

Swansea City Association Football Club Limited

Annual report and financial statements

Registered number 00123414

31 July 2016



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Strategic Report

Business review

The 2015/16 season proved to be a difficult season. A decision was made to increase the size of the first team playing squad as well as the Youth Academy playing squad which, in turn, led to a significant increase in wage costs for the year when compared with the previous 14 month accounting period on a pro-rata basis. However, following a disappointing start, the Board took the decision to replace the Football Manager and his team before Christmas which incurred further significant cost. The Board appointed an interim management team who guided the team through the busy Christmas period. The Board appointed a new Football Manager in mid-January 2016 who led the team to a 12th place finish. Subsequent to the year end and following a disappointing start to the 2016/17 season, the Board decided to replace the Football Manager and appointed Bob Bradley, the first American Football Manager in the Premier League. However results did not improve and it was decided to replace Bob Bradley at the end of December 2016. Results have improved under the guidance of First Team Head Coach, Paul Clement, who was appointed in January 2017; and the Board are now more confident of retaining Premier League status this season.

We were very pleased to be granted Category 1 status for our Youth Academy. This is a direct result of not only our continuing investment in training facilities for the Youth Academy but also the hard work and commitment of all our Youth Academy staff and players.

Turnover for the year was £97.2 million compared with £103.9 million for the 14 month period ended 31 July 2015. Total operating costs, including player amortisation costs of £17.3 million, amounted to £117.6 million compared with £120.8 million for the previous 14 months.

A profit of £6.1 million on the sale of players was achieved which reduced the loss on ordinary activities before tax to £14.6 million for the year.

In July 2016, there was a change in the controlling ownership of parent company Swansea City Football 2002 Limited that has led to some changes in the Board of Directors.

Future developments

We have continued to invest in our training facilities over the past year and we will continue to do so in a prudent manner. The Board is considering how we can expand the stadium in order that as many supporters as possible can enjoy the matchday experience at the Liberty Stadium but we can only do this when an agreement has been reached with the City & County of Swansea.

Principal risks and uncertainties

The major risk continues to be relegation from the Premier League and the adverse effect it would have on liquidity, operational activity and our ability to realise future plans. To counter this risk we will continue to invest in our playing squad but in a sensible manner.

There are also a number of other risks and uncertainties but the board believes that adequate controls and key performance indicators are in place to minimise these.

Key performance indicators are:-

Financial: cash flow, revenue, player trading and operating profit.

Non-financial: playing squad performance.

Financial risk management

The company's principal financial instruments comprise bank balances, temporary bank overdrafts, loans, trade debtors and creditors and finance lease agreements. Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding on the one hand, and on the other hand flexibility through the use of temporary overdrafts at floating rates of interest.

The company occasionally makes use of loan financing; these are comprised of loans from various sources. The interest rate on these loans is variable, but the repayments are fixed. The company prepares regular forecasts of cash flow and liquidity, and any requirement for additional funding is managed as part of the overall liquidity requirement to ensure there are sufficient funds to meet the payments.

Strategic Report *(continued)*

Financial risk management *(continued)*

The company is a lessee in respect of finance lease assets. The liquidity risk in respect of these is managed in the same way as loans.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit risk.

Appropriate terms are negotiated with suppliers. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Currency risk is managed by careful monitoring of the exchange rates and the maintenance of bank accounts in foreign currencies.

On behalf of the board



H M Jenkins OBE
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

28th February 2017

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 July 2016.

Dividend

The directors do not recommend the payment of a dividend for the financial year (2015: £1,000,000).

Directors

The directors who held office during the period were as follows:

H D Cooze (*resigned 28 October 2016*)
L A J Dineen (*resigned 21 July 2016*)
H M Jenkins OBE
G G Joseph MBE (*resigned 21 July 2016*)
S Kaplan (*appointed 21 July 2016*)
B L Katzen (*resigned 21 July 2016*)
D G Keefe (*resigned 21 July 2016*)
J Levien (*appointed 21 July 2016*)
M W Morgan
S R Penny (*resigned 21 July 2016*)
J Van Zweden (*resigned 21 July 2016*)

Subsequently to the year end but prior to the signing of this report, the following individuals were appointed directors:

R Chaudhari (*appointed 17 August 2016*)
R E Hernreich (*appointed 17 August 2016*)
S J McDonald (*appointed 9 November 2016*)

Charitable contributions

During the year the Company made charitable donations amounting to £32,469 (2015: £47,068).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal communications issued to staff. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Subsequent to the year end but prior to the date of this report, KPMG LLP resigned as auditors and BDO LLP were appointed.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

On behalf of the board



H M Jenkins OBE
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

28TH February 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED

We have audited the financial statements of Swansea City Association Football Club Limited for the year ended 31 July 2016 which comprise the profit and loss account and statement of comprehensive income, the balance sheet, the statement of changes in equity, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SWANSEA CITY ASSOCIATION
FOOTBALL CLUB LIMITED (Continued)**

Matters on which we are required to report by exception

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.

