567)	(475,256)
Government grants - Income released in respect of deferred capital grants	(61,548)	(61,548)
Operating lease charges	88,618	49,058
	<u>88,618</u>	<u>49,058</u>

5 Employees

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

	2019	2018
	Number	Number
Players	43	38
Office and football management	70	62
Casual staff	298	286
	<u>411</u>	<u>386</u>

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	6,677,724	5,644,816
Social security costs	666,015	544,215
Pension costs	85,659	24,307
	<u>7,429,398</u>	<u>6,213,338</u>

6 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	168,000	130,417
Company pension contributions to defined contribution schemes	934	-
	<u>168,934</u>	<u>130,417</u>

Directors are also considered to be Key Management Personnel.

7 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	-	26,644
	<u>-</u>	<u>26,644</u>

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

8 Taxation

The actual charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit/(loss) before taxation	2,058,548	(1,368,344)
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	391,124	(259,985)
Tax effect of expenses that are not deductible in determining taxable profit	52,897	85,652
Tax effect of utilisation of tax losses not previously recognised	(444,021)	-
Unutilised tax losses carried forward	-	174,333
	<u> </u>	<u> </u>
Tax expense for the year	-	-
	<u> </u>	<u> </u>

Factors that may affect future tax charges

The company has approximately circa £3m of tax losses carried forward available for future use. The related deferred tax asset has not been recognised as it does not meet the recognition criteria required by paragraph 29.7 of FRS 102.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

9 Intangible fixed assets

	Goodwill	Player Registrations	Trademarks	Total
	£	£	£	£
Cost				
At 1 July 2018	(330,513)	930,935	12,103	612,525
Additions	-	940,078	42,922	983,000
Disposals	-	(196,963)	-	(196,963)
At 30 June 2019	(330,513)	1,674,050	55,025	1,398,562
Amortisation and impairment				
At 1 July 2018	(330,513)	426,547	-	96,034
Amortisation charged for the year	-	450,774	5,304	456,078
Disposals	-	(162,699)	-	(162,699)
At 30 June 2019	(330,513)	714,622	5,304	389,413
Carrying amount				
At 30 June 2019	-	959,428	49,721	1,009,149
At 30 June 2018	-	504,388	12,103	516,491

10 Tangible fixed assets

	Freehold Property	Leasehold Property	Assets under construction	Other fixed assets	Total
	£	£	£	£	£
Cost					
At 1 July 2018	6,435,976	2,798,813	150,325	1,350,015	10,735,129
Additions	1,288,958	4,186	159,216	396,593	1,848,953
At 30 June 2019	7,724,934	2,802,999	309,541	1,746,608	12,584,082
Depreciation and impairment					
At 1 July 2018	954,686	124,656	-	877,690	1,957,032
Depreciation charged in the year	293,969	41,946	-	193,229	529,144
At 30 June 2019	1,248,655	166,602	-	1,070,919	2,486,176
Carrying amount					
At 30 June 2019	6,476,279	2,636,397	309,541	675,689	10,097,906
At 30 June 2018	5,481,290	2,674,157	150,325	472,325	8,778,097

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

11 Stocks

	2019	2018
	£	£
Food and beverage stocks	12,022	6,057
	<u>12,022</u>	<u>6,057</u>

12 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	3,258,606	1,271,655
Amount due from parent undertaking	6,000,000	7,000,000
Other debtors	393,518	146,288
Prepayments and accrued income	767,567	504,645
	<u>10,419,691</u>	<u>8,922,588</u>

13 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	871,024	710,975
Taxation and social security	1,398,756	856,432
Other creditors	275,665	239,722
Accruals and deferred income	5,637,101	4,397,514
	<u>8,182,546</u>	<u>6,204,643</u>

14 Creditors: amounts falling due after more than one year

	2019	2018
Notes	£	£
Deferred income	2,669,667	2,731,215
	<u>2,669,667</u>	<u>2,731,215</u>

Deferred income relates to monies the company received towards specified capital expenditure, which qualified to be accounted for as government grants. The income is released to the profit and loss account evenly over the useful life of the assets acquired, to match the depreciation of those specified assets purchased using the proceeds.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

