

Company Registration No. 03389199 (England and Wales)

SCARLETS REGIONAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017



SCARLETS REGIONAL LIMITED

COMPANY INFORMATION

Directors

Mr N V Short
Mr R A Cammish
Mr J D Daniels
Mr P Davies
Mr E W Evans
Mr H D Evans
Mr T P Griffiths
Mr O G R Jones
Mr B G L Phillips
Mr P J Morgan
Mr G H Wise
Mr D B Jones
Mr D Owen
Mr R M Griffiths

Secretary

Mr P Morgan

Company number

03389199

Registered office

Parc Y Scarlets
Parc Pemberton Retail Park
Llanelli
Carmarthenshire
United Kingdom
SA14 9UZ

Auditor

MHA Broomfield Alexander
Charter Court
Phoenix Way
Enterprise Park
SWANSEA
UK
SA7 9FS

SCARLETS REGIONAL LIMITED

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SCARLETS REGIONAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present the strategic report for the year ended 30 June 2017.

Fair review of the business

During the last year I am very happy to report that Scarlets have continued to make good progress in a number of areas of the business and most importantly in Rugby with Scarlets being crowned Champions of the Pro12 Celtic League in May 2017 after scintillating performances beating Leinster in Dublin in the semi-final, and Munster in Dublin in the Pro12 grand final.

In sport, success does not come overnight and I wish to thank the our sponsors, commercial partners, fans for their continued support, and in particular Scarlets Funding Directors who have all personally and consistently invested in development of Rugby over many years. This has enabled our top coaches, Wayne Pivac, Stephen Jones, Byron Haywood and Iwan Cunningham to create that rarest of things – a genuinely high performing team who play selflessly for each other and who have created "The Scarlets Way" of exhilarating, fast, open Rugby, backed up by a mean and stubborn defence.

Particularly gratifying has been the very visible professional development and growth of our players whether home-grown or Scarlets incomers, all have performed well. With a highly constrained Rugby squad annual budget of £4.5 million, every week we are playing and winning against teams in the Pro12 and European Champions Cup with 2x and 3x Scarlets budgets and squad investment.

One of our keys to success is the way that Scarlets have worked with our 3 Principality Premiership feeder clubs of Llandovery, Carmarthen Quins, and Llanelli RFC. This year has once again helped develop great young talent that has been selectively introduced into the full rigours of Pro12 full professional Rugby.

Special mention goes to CRYSTAL, Scarlets Supporters Trust and our loyal fans who, after many lean years, are rightly enjoying supporting our winning team. Many used innovative means to get to the Pro12 final in Dublin in May 2017. The same thanks also goes to our local cadre of sponsors who once again have invested in Scarlets. I am very clear, without your ongoing and increasing support, we do not have the ability to make winning investments in our Rugby Squad.

In addition to being the home of Scarlets and Llanelli RFC, Parc Y Scarlets is now a top venue in West Wales for non game day events with our stadium being used over 300 days each year for a big variety of parties, conferences, and events. This helps generate over £400,000 a year of revenues which is being reinvested back into our professional game

For 2016-17 financial year and in order to achieve further top performances, the Directors' took a deliberate decision to continue making additional investments into Rugby, resulting in a £604,000 loss for the year, this is down from a loss for the previous year of £1,502,000. This improvement has only been possible due to the continued commitment of our Sponsors, Commercial Partners and our Funding Directors.

We are looking forward to 2017-18 with a very clear vision and strategy of where our ambitions lie, that is further development of our Rugby talent and continued success of our high performing squad as we continue to entertain and excite playing "The Scarlets Way" in both the new Pro14 International league and the top European competition, the Champions Cup.

In 2017-18 we look forward to seeing you at Parc y Scarlets as we strive for further success.