BDO LLP

Ian Clayden (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
W1U 7EU

1 March 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Profit and Loss Account & Statement of Comprehensive Income
for the year ended 31 July 2016

	Note	Operations excluding player amortisation & trading	Player amortisation & trading	Year ended 31 July 2016	14 month period ended 31 July 2015
		£	£	£	£
Turnover	2	96,151,029	1,000,000	97,151,029	103,928,360
Operating expenses		(100,238,914)	(17,322,065)	(117,560,979)	(120,753,140)
Other operating income		10,037	-	10,037	8,550
Operating loss before profit on disposal of player registrations	3	(4,077,848)	(16,322,065)	(20,399,913)	(16,816,230)
Profit on disposal of player registrations		-	6,128,077	6,128,077	18,268,168
(Loss) / Profit on ordinary activities before interest and taxation		(4,077,848)	(10,193,988)	(14,271,836)	1,451,938
Interest receivable and similar income	6			524,238	226,248
Interest payable and similar charges	7			(846,419)	(467,781)
(Loss) / Profit on ordinary activities before taxation				(14,594,017)	1,210,405
Tax on (loss) / profit on ordinary activities	8			1,512,844	(524,938)
(Loss) / Profit for the financial period being Total Comprehensive Income				(13,081,173)	685,467

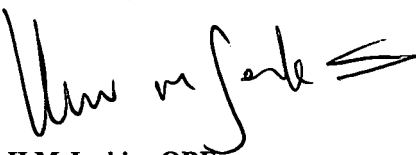
All activities relate to continuing operations.

There was no other comprehensive income for any period and therefore no separate Statement of Other Comprehensive Income has been presented.

Balance Sheet
as at 31 July 2016

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	9	34,171,274	49,108,257
Tangible assets	10	19,297,509	17,060,527
Investments	11	50,001	50,001
		<hr/>	<hr/>
		53,518,784	66,218,785
Current assets			
Stocks	12	864,972	1,122,241
Debtors (including £6,148,902 (2015: £11,568,680) due after more than one year)	13	17,817,943	28,448,578
Cash at bank and in hand		20,235,684	2,507,018
		<hr/>	<hr/>
		38,918,599	32,077,837
Creditors: amounts falling due within one year	14	(76,953,400)	(66,519,464)
		<hr/>	<hr/>
Net current liabilities		(38,034,801)	(34,441,627)
		<hr/>	<hr/>
Total assets less current liabilities		15,483,983	31,777,158
Creditors: amounts falling due after more than one year	15	(4,720,344)	(6,419,502)
Provisions for liabilities – deferred tax	16-17	(4,054,677)	(5,567,521)
		<hr/>	<hr/>
Net assets		6,708,962	19,790,135
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	18	4,699,989	4,699,989
Profit and loss account		2,008,973	15,090,146
		<hr/>	<hr/>
Shareholder's funds		6,708,962	19,790,135
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 28TH February 2017 and were signed on its behalf by:


H M Jenkins OBE
Director

Statement of Changes in Equity
for the year ended 31 July 2016

	Called up Share Capital	Profit & loss account	Total shareholder's equity
	£	£	£
Balance at 1 June 2014	4,699,989	15,404,679	20,104,668
Total comprehensive income for the period:			
Profit for the period	-	685,467	685,467
Total comprehensive income for the period	-	685,467	685,467
Transactions with owners, recorded directly in equity:			
Dividends	-	(1,000,000)	(1,000,000)
Total contributions by and distributions to owners	-	(1,000,000)	(1,000,000)
Balance at 31 July 2015	4,699,989	15,090,146	19,790,135
Balance at 1 August 2015	4,699,989	15,090,146	19,790,135
Total comprehensive income for the period:			
Loss for the period	-	(13,081,173)	(13,081,173)
Total comprehensive income for the period	-	(13,081,173)	(13,081,173)
Transactions with owners, recorded directly in equity:			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 July 2016	4,699,989	2,008,973	6,708,962

Notes

(forming part of the financial statements)

1 Accounting policies

Swansea City Association Football Club Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

In the transition to FRS 102 from the previous accounting standards (“old UK GAAP”), the Company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the Company is provided in note 27.

