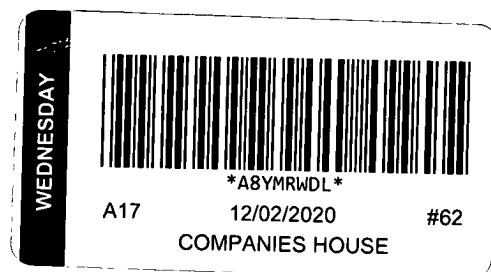


Company Registration No. 00123414 (England and Wales)

SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019



# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## COMPANY INFORMATION

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<b>Directors</b>	Mr R Chaudhari Mr R E Hernreich Mr H M Jenkins Mr S Kaplan Mr J Levien Mr S J McDonald Mr M W Morgan Mr T Birch	(Appointed 5 April 2019)
<b>Secretary</b>	Mr G Davies	
<b>Company number</b>	00123414	
<b>Registered office</b>	Liberty Stadium Landore Swansea UK SA1 2FA	
<b>Auditor</b>	Baldwins Audit Services Charter Court Phoenix Way Enterprise Park Swansea UK SA7 9FS	

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# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**

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# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 JULY 2019***

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The directors present the strategic report for the year ended 31 July 2019.

### **Business Review**

During the year under review, Swansea City Football Club competed in the EFL Championship following relegation from the English Premier League the previous season. The season under review was a challenging season as the Club had to work hard to reduce both the playing and general running costs of the business. The playing squad saw some significant changes with experienced players leaving the Club as part of a cost reduction plan and also provided first team opportunities for the talented players in the Club's Academy. It was an opportunity for our manager, Graham Potter, to encourage and develop the young talent in the Academy. This confidence and faith in their ability saw a number of our Academy players flourishing in the first team environment and establishing themselves in the side and it was very pleasing to see the Club finish in a respectable 12th place in the EFL Championship.

In February 2019, the Club's Chairman, Huw Jenkins, resigned and this led to the appointment in April 2019 of Trevor Birch as Executive Chairman. Following the end of the season, Graham Potter was offered the opportunity to manage a Premier League side, Brighton and Hove Albion Football Club, which he decided to accept.

Trevor's first challenge was to oversee the appointment of a new head coach and, with the support of two Swansea stalwarts, Leon Britton and Alan Curtis, appointed Steve Cooper.

Turnover for the year was £68.2 million compared with £126.8 million for the previous year. Total operating costs, including player amortisation and impairment costs of £29.6 million, amounted to £103.0 million compared with £175.1 million for the previous year.

At the Balance Sheet date, net current liabilities reduced to £18.8 million from £38.1million the previous year whilst net assets reduced to £10.8 million from £16.8 million the previous year. The company's cash reserves, inclusive of amounts held on short term deposit, increased to £19.1million from £0.5million.

### **Youth Academy**

Our under 23 squad has progressed very positively during the course of the season and a number of very specific targets were set at the beginning of the season to challenge the players and staff. As our Academy continues to grow and progress, we are aware that the best way to develop our players is to expose them to different challenges and environments. One of the targets set and achieved for the under 23 squad was to reach the knockout stages of the Checkatrade trophy and the squad also reached the semifinal of the Premier league Cup. We didn't qualify for the knockout stages of the International Cup but only narrowly missed out. Average age of the squad was nineteen and the players rose to the different challenges presented to them during the season.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

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### Principal Risks and Uncertainties

The main risk continues to be relegation from the League Division in which the team plays. The Directors are committed to facilitating the provision of funding necessary for investment in players, coaches and management to ensure the team is competitive. However this funding is dependent on player trading in the absence of available external investment. In the event of relegation then the Directors will address this risk by divesting in members of their playing squad to strive to achieve an appropriate cost base for the League Division they are competing in.

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

#### *Financial*

	2019	2018
Cash Flow (Annual movement in cash at bank and in hand balance)	+ £19.5m	- £7.9m
Turnover	£68.2m	£126.8m
Profit on player trading	£30.3m	£46.1m
Operating loss	£34.8m	£48.3m

#### *Non-financial: playing squad performance.*

The performance of our playing squad has been commented on within the Business Review.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

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### **Financial risk management**

The company's operations expose it to a variety of financial risks.

#### *Price risk*

The company's principal financial instruments comprise bank balances, temporary bank overdrafts, loans, trade debtors and creditors and finance lease agreements. The main purpose of these instruments is to finance the company's operations. 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.

