Swansea City Association Football Club Limited

Annual report and financial statements

Registered number 00123414

31 July 2018

Contents

Company Information

Directors	R Chaudhari R E Hemreich H M Jenkins OBE S Kaplan J Levien S J McDonald M W Morgan
Secretary	G Davies
Registered number	00123414
Registered office	The Liberty Stadium Landore Swansea SA1 2FA
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Strategic Report

Business review

During the year under review, Swansea City Football Club competed in the English Premier League for the seventh consecutive season. The 2017-18 season proved to be another difficult season which ultimately led to relegation from the Premier League to the EFL Championship. This led to further changes in the football management team with Carlos Carvalhal replacing Paul Clement who, following relegation, was replaced with Graham Potter.

We are also very pleased to report our Under 23 team finished in fourth position in the Premier League 2 Division 1 competition. This was an excellent achievement in their first season in the top division. The Under 23's were also runners up in the Premier League Cup losing on penalties to Aston Villa and also enjoyed good runs in the International Cup competition and the Checkatrade trophy.

On 16th February 2018 following successful negotiations with the City & County of Swansea and Ospreys Rugby Limited, we acquired 100% ownership of Swansea Stadium Management Company Limited, the company which has responsibility for the management of the Liberty Stadium. This was a key objective as part of our plans to explore expanding the capacity of the stadium. However, expanding the capacity of the stadium will only be considered should we return to the Premier League.

Turnover for the year was £126.8 million compared with £127.8 million for the previous year. Total operating costs, including player amortisation and impairment costs of £51.9 million, amounted to £175.1 million compared with £150.8 million for the previous year.

Future developments

We are delighted to report that on 19th October 2018 we completed the purchase of land at the south end of the stadium. This is another key objective as part of our plans to expand the capacity of the stadium. Following relegation from the English Premier League, the Club have appointed a new manager, Graham Potter, with the aim of returning to the Premier League

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 providing the resources necessary for investment in players, coaches and management to ensure the team is competitive.

The Directors aim to generate these resources through a wide range of income sources, but the primary source is deemed to be income from player trading. The Directors recognise that following relegation to the EFL Championship then the task of generating sufficient resources is made more challenging; and should the required level of player trading income not be achieved then the Directors would be required to find alternative sources of funding in order to bridge any cash flow deficit. The inherent uncertainty in the forecast levels of player trading may cast doubt on the company's ability to continue as a going concern. This matter is discussed further in note 1 of the financial statements.

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. 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.

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.

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

On behalf of the board

S Kaplan
Director

J Levien
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

28 March 2019

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 July 2018.

Dividend

The directors do not recommend the payment or proposal of a dividend for the financial year *(2017: £nil)*.

Directors

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

R Chaudhari
R E Hemreich
H M Jenkins OBE
S Kaplan
J Levien
S J McDonald
M W Morgan

The following information is not shown in the directors' report as it has been included in the strategic report under s414C(11):

- Financial risk management, objectives and policies
- Exposure to risks
- Future developments

Charitable contributions

During the year the Company made charitable donations amounting to £36,623 (*2017: £40,753*).

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.

Subsequent events

Material subsequent events are disclosed in note 25 of the financial statements.

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

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

S Kaplan
Director

J Levien
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

28 March 2019

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 MEMBER OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of Swansea City Association Football Club Limited ("the Company") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 Financial Reporting Standard 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 2018 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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 at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SWANSEA CITY ASSOCIATION FOOTBALL CLUB LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
29 March 2019

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

Statement of Comprehensive Income
for the year ended 31 July 2018

	Note	Operations excluding player amortisation & trading	Player amortisation & trading	Year ended 31 July 2018	Year ended 31 July 2017
		£	£	£	£
Turnover	2	126,567,744	262,814	126,830,558	127,761,106
Operating expenses		(123,233,326)	(51,877,192)	(175,110,518)	(150,799,310)
Other operating income		25,325	-	25,325	17,214
Operating loss before profit on disposal of player registrations	3	3,359,743	(51,614,378)	(48,254,635)	(23,020,990)
Profit on disposal of player registrations		-	46,077,452	46,077,452	36,901,903
(Loss) / Profit on ordinary activities before interest and taxation		3,359,743	(5,536,926)	(2,177,183)	13,880,913
Interest receivable and similar income	6			847,624	606,337
Interest payable and similar charges	7			(1,874,844)	(1,126,542)
(Loss) / Profit on ordinary activities before taxation				(3,204,403)	13,360,708
Tax on (loss) / profit on ordinary activities	8			332,297	(365,166)
(Loss) / Profit and total comprehensive income for the financial period				(2,872,106)	12,995,542

All activities relate to continuing operations.