The Company’s parent undertaking, Swansea City Football 2002 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Swansea City Football 2002 Limited are available to the public and may be obtained from the Registrar at Companies House, Crown Way, Cardiff, CF14 3UZ.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes

Going concern

The going concern risk assessment is performed by the directors on a continuous basis. To assist the directors in making the assessment, the Company prepares cash flow forecasts for the current and subsequent financial years. A range of forecasts are prepared based on different scenarios, including differing final league positions, as well as the impact of relegation from the Premier League. In the event of any projected cash shortfalls, the company has a range of options at its disposal in order to raise additional finance including alternative sources of loan finance and the option of player disposals.

Consequently, after making enquiries, the directors believe that the Company has, and will generate, sufficient funds in order to continue trading for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument. Debtors relating to the sale of player registrations are classified within other debtors. Creditors relating to the acquisition of player registrations are classified within other creditors.

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments (continued)

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Investments in associates

Investments in associates are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Turnover

Turnover represents income derived from ordinary activities and is stated after trade discounts, other sales taxes and net of VAT. Principal sources of income include broadcasting and media, match day income, commercial activities and grants. Revenue is recognised when the underlying event or service takes place. Season ticket and home gate receipts are recognised gross of commissions that are deducted at source by the stadium's landlord, with the related commission expense being recognised as match day costs. Advanced season ticket sales and advertising/sponsorship income is included within deferred income and is recognised as turnover in the relevant season.

In the instance of merchandise sales, revenue is recognised on the despatch of goods to customers.

Income arising from the temporary transfer of a player registration is recognised over the period of the temporary transfer and presented within player amortisation and trading in the Profit and Loss Account & Statement of Comprehensive Income.

Patents and licences

Patents and licences owned by the Company are capitalised as intangible fixed assets and initially measured at cost less amortisation. The assets are amortised on a straight line basis over a ten year period. The amortisation period selected is based on the registration period of the patents and licences.

Signing-on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of the contract. Where a player's registration is transferred, any signing-on fees payable in respect of future periods are effectively cancelled. Therefore such fees are charged to the profit and loss account as they fall due under the terms of the contract.

Players' registration costs

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets, with cost discounted to present value where payments are deferred. Costs of players' registrations are comprised of transfer fees, transfer levies, intermediary fees and solidarity payments. These costs are fully amortised in equal instalments over the period of the players' individual contracts. Where a player's contract is extended beyond its initial period, amortisation is calculated over the period of the extended contract from the date on which it is signed. Players' registrations are written down for impairment when the carrying amount is assessed as exceeding the amount recoverable through use or sale. See overleaf the accounting policy relating to impairment.

The profit or loss on disposal of a player's registration is calculated as the difference between the present value of the transfer fee received less the net book value at the date of sale and less any direct costs of the transfer. Receipts of transfer fees based on the future performance of the transferred player or the buying club are recognised when the future criteria are met or are virtually certain to be met. Similarly, payments of transfer fees based on future performance criteria are recognised when the criteria are assessed as being probable that they will be met.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described overleaf.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets and is classified within operating expenses. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives of depreciable assets are as follows:

- Buildings - Between 25 and 50 years
- Stadium fittings - 25 years
- Plant and machinery - 5 years
- Fixtures and fittings - 5 years
- Motor vehicles - 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes purchase price less discounts where applicable. Net realisable value is based on estimated selling price. Provision is made for obsolete and slow moving items where appropriate.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets (for which impairment reviews are explained elsewhere in this section), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The directors do not consider it possible to determine the value in use of an individual player in isolation, as that player cannot generate cash flows independently. However, in circumstances where it is apparent that as at the period end the player would not be available for selection to play for the Club, the player is taken outside of the wider cash generating-unit ("CGU") and valued on a recoverable amount basis being the directors' best estimate of the player's fair value less cost to sell, with any resulting impairment charge being made in operating expenses.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any intangible asset allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Where there is an impairment of a particular player's registration costs consideration is given to whether there is simultaneously an onerous contract arising. Where onerous contracts exist, a provision is recognised equal to the net cost of exiting from the contract.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in associates to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred income

Deferred income comprises amounts received on sales of season tickets, sponsorship, broadcasting and other commercial contracts prior to the period end in respect of the current and future football seasons. These amounts will be released to the profit and loss account over the period to which the income relates.

Hire purchase, finance leases and operating leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account and classified within operating expenses.

Pension costs and other post-retirement benefits

Regular pension costs relate to contributions made by the Company to private pension schemes, the costs of which are recognised in the profit and loss account in the period to which they relate.

A provision has also been made to cover the Company's share of the liabilities of the Football League Limited Pension and Life Assurance Scheme. This is a defined benefit scheme which has been closed to new contributions since 31 August 1995.

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment.