#### *Liquidity risk*

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.

In respect of loans, these are comprised of loans from various sources. The interest rates on these loans are variable, but the capital 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 as they fall due. The company is a lessee in respect of finance lease assets. The liquidity risk in respect of these is managed in the same as loans.

#### *Credit risk*

Trade debtors are managed in respect of credit and cashflow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit risk. The risk of debtor default from UK football clubs is mitigated by the preferential football creditor rules. The credit-worthiness of non UK football debtors is considered on a case by case basis prior to concluding any major transactions with these potential customers.

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

#### *Currency risk*

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

On behalf of the board



Mr T Birch

Director

12/11/2019

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 JULY 2019**

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The directors present their annual report and financial statements for the year ended 31 July 2019.

### **Principal activities**

The principal activity of the company continued to be the operation of a professional football club, together with associated activities.

### **Directors**

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

Mr R Chaudhari  
Mr R E Hernreich  
Mr H M Jenkins  
Mr S Kaplan  
Mr J Levien  
Mr S J McDonald  
Mr M W Morgan  
Mr T Birch

(Appointed 5 April 2019)

### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

### **Disabled persons**

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 within the company continues and that the 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 involvement**

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.

### **Post reporting date events**

Material post balance sheet events are disclosed in note 32 of the financial statements.

### **Future developments**

The strategy and future developments in the business are set out in the Strategic Report.

### **Auditor**

Baldwins Audit Services were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

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### 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.

### 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 T Birch  
Director

Date: 12 / 11 / 2019 .....



# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

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#### Opinion

We have audited the financial statements of Swansea City Association Football Club Limited (The) (the 'company') for the year ended 31 July 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 31 July 2019 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.

#### 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.

#### Material uncertainty related to going concern.

We draw attention to note 1 to the financial statements concerning the company's ability to continue as a going concern. Should the forecasts, which include receipts from player trading, continuation of external facilities and operating cost reductions, prepared by the board not be realised, the company would need to find further sources of funding in order to bridge its cash flow position until appropriate player transactions are fulfilled. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

#### 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.

# **SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**

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#### **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.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

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#### 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.



**Matthew Thomas (Senior Statutory Auditor)**  
for and on behalf of Baldwins Audit Services

12 / 11 / 2019  
.....

**Statutory Auditor**

Charter Court  
Phoenix Way  
Enterprise Park  
SWANSEA  
UK  
SA7 9FS

**SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 JULY 2019**

	Notes	Operations excluding player amortisation & trading £	Player amortisation & trading £	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	66,205,108	1,979,654	68,184,762	126,830,558
Operating expenses		(73,361,344)	(29,615,603)	(102,976,947)	(175,110,518)
Other operating income		31,683	-	31,683	25,325
<b>Operating loss before profit on disposal of player registrations</b>	<b>4</b>	<b>(7,124,553)</b>	<b>(27,635,949)</b>	<b>(34,760,502)</b>	<b>(48,254,635)</b>
Profit on disposal of player registrations		-	30,305,464	30,305,464	46,077,452
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		<b>(7,124,553)</b>	<b>2,669,515</b>	<b>(4,455,038)</b>	<b>(2,177,183)</b>
Interest receivable and similar income	<b>7</b>			979,070	847,624
Interest payable and similar expenses	<b>8</b>			(3,548,416)	(1,874,844)
<b>Loss before taxation</b>				<b>(7,024,384)</b>	<b>(3,204,403)</b>
Tax on loss	<b>9</b>			992,615	332,297
<b>Loss for the financial year</b>				<b>(6,031,769)</b>	<b>(2,872,106)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Intangible assets	11	18,617,857		58,486,996	
Tangible assets	12	21,074,907		21,929,452	
Investments	13	50,001		50,001	
		<u>39,742,765</u>		<u>80,466,449</u>	
<b>Current assets</b>					
Stocks	16	471,342		939,977	
Debtors falling due after more than one year	17	322,741		12,301,645	
Debtors falling due within one year	17	19,631,346		21,901,786	
Investments	18	12,500,000		-	
Cash at bank and in hand		6,629,889		469,823	
		<u>39,555,318</u>		<u>35,613,231</u>	
<b>Creditors: amounts falling due within one year</b>	19	(58,359,232)		(73,749,885)	
<b>Net current liabilities</b>		<u>(18,803,914)</u>		<u>(38,136,654)</u>	
<b>Total assets less current liabilities</b>		<u>20,938,851</u>		<u>42,329,795</u>	
<b>Creditors: amounts falling due after more than one year</b>	20	(5,893,792)		(19,695,891)	
<b>Provisions for liabilities</b>	23	(4,244,430)		(5,801,506)	
<b>Net assets</b>		<u>10,800,629</u>		<u>16,832,398</u>	
<b>Capital and reserves</b>					
Called up share capital	26	4,699,989		4,699,989	
Profit and loss reserves		6,100,640		12,132,409	
<b>Total equity</b>		<u>10,800,629</u>		<u>16,832,398</u>	