The notes on pages 12 – 30 form part of these financial statements.

Statement of Financial Position
as at 31 July 2018

	Note	2018	2017
		£	£
Fixed assets			
Intangible assets	*9*	**58,486,996**	69,255,702
Tangible assets	*10*	**21,929,452**	22,383,966
Investments	*11*	**50,001**	50,001
		80,466,449	91,689,669
Current assets			
Stocks	*12*	**939,977**	1,210,107
Debtors (including £12,301,645 *(2017: £8,153,035)* due after more than one year)	*13*	**34,203,431**	29,671,229
Cash at bank and in hand		**469,823**	7,498,570
		35,613,231	38,379,906
Creditors: amounts falling due within one year	*14*	**(73,749,885)**	(97,117,136)
Net current liabilities		**(38,136,654)**	(58,737,230)
Total assets less current liabilities		**42,329,795**	32,952,439
Creditors: amounts falling due after more than one year	*15*	**(19,695,891)**	(8,828,092)
Provisions for liabilities	*16-17*	**(5,801,506)**	(4,419,843)
Net assets		**16,832,398**	19,704,504
Capital and reserves			
Called up share capital	*18*	**4,699,989**	4,699,989
Profit and loss account		**12,132,409**	15,004,515
Shareholder's funds		**16,832,398**	19,704,504

The notes on pages 12 – 30 form part of these financial statements.

These financial statements were approved by the board of directors on 28 March 2019 and were signed on its behalf by:

S Kaplan
Director

J Levien
Director

Company registered number: 00123414

Statement of Changes in Equity
for the year ended 31 July 2018

	Called up Share Capital	Profit & loss account	Total shareholder's equity
	£	£	£
Balance at 1 August 2016	4,699,989	2,008,973	6,708,962
Total comprehensive income for the period:			
Profit for the period	-	12,995,542	12,995,542
Total comprehensive income for the period	-	12,995,542	12,995,542
Transactions with owners, recorded directly in equity:			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 July 2017	**4,699,989**	**15,004,515**	**19,704,504**
Balance at 1 August 2017	4,699,989	15,004,515	19,704,504
Total comprehensive income for the period:			
Loss for the period	-	(2,872,106)	(2,872,106)
Total comprehensive income for the period	-	(2,872,106)	(2,872,106)
Transactions with owners, recorded directly in equity:			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 July 2018	**4,699,989**	**12,132,409**	**16,832,398**

The notes on pages 12 – 30 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Swansea City Association Football Club Limited (the "Company") is a private 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 preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 26).

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:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)

Going concern

Following relegation to the Football League Championship, 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.

Inevitably, all of the above are impacted by the reduction in revenues in the Championship as compared to the Premier League.

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 the going concern basis.

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 with an initial term of less than three months.

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 were recognised gross of commissions that was deducted at source by the stadium's landlord, with the related commission expense being recognised as 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 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.

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 the registration period which is typically a ten year period.

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 Statement of Comprehensive Income 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 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. 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 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.

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability.

Operating lease rentals are charged to the Statement of Comprehensive Income 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 Comprehensive Income 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 Statement of Comprehensive Income in the period to which they relate.

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.

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

	2018	2017
	£	£
Sale of goods		
Commercial	**2,379,488**	2,436,367
Media	**93,453**	103,942
Other	**34,792**	54,640
Rendering of services		
Media	**104,635,989**	109,336,797
Match	**7,365,849**	7,375,744
Commercial	**9,660,829**	6,982,331
Other	**2,660,158**	1,471,285
Total turnover	**126,830,558**	127,761,106

3 Operating loss and auditor's remuneration

Included in profit/loss are the following:

	2018	2017
	£	£
Inventory recognised as an expense	**1,482,563**	1,424,020
Depreciation – owned assets	**1,692,711**	1,189,953
Depreciation - assets on hire purchase contracts	**31,183**	195,509
Profit on disposal of tangible fixed assets	**11,928**	4,929
Patents and licences amortisation	**5,777**	5,189
Player registration costs amortisation	**37,107,647**	24,174,650
Impairment of player registrations	**14,769,545**	-
Foreign exchange losses	**155,914**	974,570
Defined contribution pension costs	**70,585**	32,744
Lease payments (operating)	**133,226**	113,479
Provision for onerous contracts	**1,713,960**	-
Auditor's remuneration:		
Audit of the financial statements	**25,000**	21,630
Auditor's remuneration – other assurance services	**4,000**	5,370
Auditor's remuneration – taxation assurance services	**10,195**	5,750
Auditor's remuneration – other taxation assurance services	**306,635**	193,149

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	
	2018	2017
Football	**287**	264
Administration (including directors)	**18**	18
Commercial	**89**	75
Media	**15**	12
	409	369

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£	£
Wages and salaries	79,007,656	87,480,382
Social security costs	11,665,233	11,185,564
Contributions to defined contribution plans	70,583	32,744
	90,743,472	98,698,690

Staff costs include a charge of £1,713,960 (2017: £nil) relating to the contracts of certain players whose contracts had been classified as onerous contracts.