Dividends

Dividends are only recognised as a liability at the period end to the extent that they are declared prior to the period end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Notes (continued)

2 Turnover

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Sale of goods		
Commercial	2,905,227	3,916,989
Media	111,126	138,333
Other	11,501	21,066
Rendering of services		
Media	79,181,384	85,052,436
Match	7,526,928	7,730,702
Commercial	4,510,187	5,299,011
Other	2,904,676	1,769,823
Total turnover	<u>97,151,029</u>	<u>103,928,360</u>

3 Operating loss and auditor's remuneration

Included in profit/loss are the following:

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Depreciation – owned assets	980,724	970,983
Depreciation - assets on hire purchase contracts	215,824	263,943
Profit / (Loss) on disposal of tangible fixed assets	1,806	(21,269)
Patents and licences amortisation	3,951	3,250
Player registration costs amortisation	17,322,065	17,564,891
Player registration impairment	-	809,524
Foreign exchange losses / (gains)	659,428	(562,630)
Auditor's remuneration:		
Audit of the financial statements	27,000	17,500
Auditor's remuneration – other assurance services	5,500	5,950
Auditor's remuneration – taxation assurance services	28,050	33,200

In respect of the year ended 31 July 2016, the following amounts were payable to the previous auditor; £6,000 in respect of the audit of the financial statements, £4,000 in respect of other assurance services; and £17,300 in respect of taxation assurance services. These amounts are included in the above disclosures.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 July 2016	14 months ended 31 July 2015
Football	267	222
Administration (including directors)	19	17
Commercial	64	59
Media	12	9
	<u>362</u>	<u>307</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Wages and salaries	72,099,538	72,912,757
Social security costs	9,628,956	9,552,102
Contributions to defined contribution plans	49,162	75,703
	<u>81,777,656</u>	<u>82,540,562</u>

5 Directors' remuneration

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Directors' remuneration	877,528	787,583
Company contributions to money purchase pension plans	585	455
	<u>878,113</u>	<u>788,038</u>

The aggregate of remuneration of the highest paid director was £500,368 (2015 :£516,667).

	Number of directors Year ended 31 July 2016	14 months ended 31 July 2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>3</u>

6 Interest receivable and similar income

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Finance income on unwinding of discount of player receivables	475,022	162,512
Bank interest	8,533	22,892
Other	40,683	40,844
	<u>524,238</u>	<u>226,248</u>

Notes (continued)

7 Interest payable and similar charges

	Year ended 31 July 2016 £	14 months ended 31 July 2015 £
Finance charge on unwinding of discount on player liabilities	386,825	265,704
Bank loans and overdrafts	389,178	153,019
Other loans	50,602	16,275
Hire purchase	19,814	32,783
	<hr/>	<hr/>
Total interest payable and similar charges	846,419	467,781
	<hr/>	<hr/>

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £	£	2015 £	£
<i>Current tax</i>				
Current tax on income for the period		-		-
		<hr/>		<hr/>
Total current tax		-		-
<i>Deferred tax (see note 16)</i>				
Origination and reversal of timing differences	(1,332,216)		534,938	
Adjustments in respect of prior periods	419,221		(10,000)	
Change in tax rate	(599,849)		-	
	<hr/>		<hr/>	
		(1,512,844)		524,938
		<hr/>		<hr/>
Total tax		(1,512,844)		524,938
		<hr/>		<hr/>

Reconciliation of tax (credit) / charge

	2016 £	2015 £
(Loss) / Profit for the year	(13,081,173)	685,467
Total tax (credit) / charge after taxation expense	(1,512,844)	524,938
	<hr/>	<hr/>
(Loss) / Profit before taxation	(14,594,017)	1,210,405
Tax using the UK corporation tax rate of 20.0% (2015: 20.7%)	(2,918,803)	250,554
Reduction in tax rate on deferred tax balances	(438,643)	(18,723)
Non-deductible expenses	1,538,130	303,107
Tax exempt revenues	(119,243)	-
Adjustments to deferred tax in respect of prior periods	419,221	(10,000)
Other permanent differences	6,494	-
	<hr/>	<hr/>
Total tax (credit) / expense included in profit or loss	(1,512,844)	524,938
	<hr/>	<hr/>

Notes (continued)