The financial statements were approved by the board of directors and authorised for issue on 12/11/2019 and are signed on its behalf by:

  
Mr T Birch  
Director

Company Registration No. 00123414

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2019

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 August 2017	4,699,989	15,004,515	19,704,504
Year ended 31 July 2018:			
Loss and total comprehensive income for the year	-	(2,872,106)	(2,872,106)
Balance at 31 July 2018	4,699,989	12,132,409	16,832,398
Year ended 31 July 2019:			
Loss and total comprehensive income for the year	-	(6,031,769)	(6,031,769)
Balance at 31 July 2019	4,699,989	6,100,640	10,800,629

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 JULY 2019**

---

### **1 Accounting policies**

#### **Company information**

Swansea City Association Football Club Limited (The) is a private company limited by shares incorporated in England and Wales. The registered office is Liberty Stadium, Landore, SWANSEA, UK, SA1 2FA.

#### **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 under the historical cost convention, modified, where detailed, to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

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

Further the company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

---

### **1 Accounting policies (Continued)**

#### **1.2 Going concern**

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

Following relegation to the Football League Championship, and the resultant reduction in revenues as compared to the Premier League, the Board and key management have paid due consideration to the overall club's strategy, playing squad, and operating and financing cash flows, including all significant revenue streams, the operating cost base of the club, player trading and sources of finance.

The company prepares detailed profit and loss, balance sheet and cash flow forecasts each financial year considering all reasonably foreseeable potential scenarios (including promotion and relegation) and material uncertainties in relation to income and costs.

The Football League and Premier League transfer markets remain buoyant and, given the various options available to it, the company believes that forecasted player trading is reasonably achievable and that accordingly the company should be able to meet its liabilities as they fall due for a period of at least 12 months from the date of signing the financial statements. However, should the forecasted player trading not be achieved, the company would need to both maintain existing and find further sources of funding in order to bridge its cash flow position until appropriate player transactions are fulfilled. This represents a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The club retains a level of flexibility in its playing squad options and the Board will balance its financial needs with a squad that has the ability to still strive for promotion.

Based on these forecasts, which include expectations for net player trading and the availability and use of external finance, and other cost reductions, the directors remain confident the company will generate sufficient resources to meet its liabilities as they fall due and the board has concluded that it is appropriate for the financial statements to be prepared on a going concern basis.

#### **1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. 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 were recognised gross of commissions that were deducted at source by the stadium's landlord, with the related commission expense being recognised in match day costs. This commission arrangement ceased after the company acquired control of Swansea Stadium Management Company Limited on 16 February 2018. Advanced season ticket sales, broadcasting/media 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 transfer of goods to customers, which is usually on delivery or on-site purchase.

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 Statement of Comprehensive Income.



# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 JULY 2019

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#### 1 Accounting policies (Continued)

##### 1.4 Intangible fixed assets other than goodwill

###### Patents and licences

Patents and licences are owned by the Company are capitalised as intangible fixed assets and initially measured at cost less amortisation.

###### 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 may be effectively cancelled. Therefore such fees are charged to the Statement of Comprehensive Income as they fall due under the terms of the contract.

###### Players' registration fees

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. Cost 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 the extension is signed. Players' registrations are written down for impairment in certain circumstances when the carrying amount is assessed as exceeding the amount recoverable through use or sale.

The profit or loss on disposal of a player's registration is calculated as the difference between the present value of the transfer fee receivable 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.

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:

Patents and licences	10 years
Players' registration costs	In accordance with terms of the contract

##### 1.5 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:

Land	Not depreciated
Buildings	25-50 years
Stadium fittings	25 years
Plant and equipment	5 years
Fixtures and fittings	5 years
Motor vehicles	3 years

Assets in the course of construction are not depreciated.

