

Registered number: 03170814

BATH RUGBY LIMITED**ANNUAL REPORT AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2018**

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BATH RUGBY LIMITED

COMPANY INFORMATION

Directors	B T Craig L T McDonald
Company secretary	C B Davis
Registered number	03170814
Registered office	Farleigh House Farleigh Hungerford Bath BA2 7RW
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Glass Wharf Bristol BS2 0EL

BATH RUGBY LIMITED

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BATH RUGBY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2018

Business review

Bath Rugby finished in 6th place in the Aviva Premiership in 2017/18. Whilst this was below expectation and resulted in the Club missing out on the Premiership play-offs for the 3rd consecutive season, it did secure the Club's place in the European Champions Cup for the second season in a row, following a brief hiatus competing in the Challenge Cup in 2016/17.

The Club's ambition remains to be challenging for honours at both the domestic and European level and there is continued investment in the playing, support staff and rugby facilities in order to achieve that goal.

One area that has seen significant investment over the past two years is the Academy and player pathway. The Club has invested in staff and in partnerships with local schools and the University of Bath as part of an overall strategy to develop a first team squad of at least 50% home grown players by 2023. This is part of the Club's long term strategy for delivering sustainable success on the pitch.

This strategy is starting to bear fruit in the form of players graduating to the senior squad. A number of those players played pivotal roles in helping the Club to reach the Anglo Welsh Cup Final in 2018. Whilst Bath ultimately finished as runners up, this competition played a large part in the players' development and has provided valuable experience of knock-out rugby.

The Club staged The Clash at Twickenham for the second time in 2018. This saw a crowd of over 60,000 people once again turn Twickenham blue, black and white for the weekend.

The directors consider the financial results for the year ended 30 June 2018 reflect the ongoing period of investment being made in the long term future of the Club. It is noted that the Club is in a unique position of incurring operating costs in the region of £1 million per annum to erect a temporary stadium and ancillary facilities each season. On a like-for-like basis the operating performance of the Club's business activities compares favourably to many other clubs.

Losses before interest, tax, depreciation and amortisation (EBITDA loss) has increased to £1,302,084 (2017: £880,505 loss), whilst the loss after taxation has increased to £3,148,559 (2017: £2,502,370 loss). This increase was driven by the impact of non-recurring transfer fee income in 2016/17, with the increase in rugby investment in 2017/18 being self-funding through increased central income and improved commercial performance.

The ambition of the directors is that business and rugby performance improve over the coming years and the directors remain focused on building a business which trades profitably in the medium term.

Principal activities

The principal activity of the Company is the operation of a professional rugby union club.

Financial key performance indicators

The company's key financial performance indicators during the period were as follows:

	2018	2017
Turnover	£19,805,658	£18,576,398
Turnover growth	7%	10%
Gross profit margin	17%	21%
Loss after taxation	£3,148,559	£2,502,370
EBITDA (Loss)	£1,302,084	£880,505

BATH RUGBY LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2018

Future developments

The Club remains committed to redevelopment and the creation of world class facilities in the heart of Bath. Following a lengthy period of consultation, in conjunction with Arena 1865 Limited and the Bath Rugby Foundation, we are working with renowned architects Grimshaw to submit a planning application during 2019 for the redevelopment of the Recreation Ground to create an amazing new home for Bath Rugby and our supporters, together with the regeneration of the riverside and a legacy of wider sporting and community benefits. More details can be found at www.stadiumforbath.com.

Player wage costs remain the most significant expense for the Club. The salary cap threshold will remain at its existing level until at least the 2020/21 season. This provides important visibility and stability regarding the most significant cost to the clubs. The Directors remain committed to spending up to the salary cap threshold in order to be able to compete at the highest level.

2017/18 was the second year of a long term funding agreement between Premiership Rugby Limited ("PRL"), its shareholder Clubs and the Rugby Football Union (the "RFU"). In addition, the central income received from PRL continues to grow as a result of the increasing value of long term deals for both domestic and overseas broadcasting rights, the commercial income from the European competitions and the increase in commercial value of professional rugby as a whole.

Principal risks and uncertainties

The principal risks and uncertainties facing the Club are considered to be:

- Competition from other leisure activities impacting on attendance figures and matchday revenue;
- Suboptimal rugby performance impacting on matchday and sponsorship revenues;
- Player wage inflation impacting on costs; and
- Any future reduction in central funding from the RFU / PRL.