Key performance indicators

	2017	2016
Turnover	£10,555,271	£8,985,510
Gross Profit %	31%	24%
Net Loss	(£603,817)	(£1,502,540)
Season result	Winners	League Position 5th

SCARLETS REGIONAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

Principal risks and uncertainties

As can be seen from our key performance indicators, the group made improvement both on the pitch and financially, recording an increase in turnover and an improved loss for the year. However, the principle risk facing the group is if projected income levels are not reached and cash-flow is jeopardised. The group is heavily dependent on the continued investment from the Welsh Rugby Union and ensuring the ongoing goodwill of its funding directors and supporters is rewarded.

The group looks to mitigate its exposure to the identified risks by producing detailed plans and forecasts. Projected results for the 2017-18 year show steady results comparable with 2016-17 and following on from a restructured Rugby Service Agreement with the WRU, the Board will continue to invest in development of talent to ensure standards on the pitch are maintained and the clubs fan base is retained and grown.

Financial risk management objectives and policies

The group operates a number of risk management policies designed to minimise its exposure to financial risk.

Liquidity and cash flow risk

The group produces detailed management accounts and forecasts, which enable the directors to monitor the cash position and to ensure that there is sufficient liquidity and cash flow to minimise the risk of the group being unable to pay its debts as they fall due.

The group utilises a number of financial instruments including loans and overdrafts to finance its operations. Bank borrowings at variable rates expose the group to interest rate risk, however the directors actively manage this risk by monitoring cash-flow to ensure such borrowings are minimised.

The group does not currently seek to hedge any interest rate risk.

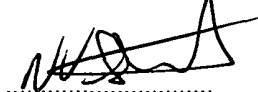
Credit risk

Given the nature of the business the group does not consider that it faces any significant credit risk.

Price risk

The group actively manages price risk by agreeing terms with suppliers prior to entering into any transactions with customers.

On behalf of the board



Mr N V Short

Director

13/3/2018

SCARLETS REGIONAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Principal activities

The principal activity of the company and group continued to be that of the running of Scarlets RFC and other associated rugby activities.

Directors

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

Mr N V Short
Mr R A Cammish
Mr J D Daniels
Mr P Davies
Mr E W Evans
Mr H D Evans
Mr T P Griffiths
Mr O G R Jones
Mr W M Morgan
Mr B G L Phillips
Mr P J Morgan
Mr G H Wise
Mr D B Jones
Mr D Owen
Mr R M Griffiths

(Resigned 1 August 2017)

Future developments

The directors aim to improve performance on and off the field, this coupled with improved income from WRU should move the group towards profitability.

Employment Policy

It is the group's policy to treat all its employees fairly and ensure equal opportunity for all regardless of gender, ethnic origin, age, disability or religion.

Going Concern

The directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

SCARLETS REGIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

Statement of directors' responsibilities

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

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

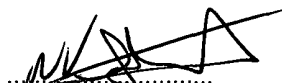
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

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

On behalf of the board



Mr N V Short

Director

Date: 13/3/2018

SCARLETS REGIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SCARLETS REGIONAL LIMITED

Opinion

We have audited the financial statements of Scarlets Regional Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter

We have considered the adequacy of the disclosure made in the accounting policies to the financial statements concerning the carrying value of the stadium as at 30th June 2017. The trading conditions, along with the other matters explained in the accounting policies, indicate the existence of a material uncertainty which may cast significant doubt about the carrying value of the stadium. Were these key assumptions to which the accounting policies refer not be realised, the result would be a requirement to reduce the carrying value of the stadium. Any adjustment required would be a non-cash item. Our opinion is not modified in this respect.