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.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

---

### **1 Accounting policies (Continued)**

#### **1.6 Fixed asset investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

#### **1.7 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.

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.

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.

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.

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 exists, a provision is recognised equal to the minimum net cost of practically exiting from the contract.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

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### **1 Accounting policies (Continued)**

#### **1.8 Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises 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.

#### **1.9 Cash and cash equivalents**

Cash and cash equivalents 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.

#### **1.10 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.

##### ***Other financial assets***

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### ***Impairment of financial assets***

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 JULY 2019

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#### 1 Accounting policies (Continued)

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### ***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.

##### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments 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.

##### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.11 Equity instruments

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

#### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

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### 1 Accounting policies (Continued)

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.13 Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.14 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.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2019**

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### **1 Accounting policies (Continued)**

#### **1.15 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Where the company participates in a defined benefit plan, which is a multi-employer plan that is accounted for as if the plan were a defined contribution plan, and the Company has entered into an agreement with the multi-employer plan that determines how the Company will fund a deficit, the Company recognises a liability for the contributions payable that arise from the agreement and a resulting expense in the Statement of Comprehensive Income.

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.

#### **1.16 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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.

#### **1.17 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.

#### **1.18 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 Statement of Comprehensive Income over the period to which the income relates.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

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### 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.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Impairment of Capitalised Player Registration Costs***

The carrying values of capitalised player registration costs, where removed from the wider football club CGU, 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 less any anticipated insurance receivable, 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 unless there is firm intention to release the player without further first team performance subsequent to the period end for a fee less than his carrying amount.
- 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, consistent with management's intentions at the year end date, without further first team action for an amount lower than the carrying value this is strong indicator of impairment and accordingly an impairment loss will be recognised in the accounting period if there is sufficient evidence that the underlying impairment existed as at the accounting period end date.

#### ***Revenue Recognition***

The company's primary source of revenue during the financial year ended 31 July 2019 was 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 or can otherwise be reliably measured at the financial reporting period end date.

#### ***Leases***

Determining whether leases entered into by the company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### 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.

#### Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

#### 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.

### 3 Turnover and other revenue

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
<b>Sale of goods</b>		
Commercial	1,860,359	2,379,488
Media	72,008	93,453
Other	34,606	34,792
<b>Rendering of services</b>		
Media	51,606,675	104,635,989
Match	6,553,645	7,365,849
Commercial	3,484,693	9,660,829
Other	4,572,776	2,660,158
	<u>68,184,762</u>	<u>126,830,558</u>
	2019 £	2018 £
<b>Other significant revenue</b>		
Interest income	<u>979,070</u>	<u>847,624</u>



# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 4 Operating loss

	2019 £	2018 £
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(204,266)	155,914
Fees payable to the company's auditor for the audit of the company's financial statements	15,700	25,000
Depreciation of owned tangible fixed assets	1,598,269	1,692,711
Depreciation of tangible fixed assets held under finance leases	34,018	31,183
Loss on disposal of tangible fixed assets	566,093	11,928
Amortisation of intangible assets	28,177,387	37,113,424
Profit on disposal of intangible assets	(30,305,464)	(46,077,452)
Operating lease charges	125,006	133,226
Inventory recognised as an expense	1,400,693	1,482,563
Impairment of player registrations	1,443,409	14,769,545
Provision for onerous contract	1,149,498	1,713,960
Auditor's remuneration - taxation assurance services	1,800	10,195

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £204,266 (2018 - a loss of £155,914).

### 5 Employees

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

	2019 Number	2018 Number
Football	260	287
Administrative (including directors)	16	18
Commercial	67	89
Media	16	15
	<u>359</u>	<u>409</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	43,019,864	81,271,571
Social security costs	5,801,587	11,227,533
Pension costs	78,576	71,113
	<u>48,900,027</u>	<u>92,570,217</u>

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 5 Employees (Continued)

Staff costs include a charge of £1,149,498 (2018: £1,713,960) relating to the contracts of certain players whose contracts had been classified as onerous contracts.