5 Directors' remuneration

	2018	2017
	£	£
Directors' remuneration	654,667	633,666
Company contributions to money purchase pension plans	530	347

The aggregate of remuneration of the highest paid director was £654,667 *(2017: £633,666)*. Company pension contributions of £530 *(2017: £347)* were made to a money purchase pension scheme on his behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1

6 Interest receivable and similar income

	2018	2017
	£	£
Finance income on unwinding of discount of player receivables	844,999	582,721
Bank interest	2,625	18,630
Other	-	4,986
Total interest receivable and similar income	847,624	606,337

Notes *(continued)*

7 Interest payable and similar charges

	2018 £	2017 £
Finance charge on unwinding of discount on player liabilities	**1,021,923**	461,520
Bank loans and overdrafts	**48,008**	452,768
Other loans	**799,812**	203,662
Hire purchase	**5,101**	8,592
Total interest payable and similar charges	**1,874,844**	1,126,542

8 Taxation

Analysis of the tax (credit) / charge

The tax (credit) / charge on the (loss) / profit on ordinary activities for the period was as follows:

	2018 £	£	2017 £	£
Current tax				
Current tax on income for the period		-		-
Total current tax		-		-
Deferred tax (see note 16)				
Origination and reversal of timing differences	**(377,236)**		2,327,794	
Adjustments in respect of prior periods	**239,261**		(1,839,567)	
Change in tax rate	**(194,322)**		(123,061)	
		(332,297)		365,166
Total tax		**(332,297)**		365,166

Reconciliation of tax (credit) / charge

	2018 £	2017 £
(Loss) / profit for the year	**(2,872,106)**	12,995,542
Total tax (credit) / charge after taxation expense	**(332,297)**	365,166
(Loss)/ Profit before taxation	**(3,204,403)**	13,360,708
Tax using the UK corporation tax rate of 19. 00% (2017: 19.67%)	**(608,837)**	2,627,484
Reduction in tax rate on deferred tax balances	**(194,322)**	(488,081)
Non-deductible expenses	**116,424**	18,364
Adjustments to deferred tax in respect of prior periods	**239,261**	(1,839,567)
Fixed asset differences	**115,177**	46,966
Total tax (credit) / expense included in profit or loss	**(332,297)**	365,166

Notes *(continued)*

9 Intangible assets

	Patents and licences	Player registration costs	Total
	£	£	£
Cost			
At 1 August 2017	55,120	119,182,555	119,237,675
Additions	3,870	55,473,520	55,477,390
Disposals	-	(33,005,951)	(33,005,951)
At 31 July 2018	58,990	141,650,124	141,709,114
Amortisation			
At 1 August 2017	19,991	49,961,982	49,981,973
Amortisation for period	5,777	37,107,647	37,113,424
Eliminated on disposal	-	(18,642,824)	(18,642,824)
Impairment	-	14,769,545	14,769,545
At 31 July 2018	25,768	83,196,350	83,222,118
Net book value			
At 31 July 2018	**33,222**	**58,453,774**	**58,486,996**
At 31 July 2017	35,129	69,220,573	69,255,702

Notes *(continued)*

10 Tangible fixed assets

	Land and Buildings £	Stadium fittings £	Under construction £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost							
At 1 August 2017	17,986,119	1,122,537	1,003,654	6,131,162	690,618	39,107	26,973,197
Additions	273,103	-	284,766	542,927	174,340	-	1,275,136
Disposals	-	-	-	(99,300)	(8,213)	-	(107,513)
Transfers	707,509	-	(707,509)	-	-	-	-
At 31 July 2018	18,966,731	1,122,537	580,911	6,574,789	856,745	39,107	28,140,820
Depreciation							
At 1 August 2017	1,346,370	131,874	-	2,787,718	284,162	39,107	4,589,231
Depreciation for period	453,313	24,204	-	1,115,090	131,287	-	1,723,894
Eliminated on disposal	-	-	-	(99,300)	(2,457)	-	(101,757)
At 31 July 2018	1,799,683	156,078	-	3,803,508	412,992	39,107	6,211,368
Net book value							
At 31 July 2018	**17,167,048**	**966,459**	**580,911**	**2,771,281**	**443,753**	**-**	**21,929,452**
At 31 July 2017	16,639,749	990,663	1,003,654	3,343,444	406,456	-	22,383,966

Leased plant and machinery

At 31 July 2018 the net carrying amount of plant & machinery leased under a finance lease was £138,903 *(2017: £325,169)*. The leased equipment secures lease obligations (see note 15).