15 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (before offset) for financial reporting purposes:

	Liabilities	Liabilities	Assets	Assets
	2019	2018	2019	2018
Balances:	£	£	£	£
Accelerated capital allowances	(298,579)	(156,816)	-	-
Tax losses available	-	-	298,579	156,816
	<u>(298,579)</u>	<u>(156,816)</u>	<u>298,579</u>	<u>156,816</u>
	<u><u>(298,579)</u></u>	<u><u>(156,816)</u></u>	<u><u>298,579</u></u>	<u><u>156,816</u></u>

The deferred tax asset arising on the tax losses available for future use has been capped to offset the deferred tax liability arising on the fixed asset timing differences.

16 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	85,659	24,307
	<u>85,659</u>	<u>24,307</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
10,005,673 of £1 each	10,005,673	10,005,673
	<u>10,005,673</u>	<u>10,005,673</u>

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

18 Financial commitments, guarantees and contingent liabilities

In the event that Portsmouth Football Club should be promoted to the Football Association Premier League, Portsmouth Community Football Club Limited shall be required to pay further purchase consideration of £4,000,000, if promotion is achieved by 30th June 2022, reducing to £3,000,000 if promotion is achieved subsequently prior to 30th June 2023.

Portsmouth Community Football Club Limited has entered into contracts for construction and repair work on the Fratton Park stadium, which was ongoing at the balance sheet date. Amounts contracted for but not provided in the financial statements amounted to £nil (2018 - £249,4349).

19 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	117,526	68,579
Between two and five years	276,403	263,189
In over five years	1,184,901	2,120,426
	<u>1,578,830</u>	<u>2,452,194</u>

20 Related party transactions

In accordance with Section 33.1A of FRS 102 the company has taken exemption from disclosing transactions and balances between group undertakings which are wholly owned by members of the group.

21 Ultimate controlling party

The company's immediate parent undertaking is The Tornante Company LLC, a company registered in the United States of America. Mr M. Eisner is considered to be the ultimate controlling party of the company, by virtue of his majority shareholding in the parent undertaking.

PORTSMOUTH COMMUNITY FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

22 Subsequent events - COVID-19

At the date of the approval of these financial statements the UK Government had recently announced a range of measures to address the COVID-19 epidemic, that is having a significant detrimental impact on the social and financial economies of the world. The impact of COVID-19 and the measures the UK Government have announced are likely to have a significant detrimental impact on the operations of the company for the forthcoming period and potentially throughout 2020. The duration of the measures announced to tackle the COVID-19 epidemic has not been defined and there is considerable uncertainty in measuring the potential impact of the measures on the company. These factors and any future policy announcements by the UK Government are largely outside of the control of the company's directors, but could have a significant impact on the company.

As set out in the Directors' Responsibilities Statement on page 6, in preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In satisfaction of this responsibility the directors have considered their expectations for the company over the next 12 months and the company's ability to meet its liabilities as they fall due, based upon the information available to the directors at the date of these financial statements.

At the time of approving the financial statements, the company has no debt instruments and the directors therefore have a reasonable expectation that the company has adequate resources to contend with the uncertainties that may arise as a result of the UK Governments ongoing strategies for tackling the COVID-19 epidemic, and to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

23 Cash generated from operations

	2019	2018
	£	£
Profit/(loss) for the year after tax	2,058,548	(1,368,344)
Adjustments for:		
Investment income	-	(26,644)
Gain on disposal of intangible assets	(3,333,567)	(475,256)
Amortisation and impairment of intangible assets	456,078	301,120
Depreciation and impairment of tangible fixed assets	529,144	528,595
Movements in working capital:		
(Increase)/decrease in stocks	(5,965)	5,678
(Increase)/decrease in debtors	(2,497,103)	792,251
Increase in creditors	1,977,903	919,736
(Decrease) in deferred income	(61,548)	(61,548)
Cash (absorbed by)/generated from operations	(876,510)	615,588