### 6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	243,095	654,667
Company pension contributions to defined contribution schemes	513	530
	<u>243,608</u>	<u>655,197</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	132,333	654,667
Company pension contributions to defined contribution schemes	403	530
	<u>132,736</u>	<u>655,197</u>

### 7 Interest receivable and similar income

	2019 £	2018 £
Interest on bank deposits	23,804	2,625
Finance income on unwinding of discount of player receivables	955,266	844,999
	<u>979,070</u>	<u>847,624</u>

### 8 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	271,519	48,008
Other interest on financial liabilities	773,921	799,812
Interest on finance leases and hire purchase contracts	3,521	5,101
Finance charges on unwinding of discount on player liabilities	2,499,455	1,021,923
	<u>3,548,416</u>	<u>1,874,844</u>

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 9 Taxation

	2019 £	2018 £
<b>Deferred tax</b>		
Origination and reversal of timing differences	(992,615)	(332,297)

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

	2019 £	2018 £
Loss before taxation	(7,024,384)	(3,204,403)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,334,633)	(608,837)
Tax effect of expenses that are not deductible in determining taxable profit	170,793	116,424
Deferred tax adjustments in respect of prior years	59,838	239,261
Reduction in tax rate on deferred tax balances	-	(194,322)
Fixed asset timing differences	111,387	115,177
Taxation credit for the year	(992,615)	(332,297)

### 10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2019 £	2018 £
In respect of:			
Intangible assets	11	1,443,409	14,769,545
Recognised in:			
Administrative expenses		1,443,409	14,769,545

The impairment recognised in both the current and comparative periods relates to an assessment of the carrying values of capitalised player registration costs. See note 2 for further details.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 11 Intangible fixed assets

	Patents and licences	Players' registration costs	Total
	£	£	£
<b>Cost</b>			
At 1 August 2018	58,990	141,650,124	141,709,114
Additions - separately acquired	-	2,622,395	2,622,395
Disposals	-	(74,123,739)	(74,123,739)
At 31 July 2019	58,990	70,148,780	70,207,770
<b>Amortisation and impairment</b>			
At 1 August 2018	25,768	83,196,350	83,222,118
Amortisation charged for the year	5,192	28,172,195	28,177,387
Impairment losses	-	1,443,409	1,443,409
Disposals	-	(61,253,001)	(61,253,001)
At 31 July 2019	30,960	51,558,953	51,589,913
<b>Carrying amount</b>			
At 31 July 2019	28,030	18,589,827	18,617,857
At 31 July 2018	33,222	58,453,774	58,486,996

More information on the impairment arising in the year is given in note 10.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 12 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Stadium fittings	Assets under construction	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£	£	£	£
<b>Cost</b>								
At 1 August 2018	8,885,062	10,081,669	1,122,537	580,911	6,574,789	856,745	39,107	28,140,820
Additions	-	1,309,967	-	-	46,438	2,591	-	1,358,996
Disposals	-	-	-	(580,911)	(465,903)	(225,219)	(39,107)	(1,311,140)
At 31 July 2019	8,885,062	11,391,636	1,122,537	-	6,155,324	634,117	-	28,188,676
<b>Depreciation and impairment</b>								
At 1 August 2018	963,533	836,150	156,078	-	3,803,508	412,992	39,107	6,211,368
Depreciation charged in the year	212,062	259,623	24,204	-	920,892	215,506	-	1,632,287
Eliminated in respect of disposals	-	-	-	-	(465,903)	(224,876)	(39,107)	(729,886)
At 31 July 2019	1,175,595	1,095,773	180,282	-	4,258,497	403,622	-	7,113,769
<b>Carrying amount</b>								
At 31 July 2019	7,709,467	10,295,863	942,255	-	1,896,827	230,495	-	21,074,907
At 31 July 2018	7,921,529	9,245,519	966,459	580,911	2,771,281	443,753	-	21,929,452

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 12 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 £	2018 £
Fixtures and fittings	104,886	138,903

### 13 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	14	50,000	50,000
Investments in associates	15	1	1
		50,001	50,001

#### Movements in fixed asset investments

	Shares in group undertakings and participating interests £
<b>Cost or valuation</b>	
At 1 August 2018 & 31 July 2019	50,001
<b>Carrying amount</b>	
At 31 July 2019	50,001
At 31 July 2018	50,001

### 14 Subsidiaries

Details of the company's subsidiaries at 31 July 2019 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct	Indirect
Swansea Stadium Management Company Limited	1	Stadium management company	Ordinary £1 shares	100.00	

Registered office addresses (all UK unless otherwise indicated):

1 Liberty Stadium, Landore, Swansea, SA1 2FA

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 14 Subsidiaries (Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £	Profit/(Loss) £
Swansea Stadium Management Company Limited	387,870	1,119,348

### 15 Associates

Details of the company's associates at 31 July 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Swansea Stadium Premier Club Limited	Liberty Stadium, Landore, Swansea, SA1 2FA	Hospitality management	Ordinary £1 shares	50.00

### 16 Stocks

	2019 £	2018 £
Finished goods and goods for resale	471,342	939,977

The value of impaired stock as at 31 July 2019 was £270,398 (2018: £107,568).