Land and Buildings

The net book value of land and buildings comprises:

	2018 £	2017 £
Freehold	**7,921,529**	8,133,594
Short leasehold	**9,245,519**	8,506,155
	17,167,048	16,639,749

Notes *(continued)*

11 Fixed asset investments

	Participating interest
	£
Cost	
At 1 August 2017 and 31 July 2018	**50,001**
Net book value	
At 31 July 2018	**50,001**
At 31 July 2017	50,001

The Company has the following investments:

	Aggregate of capital and reserves at 31 July 2018	Profit for the 14 month period / year ended 31 July 2018	Country of incorporation	Class of shares held	Ownership 2018	Ownership 2017
	£	£			%	%
Swansea Stadium Management Company Limited	(£31,801)	£6,720	United Kingdom	Ordinary £1 Shares	100.00	33.33
Swansea Stadium Premier Club Limited	2	-	United Kingdom	Ordinary £1 Shares	50.00	50.00

On 16 February 2018, the company acquired 100% ownership of Swansea Stadium Management Company Limited which was previously a jointly controlled entity.

12 Stocks

	2018	2017
	£	£
Goods for resale	939,977	1,210,107

The value of impaired stock as at the balance sheet date was £107,568 *(2017:£nil)*.

Notes *(continued)*

13 Debtors

	2018 £	2017 £
Trade debtors	**904,110**	2,124,897
Amounts owed by group undertakings	**1,753,400**	-
Other debtors	**29,233,581**	24,373,083
Corporation tax asset	**443**	443
Prepayments and accrued income	**2,311,897**	3,172,806
	34,203,431	29,671,229
Due within one year	**21,901,786**	21,518,194
Due after more than one year	**12,301,645**	8,153,035
	34,203,431	29,671,229

Debtors include other debtors of £12,301,645 *(2017: £8,153,035)* due after more than one year. An impairment loss recognised in the Statement of Comprehensive Income in respect of bad and doubtful debts was £nil *(2017: £465,000)*. Amounts owed by participating interests gross of any provisions are disclosed in note 23. Other debtors include amounts receivable on disposal of player registrations.

14 Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdraft (see note 15)	**856,456**	-
Other loans (see note 15)	**5,630,617**	5,446,390
Obligations under finance leases (see note 15)	**51,369**	46,624
Trade creditors	**2,396,555**	2,724,046
Amounts owed to group undertakings	**987,397**	987,397
Taxation and social security	**6,821,533**	13,146,944
Other creditors	**31,935,290**	28,646,082
Accruals and deferred income	**25,070,668**	46,119,653
	73,749,885	97,117,136

15 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Other loans (see overleaf)	**8,769,398**	3,785,390
Obligations under finance leases (see overleaf)	**62,869**	-
Other creditors	**10,863,624**	5,042,702
	19,695,891	8,828,092

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

Notes *(continued)*

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

Borrowings are repayable as follows

	2018 £	2017 £
Overdrafts and other loans		
Less than one year	**6,487,073**	5,446,390
Between one and five years	**8,769,398**	3,785,390
More than five years	**-**	-
	15,256,471	9,231,780

	2018 £	2017 £
Obligations under finance leases		
Less than one year	**51,369**	46,624
Between one and five years	**62,869**	-
More than five years	**-**	-
	114,238	46,624

	2018 £	2017 £
Total borrowings including finance leases		
Less than one year	**6,538,442**	5,493,014
Between one and five years	**8,832,267**	3,785,390
More than five years	**-**	-
	15,370,709	9,278,404

Hire purchase contract liabilities are secured on the underlying fixed assets. Other loans as at 31 July 2018 were secured against trade and other receivables. During the year, the Company borrowed funds from an approved financial institution under a term loan agreement. The value of the loan drawndown was £8,512,161 . At the balance sheet date, the carrying value of this loan was £8,769,398 . The loan is repayable in instalments and the scheduled final repayment date is 20 August 2019. The loan accrues interest at a rate of 4.5% per annum. Issue costs of £115,000 were incurred with this transaction.