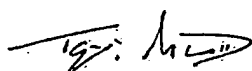
The directors do not consider these risks and uncertainties pose an immediate threat to the performance of the business and they continue to review these risks as part of their on-going strategic planning.

At the date of signing the accounts, the outcome of the Brexit negotiations was not clear. Given that 100% of turnover was generated in the UK and only a very small proportion of the Club's supply chain is based within the EU, The Directors do not consider the uncertainty over Brexit to be a material risk to the Club.

The directors remain confident about the Club's future, and that of professional club rugby as a whole.

After making enquiries, the directors have reason to expect that the company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

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



L T McDonald
Director

Date: 26TH March 2019

BATH RUGBY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

Results and dividends

The loss for the year, after taxation, amounted to £3,148,559 (2017: loss £2,502,370).

Directors

The directors who served during the year were:

B T Craig
L T McDonald

Directors' responsibilities statement

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 year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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;
- 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BATH RUGBY LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

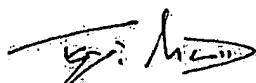
Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



L T McDonald
Director

Date: 26th March 2019



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BATH RUGBY LIMITED

Opinion

We have audited the financial statements of Bath Rugby Limited (the 'Company') for the year ended 30 June 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of cash flows, 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 30 June 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BATH RUGBY LIMITED (CONTINUED)

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 Auditors' 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 the 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.

Matter on which we are required to report under the Companies Act 2006

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 or the Directors' report.

Matters on which we are required to report by exception

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BATH RUGBY LIMITED (CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' responsibilities statement on page 3, 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.

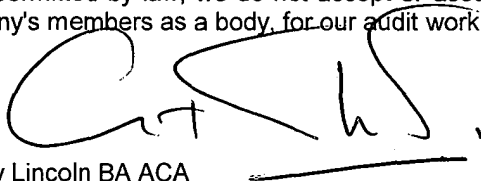
Auditors' responsibilities for the audit of the financial statements

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

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

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 Auditors' 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.



Timothy Lincoln BA ACA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Bristol
Date: 29 March 2019

BATH RUGBY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 £	2017 £
Turnover	4	19,805,658	18,576,398
Cost of sales		(16,454,636)	(14,666,844)
Gross profit		3,351,022	3,909,554
Administrative expenses		(6,497,108)	(6,491,278)
Operating loss	5	(3,146,086)	(2,581,724)
Interest receivable and similar income	9	5,922	14,523
Interest payable and expenses	10	(8,395)	-
Loss before tax		(3,148,559)	(2,567,201)
Tax on loss	11	-	64,831
Loss for the financial year		(3,148,559)	(2,502,370)
Other comprehensive income for the year			
Total comprehensive income for the year		(3,148,559)	(2,502,370)

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive Income.

The notes on pages 12 to 28 form part of these financial statements.

BATH RUGBY LIMITED
REGISTERED NUMBER:03170814

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	1,799,652	3,414,665
Investments	13	6,483,082	6,483,082
		<u>8,282,734</u>	<u>9,897,747</u>
Current assets			
Stocks	14	121,511	87,280
Debtors: amounts falling due within one year	15	1,363,962	1,994,900
Cash at bank and in hand	16	856,677	2,104,434
		<u>2,342,150</u>	<u>4,186,614</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(7,855,070)	(8,165,988)
Net current liabilities		<u>(5,512,920)</u>	<u>(3,979,374)</u>
Total assets less current liabilities		<u>2,769,814</u>	<u>5,918,373</u>
Non-current liabilities			
Creditors: amounts falling due after more than one year	18	(17,788,000)	(17,788,000)
Provisions for liabilities			
Deferred tax	20	(1,102,124)	(1,102,124)
		<u>(1,102,124)</u>	<u>(1,102,124)</u>
Net assets		<u>(16,120,310)</u>	<u>(12,971,751)</u>
Capital and reserves			
Called up share capital	21	5,093,716	5,093,716
Profit and loss account	22	(21,214,026)	(18,065,467)
		<u>(16,120,310)</u>	<u>(12,971,751)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

L.T McDonald
Director



Date:

26TH March 2019

The notes on pages 13 to 29 form part of these financial statements.