9 Intangible assets

	Patents and licences	Player registration costs	Totals
	£	£	£
Cost			
At 1 August 2015	32,510	76,871,289	76,903,799
Additions	11,044	16,152,335	16,163,379
Disposals	-	(24,083,364)	(24,083,364)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	43,554	68,940,260	68,983,814
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 August 2015	10,851	27,784,691	27,795,542
Amortisation for period	3,951	17,322,065	17,326,016
Eliminated on disposal	-	(10,309,018)	(10,309,018)
	<hr/>	<hr/>	<hr/>
At 31 July 2016	14,802	34,797,738	34,812,540
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 July 2016	28,752	34,142,522	34,171,274
	<hr/>	<hr/>	<hr/>
At 31 July 2015	21,659	49,086,598	49,108,257
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Land and Buildings £	Stadium fittings £	Under construction £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost							
At 1 August 2015	12,153,481	1,034,877	2,187,106	3,461,752	251,703	39,107	19,128,026
Additions	433,824	87,660	2,186,208	540,605	206,973	-	3,455,270
Disposals	-	-	-	(56,100)	-	-	(56,100)
Transfers	1,635,155	-	(1,635,155)	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2016	14,222,460	1,122,537	2,738,159	3,946,257	458,676	39,107	22,527,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation							
At 1 August 2015	575,488	84,035	-	1,264,483	104,386	39,107	2,067,499
Depreciation for period	351,457	23,635	-	734,347	87,109	-	1,196,548
Eliminated on disposal	-	-	-	(34,360)	-	-	(34,360)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2016	926,945	107,670	-	1,964,470	191,495	39,107	3,229,687
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value							
At 31 July 2016	13,295,515	1,014,867	2,738,159	1,981,787	267,181	-	19,297,509
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 July 2015	11,577,993	950,842	2,187,106	2,197,269	147,317	-	17,060,527
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Leased plant and machinery

At 31 July 2016 the net carrying amount of plant & machinery leased under a finance lease was £520,678 (2015: £719,342). The leased equipment secures lease obligations (see note 15).

Land and Buildings

The net book value of land and buildings comprises:

	2016 £	2015 £
Freehold	8,345,659	6,459,645
Short leasehold	4,949,856	5,118,348
	<hr/>	<hr/>
	13,295,515	11,577,993
	<hr/>	<hr/>

Notes (continued)

11 Fixed asset investments

	Participating interest £
Cost	
At 1 August 2015 and 31 July 2016	50,001
Net book value	
At 31 July 2016	50,001
At 31 July 2015	50,001

The Company has the following investments in jointly controlled entities:

			Aggregate of capital and reserves	Profit for the year	Country of incorporation	Class of shares held	Ownership 2016	Ownership 2015
			£	£			%	%
Swansea Stadium Management Company Limited			175,544	34,534	United Kingdom	Ordinary £1 Shares	33.33	33.33
Swansea Stadium Premier Club Limited			2	-	United Kingdom	Ordinary £1 Shares	50.00	50.00

12 Stocks

	2016 £	2015 £
Goods for resale	864,972	1,122,241
	864,972	1,122,241

Notes (continued)

13 Debtors

	2016 £	2015 £
Trade debtors	849,613	793,525
Amounts owed by participating interests	375,000	125,000
Other debtors	13,476,128	23,041,004
Corporation tax asset	443	443
Taxation and social security	-	223,176
Prepayments and accrued income	3,116,759	4,265,430
	<u>17,817,943</u>	<u>28,448,578</u>
Due within one year	11,669,041	16,879,898
Due after more than one year	6,148,902	11,568,680
	<u>17,817,943</u>	<u>28,448,578</u>

Debtors include other debtors of £6,023,902 (2015: £11,443,680) and amounts owed by participating interests of £125,000 (2015: £125,000) due after more than one year.

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts (see note 15)	-	15,243,071
Other loans (see note 15)	-	8,000,000
Obligations under finance leases (see note 15)	254,419	253,060
Trade creditors	877,963	1,612,945
Amounts owed to group undertakings	987,397	987,397
Taxation and social security	11,267,737	2,988,224
Other creditors	20,426,045	29,841,774
Accruals and deferred income	43,139,839	7,592,993
	<u>76,953,400</u>	<u>66,519,464</u>

15 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Obligations under finance leases (see overleaf)	46,623	277,895
Other creditors	4,673,721	6,141,607
	<u>4,720,344</u>	<u>6,419,502</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows

	2016 £	2015 £
Bank loans and overdrafts		
Less than one year	-	15,243,071
Between one and five years	-	-
More than five years	-	-
	<u>-</u>	<u>15,243,071</u>
	<u>-</u>	<u>15,243,071</u>
	2016 £	2015 £
Other loans		
Less than one year	-	8,000,000
Between one and five years	-	-
More than five years	-	-
	<u>-</u>	<u>8,000,000</u>
	<u>-</u>	<u>8,000,000</u>
	2016 £	2015 £
Obligations under finance leases		
Less than one year	254,419	253,060
Between one and five years	46,623	277,895
More than five years	-	-
	<u>301,042</u>	<u>530,955</u>
	<u>301,042</u>	<u>530,955</u>
	2016 £	2015 £
Total borrowings including finance leases		
Less than one year	254,419	23,496,131
Between one and five years	46,623	277,895
More than five years	-	-
	<u>301,042</u>	<u>23,774,026</u>
	<u>301,042</u>	<u>23,774,026</u>

The overdraft as at 31 July 2015 was secured by way of an assignment of funds of the Premier League income. Hire purchase contract liabilities are secured on the underlying fixed assets. Other loans as at 31 July 2015 were unsecured.