During the year the company made use of a flexible overdraft facility which was secured by way of a fixed and floating charge over the company's assets

Notes *(continued)*

16 Deferred tax liability

The deferred tax liability is attributable to the following:

	2018 £	2017 £
Accelerated capital allowances	**158,417**	101,341
Capital gains	**4,107,660**	4,457,583
Other short term timing differences	**(178,531)**	(139,081)
Total deferred tax liability	**4,087,546**	4,419,843

17 Provisions

	Deferred taxation £	Onerous contracts £	Total £
Balance at 1 August 2017	4,419,843	-	4,419,843
(Credit) / charge to profit and loss during the year	(332,297)	1,713,960	1,381,663
Balance at 31 July 2018	**4,087,546**	**1,713,960**	**5,801,506**

A provision for onerous player contracts has arisen during the year (see notes 3 and 4) and is estimated to be utilised within one year.

18 Share Capital

	2018 £	2017 £
Allotted, called up and fully paid		
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.

Notes *(continued)*

19 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018	2017
	£	£
Assets measured at amortised cost	33,321,625	34,046,551
Liabilities measured at amortised cost	61,556,994	46,678,631

Financial assets measured at amortised cost comprise fixed asset investments, cash, trade debtors, other debtors, accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise other loans and overdrafts, trade creditors, other creditors, obligations under finance lease, accruals and amounts owed to group undertakings.

20 Operating leases

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

	Land and buildings		Other operating leases	
	2018	2017	2018	2017
	£	£	£	£
Payable:				
Within one year	85,500	50,000	19,893	19,893
Between one and five years	278,667	-	59,531	75,130
In more than five years	-	-	7,356	11,304
	364,167	50,000	86,780	106,327

Notes *(continued)*

21 Commitments

Capital commitments

The Company had contractual commitments to purchase tangible fixed assets at the period end of £1,419,967 *(2017: £935,000)*. At the balance sheet date, £1,213,768 of this balance was paid on account *(2017: £492,500)*.

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'), 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 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 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 £20,772 (2017: £3,931). During the period, contributions of £3,216 (2017: £2,676) have been paid to the scheme.

The last actuarial valuation was carried out at 31 August 2017. The key assumptions used to calculate the deficit at the 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 notional split of the total expenses and deficit contributions of the FLLPLAS.

The Company currently has two former employees who are members of the scheme *(2017: two)* and pays contributions of £395 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.

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 and performance of individual players. As at 31 July 2018 the maximum that could be payable is £12,727,421 *(2017: £11,151,571)*. Signing on fees of £8,189,167 *(2017: £11,550,100)* 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 2018.

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 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.

Notes *(continued)*

23 Related parties

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the period amounted to £1,359,069 *(2017: £981,464)*.

Other related party transactions

For the year ended 31 July 2018

	Sales to	**Purchases from**	**Receivables outstanding**	**Creditors outstanding**
	£	**£**	**£**	**£**
Entities over which Company has control, joint control or significant influence	**7,051,098**	**1,908,825**	**1,765,427**	**-**
Entities under common control	**-**	**-**	**-**	**987,397**
Key management personnel of the company or its Parent	**4,436**	**-**	**324**	**-**
Other related parties, being entities under the control of key management personnel of the company	**5,330**	**1,710,385**	**-**	**2,168**
	7,060,864	**3,619,210**	**1,765,751**	**989,565**

For the year ended 31 July 2017

	Sales to	Purchases from	Receivables outstanding	Creditors outstanding
	£	£	£	£
Entities over which Company has control, joint control or significant influence	5,923,713	610,735	494,089	12,139
Entities under common control	-	-	-	987,397
Key management personnel of the company or its Parent	2,856	-	68	-
Other related parties, being entities under the control of key management personnel of the company	32,820	1,857,454	18,756	1,998
	5,959,389	2,468,189	512,913	1,001,534

Amounts are stated gross of any provisions against receivables.

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 £22,691,113 *(2017: £46,915,332)*. In addition the company acquired new player registrations and extended the registrations of existing players for a total consideration of £1,570,648 *(2017: £28,727,197)*. On 19 October 2018 the Company completed the purchase of land situated adjacent to the Liberty Stadium for a total cost of £1,419,967.

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 during the financial year ended 31 July 2018 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. Similarly, amounts receivable from governing bodies of international tournaments for the release of players for international duty are recognised to the extent that they have accrued and can be reliably measured as 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.

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:

Notes *(continued)*

26 Accounting estimates and judgements *(continued)*

- *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 a 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 as at the year end date, without further first team action for an amount lower than the carrying value 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 impairment existed as at the accounting period end date.

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.

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.