### 17 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	1,386,403	904,110
Corporation tax recoverable	-	443
Amounts owed by group undertakings	1,493,908	1,753,400
Other debtors	13,697,348	16,931,936
Prepayments and accrued income	3,053,687	2,311,897
	<u>19,631,346</u>	<u>21,901,786</u>

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 17 Debtors (Continued)

	2019 £	2018 £
<b>Amounts falling due after more than one year:</b>		
Other debtors	322,741	12,301,645
<b>Total debtors</b>	<b>19,954,087</b>	<b>34,203,431</b>

Other debtors due within and after one year include amounts receivable on disposal of player registrations.

### 18 Current asset investments

	2019 £	2018 £
Bank deposit accounts	12,500,000	-

Investments in bank deposit accounts have an original maturity of 3 months or less. As of the balance sheet date the average maturity of the deposits was 1 month, with an average interest rate of 0.8%.

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

	Notes	2019 £	2018 £
Bank loans and overdrafts	21	9,177,107	6,487,073
Obligations under finance leases	22	53,571	51,369
Trade creditors		1,360,402	2,396,555
Amounts owed to group undertakings		987,397	987,397
Taxation and social security		6,211,934	6,821,533
Other creditors		7,179,231	31,935,290
Accruals and deferred income		33,389,590	25,070,668
		<b>58,359,232</b>	<b>73,749,885</b>

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

	Notes	2019 £	2018 £
Bank loans and overdrafts	21	-	8,769,398
Obligations under finance leases	22	9,132	62,869
Other creditors		945,412	10,863,624
Accruals and deferred income		4,939,248	-
		<b>5,893,792</b>	<b>19,695,891</b>

Other creditors due within and after one year include amounts payable on purchase of player registrations.



# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 21 Loans and overdrafts

	2019 £	2018 £
Bank loans	9,177,107	14,400,015
Bank overdrafts	-	856,456
	<u>9,177,107</u>	<u>15,256,471</u>
Payable within one year	9,177,107	6,487,073
Payable after one year	-	8,769,398
	<u>9,177,107</u>	<u>15,256,471</u>

The loan drawn down in the comparative period, which accrues at a rate of 4.5% per annum, amounted to £9,177,107 at the balance sheet date (2018: £8,769,398). The scheduled final repayment date is 20 August 2019.

The company had use of a flexible overdraft facility which was secured by way of a fixed and floating charge over the company's assets. This facility ceased during the current year.

### 22 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	53,571	51,369
In two to five years	9,132	62,869
	<u>62,703</u>	<u>114,238</u>

Hire purchase contract liabilities are secured on the underlying fixed assets.

### 23 Provisions for liabilities

	Notes	2019 £	2018 £
Onerous contracts		1,149,498	1,713,960
Deferred tax liabilities	24	3,094,932	4,087,546
		<u>4,244,430</u>	<u>5,801,506</u>

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

### 23 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

	<b>Onerous contracts £</b>
At 1 August 2018	1,713,960
Utilised in the year	(1,713,960)
Charge to the profit or loss account	1,149,498
	<u>1,149,498</u>
At 31 July 2019	<u>1,149,498</u>

The provision for onerous contracts is expected to be utilised within one year.

### 24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	<b>Liabilities 2019 £</b>	<b>Liabilities 2018 £</b>
<b>Balances:</b>		
Accelerated capital allowances	136,616	158,417
Capital gains	3,136,288	4,107,660
Other short term timing differences	(177,972)	(178,531)
	<u>3,094,932</u>	<u>4,087,546</u>
		<b>2019 £</b>
<b>Movements in the year:</b>		
Liability at 1 August 2018		4,087,546
Credit to profit or loss		(992,614)
		<u>3,094,932</u>

### 25 Retirement benefit schemes

	<b>2019 £</b>	<b>2018 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>78,576</u>	<u>71,113</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.