Notes (continued)

16 Deferred tax liability

The deferred tax liability is attributable to the following:

	2016 £	2015 £
Accelerated capital allowances	93,536	(74,243)
Unused tax losses	(2,482,967)	(167,253)
Capital gains	6,617,852	5,829,655
Other	(173,744)	(20,638)
	<hr/>	<hr/>
Total deferred tax liability	4,054,677	5,567,521
	<hr/>	<hr/>

17 Provisions

	Deferred taxation £
Balance at 1 August 2015	(5,567,521)
Credit to profit and loss account during the year	1,512,844
	<hr/>
Balance at 31 July 2016	(4,054,677)
	<hr/>

18 Share Capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
9,399,978 ordinary shares of 50p each	4,699,989	4,699,989
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016 £	2015 £
Assets measured at amortised cost	34,986,426	26,516,548
Liabilities measured at amortised cost	22,291,405	55,685,187
	<hr/>	<hr/>

Financial assets measured at amortised cost comprise cash, trade debtors, other debtors, amounts owed by joint ventures and associated undertakings.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Notes (continued)

20 Operating leases

Total commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other operating leases	
	2016	2015	2016	2015
	£	£	£	£
Payable:				
Within one year	100,000	100,000	13,479	36,410
Between one and five years	50,000	170,000	31,770	46,515
In more than five years	-	-	-	63,147
	<u>150,000</u>	<u>270,000</u>	<u>45,249</u>	<u>146,072</u>

21 Commitments

Capital commitments

The Company had contractual commitments to purchase tangible fixed assets at the period end of £935,000. At the balance sheet date, £435,000 of this balance was paid on account.

Pension commitments

Certain members of the playing squad are members of The Professional Footballers Pension Scheme. This scheme is compulsory for all members of the Professional Footballers Association, unless the member decides to opt-out of the scheme. The Company does not make any contributions into the scheme and does not share in any of the scheme's assets or liabilities. Accordingly no provision for the scheme is made in these financial statements.

In addition, certain former staff of the Company were members of the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS') comprising both defined benefit (suspended from 31 August 1995) and defined contribution sections.

Following a review of the Minimum Funding Requirement ('MFR') of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1995. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the terms of participating in the FLLPLAS, the Company is required to contribute to the deficit of the scheme. The amount owed by the Company at the balance sheet date was £6,607 (31 July 2015: £2,932). During the period, contributions of £4,092 (31 July 2015: £16,016) have been paid to the scheme.

22 Contingencies

Under the terms of certain contracts for the purchase of players' registrations, future payments may be due, dependent on the future success of the team and/or the future team selection of individual players. As at 31 July 2016 the maximum that could be payable is £6,717,543 (31 July 2015: £5,782,500). Signing on fees of £24,637,833 (31 July 2015: £19,439,750) will become due to certain players if they are still in the service of the Company on specific future dates. In accordance with the Company's stated accounting policies these amounts have not been recognised as liabilities as at 31 July 2016.

Under the terms of the Swansea Stadium Management Company Limited shareholders' agreement, the Company has entered into an obligation to assist that company in meeting its liabilities as they fall due. The shareholders' agreement also requires the Company to indemnify Swansea Stadium Management Company Limited against all of its losses, debts, obligations and liabilities, which it is unable to, for any reason, pay, perform or satisfy in the ordinary course of business. The Company shares these obligations with Ospreys Rugby Limited, the obligations of both companies being joint and several.

Under the terms of the shareholders' agreement, both the Company and Swansea Stadium Management Company Limited must agree on the terms of repayment, if any, of any such funding provided by the Company.

Notes (continued)

22 Contingencies (continued)

During the course of the year for which these financial statements have been prepared, the company was informed of an £8.3m legal claim brought by a former employee against a third party, into which the company was implicated by virtue of fees paid to this third party. The company has strongly denied and defended such claims and this claim has subsequently been refused by the high court. Whilst there is no current ongoing action against the company, there remains the potential for this matter to be raised by the claimant in arbitration. The board believe that any claim of wrongdoing against the company is without foundation and if heard by arbitration, the company and its lawyers will continue to vigorously deny any liability and are confident of a favourable outcome, including the recovery of its defence costs. Given the current status of this matter, and the fact that proceedings against the company are currently inactive, insufficient evidence has been made available in order for the club to provide a sufficiently reliable assessment of any potential obligation, and no provision has been made in this regard.