BATH RUGBY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2017	5,093,716	(18,065,467)	(12,971,751)
Comprehensive income for the year			
Loss for the year	-	(3,148,559)	(3,148,559)
At 30 June 2018	5,093,716	(21,214,026)	(16,120,310)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 July 2016	5,093,716	(15,563,097)	(10,469,381)
Comprehensive income for the year			
Loss for the year	-	(2,502,370)	(2,502,370)
At 30 June 2017	5,093,716	(18,065,467)	(12,971,751)

The notes on pages 12 to 28 form part of these financial statements.

BATH RUGBY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(3,148,559)	(2,502,370)
Adjustments for:		
Depreciation of tangible assets	1,844,002	1,701,219
Loss on disposal of tangible assets	2,868	(9,792)
Interest paid	8,395	-
Interest received	(5,922)	(14,523)
Taxation charge	-	(64,831)
(Increase) in stocks	(34,231)	(18,667)
Decrease in debtors	630,938	759,463
(Decrease)/increase in creditors	(310,918)	159,297
Net cash generated from operating activities	(1,013,427)	9,796
Cash flows from investing activities		
Purchase of tangible fixed assets	(231,857)	(1,957,954)
Sale of tangible fixed assets	-	9,792
Interest received	5,922	14,523
Net cash from investing activities	(225,935)	(1,933,639)
Cash flows from financing activities		
Other new loans	-	2,000,000
Interest paid	(8,395)	-
Net cash used in financing activities	(8,395)	2,000,000
Net (decrease)/increase in cash and cash equivalents	(1,247,757)	76,157
Cash and cash equivalents at beginning of year	2,104,434	2,028,277
Cash and cash equivalents at the end of year	856,677	2,104,434
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	856,677	2,104,434

The notes on pages 12 to 28 form part of these financial statements.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. General information

Bath Rugby Limited is a private limited company limited by shares and incorporated in England and Wales. The address of its registered office is Farleigh House, Farleigh Hungerford, Bath BA2 7RW.

The principal activity of Bath Rugby Limited is that of operating a professional sports club and promoting the playing and development of rugby union.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 accounting policies (see note 3).

The financial statements are presented in Sterling (£).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the going concern basis that assumes that the Company will continue in operational existence for the foreseeable future.

The Company incurred a loss for the year ended 30 June 2018 of £3,148,559 (2017: £2,502,370) and had net current liabilities at the balance sheet date of £5,512,920 (2017: £3,979,374).

The directors have considered forecasts and future working capital requirements. The Company relies on the continued financial support provided by its principal shareholder. The directors have received assurances from the principal shareholder to provide such funding as will enable the Company to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements.

The financial statements do not include any adjustments that would result from withdrawal of this financial support.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Other Turnover

Other turnover such as transfer fees and central funding is recognised when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration; and
- the costs incurred and costs to complete can be measured reliably.

2.4 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.5 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as Other Comprehensive Income or to an item recognised directly in equity is also recognised in Other Comprehensive Income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.6 Share capital

Ordinary shares are classified as equity.

2.7 Related party transactions

The Company discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.8 Tangible fixed assets

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

Assets under the course of construction are capitalised throughout the period of construction and are transferred to their relevant asset categories at the point of commissioning. No depreciation is charged until that point.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold land and buildings	- shorter of 50 years and the term of the lease
Leasehold Improvements	- 2 to 10 years
Motor vehicles	- 3 years
Fixtures, fittings and equipment	- 2 to 10 years
Assets under the course of construction	- Nil

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Impairment of non financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.10 Valuation of investments

Investments represent the Company's holding in Premier Rugby Limited P shares. The directors consider that this does not represent a subsidiary or an associate on the basis that the share holding is not at a level to yield significant influence over the entity. The investment is revalued to its fair value at each year end with the movement recognised in the Statement of Comprehensive Income.

2.11 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.12 Debtors

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

The costs of acquired player registrations are capitalised and amortised over the period of the players' contracts, with adjustments for any impairments assessed to have taken place.

2.13 Cash and cash equivalents

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

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.14 Financial instruments

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price, 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. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured as amortised cost are assessed for evidence of impairment. If an asset is impaired the impairment loss is the difference between carrying amount and present value of estimated cash flows discounted at the asset's original effective interest rate, this loss is recognised in the Statement of Comprehensive Income.