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 26 Share capital

	2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
9,399,978 Ordinary shares of 50p each	4,699,989	4,699,989

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.

### 27 Financial commitments, guarantees and contingent liabilities

During the year, the company entered in to a finance arrangement with Aldermore bank to sell the debt from player sales. The company guarantees these arrangements and is therefore liable for the full amount if the purchasing club does not pay. As at the year end, there was one arrangement of this type outstanding for a total of £2,450,000. The buying club settled the invoice post year end and therefore no liability recognised in these accounts.

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 and performance of individual players. As at 31 July 2019 the maximum that could be payable is £7,429,835 (2018: £12,727,421). Signing on fees of £2,511,834 (2018: £8,189,167) 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 2019.

The club has responded to certain HMRC requests for further details pertaining to historic employment tax matters. The directors have taken professional tax advice (including Tax Counsel) and the company considers itself to be appropriately accrued for such tax liabilities in line with prevailing tax statute and case law. However, whilst the directors' informed position is that further enquiry from HMRC will not result in additional material liabilities to that already accrued, they acknowledge that these matters have not yet been concluded with HMRC. In the context of ongoing uncertainty, the directors are not able to make a reliable estimate of any further potential exposure.

### 28 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	105,396	105,393
Between two and five years	161,174	338,198
In over five years	-	7,356
	<u>266,570</u>	<u>450,947</u>

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 JULY 2019

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#### 29 Capital commitments

The Company had contractual commitments to purchase tangible fixed assets at the period end of £nil (2018: £1,419,967). At the balance sheet date, £nil of this balance was paid on account (2018: £1,213,768).

#### 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 Schemes (FLLPLAS), a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. The FLLPLAS comprises both defined benefit and defined contribution sections.

Following a review of the Minimum funding requirements (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 company is unable to identify its share of the assets and the liabilities of the FLLPLAS and therefore accounts for its contributions as if they were paid to a defined contribution scheme. The amount owed by the company at the balance sheet date was £16,159 (2018: £20,772). During the period, contributions of £4,613 (2018: £3,216) have been made to the scheme.

The last actuarial valuation was carried out at 31 August 2017. The key assumptions used to calculate the deficit at 31 August 2017 actuarial valuation are:

Discount rate:	3.5% p.a.
RPI inflation:	3.4% p.a.
Pension increases:	3.7% p.a.
Mortality (pre-retirement):	No allowance
Mortality (post-retirement):	S2PXA CMI 2016 with long term improvements of 1.5%

The Company pays monthly contributions based on a national split of the total expenses and deficit contributions of the FLLPLAS.

The Company currently has two former employees who are members of the scheme (2018: two) and pays contributions of £415 per month which increase at 5% p.a. Based on the actuarial valuation assumptions detailed above, these contributions will be sufficient to pay off the Company's share of the deficit by 31 October 2023. Under the terms and conditions of the multi-employer plan, the entity cannot be liable to the plan for other entities' obligations.

#### 30 Related party transactions

##### Remuneration of key management personnel

Total compensation of key management personnel (including the directors) in the period amounted to £737,366 (2018: £1,359,069).

# SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (THE)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

### 30 Related party transactions (Continued)

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2019	2018	2019	2018
	£	£	£	£
Entities over which the entity has control, joint control or significant influence	5,773,354	7,051,098	5,413,715	1,908,825
Key management personnel	2,588	4,436	-	-
Other related parties	14,617	5,330	561,965	1,710,385
	<u>5,780,559</u>	<u>7,059,864</u>	<u>5,975,680</u>	<u>3,619,210</u>
	Receivables outstanding		Creditors outstanding	
	2019	2018	2019	2018
	£	£	£	£
Entities with control, joint control or significant influence over the company	-	-	987,397	987,397
Entities over which the entity has control, joint control or significant influence	1,493,908	1,765,427	-	-
Key management personnel	462	324	-	-
Other related parties	9,000	-	-	2,168
	<u>1,503,370</u>	<u>1,765,751</u>	<u>987,397</u>	<u>989,565</u>

### 31 Ultimate controlling party

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, CF14 3UZ.

### 32 Subsequent events

Subsequent to the balance sheet date, the company received income in respect of the transfer of certain player registrations for a total consideration of £15,049,629 (2018: £22,691,113). In addition the company acquired new player registrations and extended the registrations of existing players for a total consideration of £746,267 (2018: £1,570,648).