23 Related parties

Transactions with key management personnel

Total compensation of key management personnel (consisting of the directors) in the period amounted to £878,113 (2015: £788,038)

Other related party transactions

For the year ended 31 July 2016

	Sales to £	Purchases from £	Receivables outstanding £	Creditors outstanding £
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	6,888,483	986,874	257,805	10,006
Key management personnel of the company or its Parent	10,796	-	126	-
Other related parties, being entities under the control of key management personnel of the company	6,733	2,621,339	-	14,841
	<u>6,906,012</u>	<u>3,608,213</u>	<u>257,931</u>	<u>24,847</u>

For the 14 month period ended 31 July 2015

	Sales to £	Purchases from £	Receivables outstanding £	Creditors outstanding £
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	6,295,442	608,755	164,537	42,203
Key management personnel of the company or its Parent	28,640	-	-	-
Other related parties, being entities under the control of key management personnel of the company	39,690	2,954,778	-	-
	<u>6,363,772</u>	<u>3,563,533</u>	<u>164,537</u>	<u>42,203</u>

Notes (continued)

24 Ultimate parent company and parent company of larger group

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Swansea Football LLC, a company incorporated in the United States of America. Swansea Football LLC is the parent company of the largest group which includes the company. The parent undertaking of the smallest such group is Swansea City Football 2002 Limited. The consolidated financial statements of the Swansea City Football 2002 Limited are available from the Registrar at Companies House, Crown Way, Cardiff, CF4 3UZ.

25 Subsequent events

Subsequent to the balance sheet date, the company sold certain player registrations for total consideration of £32,629,425. In addition the company acquired new player registrations and extended the registrations of existing players for a total consideration of £48,764,790.

26 Accounting estimates and judgements

Key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The Company's primary source of revenue is The F.A. Premier League ("FAPL"). The quantum of income received directly from the FAPL each year is set out in the FAPL annual budget which is revised periodically throughout the financial year. The Company recognises income from the FAPL only when it has achieved set criteria contained in the FAPL's annual budget (for instance the Company's league position at the end of any given football season; or a certain number of the Company's Premier League fixtures being selected for Live Television broadcast). Any additional income is only recognised either on receipt of cash consideration, or when the entitlement to additional income is formally communicated by the FAPL in a Shareholders' Meeting of the FAPL.

Impairment of Capitalised Player Registration Costs

The carrying values of capitalised player registration costs are subject to impairment tests on a player-by-player basis. On performing the individual tests of impairment, the Company primarily considers the following factors:

- *Injury* – Where the medical opinion provided suggests that a player has suffered a career ending injury then an impairment loss will be recognised, in full, against the carrying value of that particular player. Career threatening injuries may also result in impairment losses depending on the medical opinion received and other external factors.
- *Loss of Player Form* – The assessment of player form is considered to be highly subjective and accordingly it is unlikely that the loss of player form will result in an impairment loss.
- *Transfer of a player's registration after the end of an accounting period* – Where a player is sold after the end of an accounting period for an amount lower than the carrying value then this is a strong indicator of impairment and accordingly an impairment loss will be recognised in the accounting period if there is sufficient evidence that the underlying cause of the impairment took place in the accounting period.

Notes (continued)

26 Accounting estimates and judgements (continued)

Key source of estimation uncertainty – Corporation taxes

The determination of the Company's provision for corporation tax as well as deferred tax assets and liabilities involves significant judgements and estimates on certain matters and transactions, for which the ultimate outcome may be uncertain. If the final outcome differs from the Company's estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

27 Explanation of transition to FRS 102 from old UK GAAP

The accounting policies set out in note 1 have been applied in preparing these financial statements for the year ended 31 July 2016 and the comparative information presented in these financial statements for the 14 month period ended 31 July 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting ("old UK GAAP"). An explanation of how the transition from old UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity as at 31 July 2015