Other financial assets, including investments, are initially measured at fair value and revalued at each reporting date to fair value, with the movement recognised in the Statement of Comprehensive Income.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all the risks and rewards of ownership of the asset are transferred to another party.

Basic financial liabilities, including trade and other creditors, bank loans and loans from shareholders, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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. Trade creditors 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.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company has not applied hedge accounting.

2.15 Creditors

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

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.16 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 July 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.18 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

BATH RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.19 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

3. Judgements in applying accounting policies 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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Useful economic life of assets - The Company exercises judgement to determine useful lives and residual values for tangible fixed assets. The directors consider the appropriateness of rates of depreciation on an ongoing basis.

(ii) P Share investment carrying value - The fair value is based on assumptions about future income streams and appropriate discount rates that are inherently uncertain. The fair value is assessed by PRL on behalf of the shareholder Clubs following discussions with their auditors.

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

4. Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Amounts receivable in respect of ticketing, hospitality and sponsorship are recognised over the duration of the relevant agreements, and income relating to future periods is included as deferred income within creditors as appropriate due within or after more than one year.

Insurance incomes in relation to sports injuries and meritocracy income is recognised when received.

Income relating to transfer fees and central funding from PRL and the RFU is recognised once the conditions in Note 2.3 are satisfied.

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets: owned by the company	1,844,002	1,701,219
(Profit)/loss on disposal of tangible fixed assets	2,868	(9,792)
Operating lease rentals: plant and machinery	255,335	289,887
Other operating lease rentals	578,787	586,444
(Profit)/loss on foreign exchange	286	1,717
	<u> </u>	<u> </u>

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's Auditors and its associates for the audit of the Company's annual financial statements	18,000	16,000
	<u> </u>	<u> </u>
Fees payable to the Company's Auditors and its associates in respect of:		
Taxation compliance services	3,300	3,000
	<u> </u>	<u> </u>

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

7. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	11,302,875	9,761,590
Social security costs	1,383,157	1,133,083
Cost of defined contribution scheme	188,347	344,739
	<u>12,874,379</u>	<u>11,239,412</u>

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

	2018 No.	2017 No.
Players and team management	86	80
Selling and administration	60	66
	<u>146</u>	<u>146</u>

8. Directors' remuneration

The highest paid director received remuneration of £125,425 (2017: £95,492).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2017: £Nil).

9. Interest receivable

	2018 £	2017 £
Interest receivable	<u>5,922</u>	<u>14,523</u>

10. Interest payable

	2018 £	2017 £
Bank interest payable	<u>8,395</u>	<u>-</u>

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

11. Taxation

	2018 £	2017 £
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	(64,831)
Total deferred tax	-	(64,831)
Taxation on profit/(loss) on ordinary activities	-	(64,831)

Factors affecting tax charge for the year

The tax assessed for the year the same as (2017: the same as) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%) as set out below:

	2018 £	2017 £
Loss on ordinary activities before tax	(3,148,559)	(2,567,201)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(598,226)	(507,040)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,467	10,367
Capital allowances for year in excess of depreciation	472,841	252,002
Other permanent differences	19	34
Tax losses carried forward not recognised	108,173	23,795
Adjust closing deferred tax to average rate of 19.00%	306,058	369,491
Adjust opening deferred tax to average rate of 19.00%	(293,332)	(213,480)
Total tax charge for the year	-	(64,831)

Factors that may affect future tax charges

The Company has trading losses carried forward of £21,214,026 (2017: £18,382,839). A deferred tax asset has not been recognised in respect of these losses.

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

12. Tangible fixed assets

	Long Term Leasehold land and buildings £	Motor vehicles £	Fixtures, fittings & equipment £	Assets under construction £	Total £
Cost or valuation					
At 1 July 2017	5,780,858	8,899	3,121,676	-	8,911,433
Additions	18,131	-	205,232	8,494	231,857
Disposals	-	-	(6,072)	-	(6,072)
At 30 June 2018	<u>5,798,989</u>	<u>8,899</u>	<u>3,320,836</u>	<u>8,494</u>	<u>9,137,218</u>
Depreciation					
At 1 July 2017	2,905,253	1,468	2,590,047	-	5,496,768
Charge for the year on owned assets	1,496,846	2,966	344,190	-	1,844,002
Disposals	-	-	(3,204)	-	(3,204)
At 30 June 2018	<u>4,402,099</u>	<u>4,434</u>	<u>2,931,033</u>	<u>-</u>	<u>7,337,566</u>
Net book value					
At 30 June 2018	<u>1,396,890</u>	<u>4,465</u>	<u>389,803</u>	<u>8,494</u>	<u>1,799,652</u>
At 30 June 2017	<u>2,875,605</u>	<u>7,431</u>	<u>531,629</u>	<u>-</u>	<u>3,414,665</u>