	Old UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Fixed assets			
Intangible assets	49,535,656	(427,399)	49,108,257
Tangible fixed assets	17,060,527	-	17,060,527
Investments	50,001	-	50,001
	<u>66,646,184</u>	<u>(427,399)</u>	<u>66,218,785</u>
Current assets			
Stocks	1,122,241	-	1,122,241
Debtors	28,937,608	(489,030)	28,448,578
Cash at bank and in hand	2,507,018	-	2,507,018
	<u>32,566,867</u>	<u>(489,030)</u>	<u>32,077,837</u>
Creditors: amounts due within one year	<u>(65,619,467)</u>	<u>(899,997)</u>	<u>(66,519,464)</u>
Net current liabilities	<u>(33,052,600)</u>	<u>(1,389,027)</u>	<u>(34,441,627)</u>
Creditors: amounts falling due after more than one year	<u>(7,764,059)</u>	<u>1,344,557</u>	<u>(6,419,502)</u>
Provisions for liabilities			
Deferred tax liability	(5,661,895)	94,374	(5,567,521)
Net assets	<u>20,167,630</u>	<u>(377,495)</u>	<u>19,790,135</u>
Capital and reserves			
Called up share capital	4,699,989	-	4,699,989
Profit and loss account	15,467,641	(377,495)	15,090,146
Shareholders' funds	<u>20,167,630</u>	<u>(377,495)</u>	<u>19,790,135</u>

Notes (continued)

27 Explanation of transition to FRS 102 from old UK GAAP (continued)

Reconciliation of profit/loss for the comparative 14 month period ended 31 July 2015:

	Old UK GAAP £	Effect of transition to FRS 102 £	FRS 102 £
Turnover	103,928,360	-	103,928,360
Operating expenses	(120,836,920)	83,780	(120,753,140)
Other operating income	8,550	-	8,550
	<hr/>	<hr/>	<hr/>
Operating loss	(16,900,010)	83,780	(16,816,230)
Profit and disposal of player registrations	18,720,625	(452,457)	18,268,168
	<hr/>	<hr/>	<hr/>
Profit before interest and tax	1,820,615	(368,677)	1,451,938
Interest receivable and similar income	63,736	162,512	226,248
Interest payable and similar charges	(202,077)	(265,704)	(467,781)
	<hr/>	<hr/>	<hr/>
Profit on ordinary activities before taxation	1,682,274	(471,869)	1,210,405
Tax on profit on ordinary activities	(619,312)	94,374	(524,938)
	<hr/>	<hr/>	<hr/>
Profit for the financial period	1,062,962	(377,495)	685,467
	<hr/>	<hr/>	<hr/>

Reconciliation of profit/loss and equity from old UK GAAP to FRS 102

	Note	Profit for the 14 month period to 31 July 2015 £	Equity as at 31 July 2015 £
Amount under old UK GAAP		1,062,962	20,167,630
Discount on creditors	a	(265,704)	(265,704)
Discount on debtors	a	(289,945)	(289,945)
Recalculation of player amortisation	a	83,780	83,780
Deferred tax on above	a	94,374	94,374
		<hr/>	<hr/>
Amount under FRS 102		685,467	19,790,135
		<hr/>	<hr/>

Notes to the reconciliation of profit/loss and equity

- a) Player transfer fees which are receivable and/or payable via instalments were previously recognised at transaction value within short or long term debtors or creditors as appropriate, and no discounting in respect of the time value of money was applied. Such amounts are classified as debt instruments under Section 11 of FRS 102, and are measured initially at the transaction price. Subsequently, measurement is at amortised cost, using the effective interest method, unless the payment is receivable or payable within one year, in which case it is measured at the undiscounted amount receivable or payable. The effective interest rate is the rate that discounts the expected future cash flows over the expected life of the instrument, to the carrying amount of the instrument.

Notes (continued)

27 Explanation of transition to FRS 102 from old UK GAAP (continued)

Notes to the reconciliation of profit/loss and equity (continued)

The effect of the above on the adoption of FRS 102 was to:

- reduce the carrying value of intangible assets as at 31 July 2015 by £427,399 as a result of discounting the initial cost of long term payables. In addition the amortisation charge for the period to 31 July 2015 has reduced by £83,780 as a consequence of this transitional change.
- reduce the carrying value of long term receivables as at 31 July 2015 by £489,030 as a result of discounting the income receivable on sales of player registrations. Consequently interest receivable for the period to 31 July 2015 has increased by £162,512 due to the unwinding of the discount on these long term receivables.
- reduce the carrying value of long term payables as at 31 July 2015 by £357,160 as a result of discounting the acquisition costs of player registrations. Consequently interest payable for the period to 31 July 2015 has increased by £265,704 due to the unwinding of the discount on these long term payables.
- reduce the tax charges for the period to 31 July 2015, and the provision for deferred tax as at that date, by £94,374 as a result of the above changes having the net effect of reducing profit before tax for the period by £471,869.

On the transition date to FRS 102 from old UK GAAP (1 June 2014), the Company has made no measurement and recognition adjustments in respect of the above matters because the amounts involved are not material.