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Fixed asset investments

	Investment in PRL £
Cost or valuation	
At 1 July 2017	6,483,082
At 30 June 2018	<u>6,483,082</u>
Net book value	
At 30 June 2018	<u>6,483,082</u>
At 30 June 2017	<u>6,483,082</u>

In accordance with other clubs in the sector, Bath Rugby Limited has valued its investment in Premier Rugby Limited ("PRL") 'P Ordinary Shares', which provide a guaranteed income stream for all clubs. The value in use calculation assumes a discount rate of 6% and a life cycle of eight years and was agreed by the PRL Board as a consistent method to be used by all shareholder clubs.

The most recent value in use calculation was performed and approved by the PRL Board in 2015. This resulted in a valuation of £6,483,082. At the balance sheet date the directors considered the carrying value of £6,483,082 (2017: £6,483,082) and still believe it is the most reliable estimate.

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>121,511</u>	<u>87,280</u>

15. Debtors

	2018 £	2017 £
Trade debtors	908,474	1,024,833
Other debtors	19,584	130,831
Prepayments and accrued income	435,904	839,236
	<u>1,363,962</u>	<u>1,994,900</u>

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>856,677</u>	<u>2,104,434</u>

17. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	350,490	920,835
Other taxation and social security	1,236,679	1,406,204
Other creditors	71,177	146,702
Accruals and deferred income	6,196,724	5,692,247
	<u>7,855,070</u>	<u>8,165,988</u>

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

	2018 £	2017 £
Shareholder loan	17,788,000	17,788,000

The loan is interest-free and repayable on 12 months notice of the sole shareholder, Mr B T Craig. No such notice has been given at the date of approval of the financial statements.

19. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	6,483,082	6,483,082
Financial assets that are debt instruments measured at amortised cost	938,936	1,402,905
	<u>7,422,018</u>	<u>7,885,987</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(20,164,972)</u>	<u>(19,988,779)</u>

Financial assets measured at fair value through profit or loss comprise the investment in PRL P-shares.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and shareholder loan.

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

20. Deferred taxation

	2018 £
At beginning of year	(1,102,124)
Charged to profit or loss	-
At end of year	<u>(1,102,124)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Capital gains	<u>(1,102,124)</u>	<u>(1,102,124)</u>

A deferred tax asset has not been recognised in respect of accumulated losses, capital allowances and other timing differences amounting £3,703,613 (2017: £3,385,682).

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
5,093,716 Ordinary shares of £1 each	<u>5,093,716</u>	<u>5,093,716</u>

22. Reserves

Profit & loss account

Includes all current and prior period retained profits and losses.

23. Pension commitments

The Company operates defined contribution pension schemes. The assets of these schemes are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions payable by the Company to the funds and amounted to £188,347 (2017: £344,739). Contributions totalling £31,176 (2017: £105,767) were payable to the funds at the Statement of Financial Position date.

BATH RUGBY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

24. Operating lease commitments

At 30 June 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Within 1 year	466,493	553,946
Between 2 and 5 years	426,678	829,166
After more than 5 years	5,467	7,467

25. Related party transactions

At 30 June 2018, the Company had agreed a loan with the sole shareholder, Mr B T Craig, for £17,788,000 (2017: £17,788,000) further details of which are given in Note 18.

During the year the Company accrued interest to the amount of £8,019 (2017: £Nil) for the use of a revolving credit facility operated by Bruce Craig. This interest was paid in full prior to the year end such that the balance outstanding was £Nil (2017: £Nil). The balance drawn down from the revolving credit facility at the year end was £Nil (2017: £Nil).

Section 33.6 of FRS 102 requires disclosure of all Key Management personnel remuneration. The directors are considered to be the Key Management and therefore there are no additional disclosures.

26. Controlling party

The ultimate controlling party is the sole shareholder, Mr B T Craig.