Material uncertainty related to going concern

The group incurred a net loss of £603,817 during the year ended 30th June 2017 and, at that date, the group had an excess of net current liabilities over assets of £2,230,969. These conditions along with the other matters explained in the accounting policies to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

SCARLETS REGIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SCARLETS REGIONAL LIMITED

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

SCARLETS REGIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SCARLETS REGIONAL LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

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



Matthew Thomas (Senior Statutory Auditor)
for and on behalf of MHA Broomfield Alexander

14th March 2018

Chartered Accountants
Statutory Auditor

Charter Court
Phoenix Way
Enterprise Park
SWANSEA
UK
SA7 9FS

SCARLETS REGIONAL LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	2016 £
Turnover	3	10,555,271	8,985,510
Cost of sales		(7,270,975)	(6,804,737)
Gross profit		3,284,296	2,180,773
Administrative expenses		(3,771,902)	(3,595,335)
Other operating income		45,041	60,436
Operating loss	4	(442,565)	(1,354,126)
Interest payable and similar expenses	8	(161,252)	(148,164)
Amounts written off investments		-	(250)
Loss before taxation		(603,817)	(1,502,540)
Tax on loss	9	-	-
Loss for the financial year		(603,817)	(1,502,540)

Loss for the financial year is all attributable to the owners of the parent company

Total comprehensive income for the year is all attributable to the owners of the parent company


SCARLETS REGIONAL LIMITED

GROUP BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10	9,518,959		9,867,231	
Investments	11	14,300		14,300	
		<u>9,533,259</u>		<u>9,881,531</u>	
Current assets					
Stocks	15	19,230		15,743	
Debtors	16	1,312,969		945,511	
Cash at bank and in hand		5,525		4,514	
		<u>1,337,724</u>		<u>965,768</u>	
Creditors: amounts falling due within one year	17	<u>(3,568,693)</u>		<u>(3,683,775)</u>	
Net current liabilities		<u>(2,230,969)</u>		<u>(2,718,007)</u>	
Total assets less current liabilities		<u>7,302,290</u>		<u>7,163,524</u>	
Creditors: amounts falling due after more than one year	18	<u>(4,768,458)</u>		<u>(4,523,293)</u>	
Net assets		<u><u>2,533,832</u></u>		<u><u>2,640,231</u></u>	
Capital and reserves					
Called up share capital	21	11,608,137		11,138,137	
Other reserves		8,365,293		8,383,436	
Profit and loss reserves		<u>(17,439,598)</u>		<u>(16,881,342)</u>	
Total equity		<u><u>2,533,832</u></u>		<u><u>2,640,231</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 13/3/2018 and are signed on its behalf by:



 Mr N V Short
 Director

SCARLETS REGIONAL LIMITED

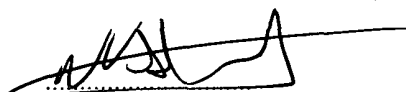
COMPANY BALANCE SHEET

AS AT 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	10	9,518,959		9,867,231	
Investments	11	14,550		14,550	
		<u>9,533,509</u>		<u>9,881,781</u>	
Current assets					
Stocks	15	19,230		15,743	
Debtors	16	1,307,337		945,511	
Cash at bank and in hand		3,189		4,514	
		<u>1,329,756</u>		<u>965,768</u>	
Creditors: amounts falling due within one year	17	<u>(3,554,723)</u>		<u>(3,683,775)</u>	
Net current liabilities		<u>(2,224,967)</u>		<u>(2,718,007)</u>	
Total assets less current liabilities		<u>7,308,542</u>		<u>7,163,774</u>	
Creditors: amounts falling due after more than one year	18	<u>(4,768,458)</u>		<u>(4,523,293)</u>	
Net assets		<u><u>2,540,084</u></u>		<u><u>2,640,481</u></u>	
Capital and reserves					
Called up share capital	21	11,608,137		11,138,137	
Other reserves		8,365,293		8,383,436	
Profit and loss reserves		<u>(17,433,346)</u>		<u>(16,881,092)</u>	
Total equity		<u><u>2,540,084</u></u>		<u><u>2,640,481</u></u>	

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £597,815 (2016 - £1,502,290 loss).

The financial statements were approved by the board of directors and authorised for issue on 13/3/2018 and are signed on its behalf by:



Mr N V Short
Director

Company Registration No. 03389199

SCARLETS REGIONAL LIMITED

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

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 July 2015		10,863,137	8,369,239	(15,406,203)	3,826,173
Year ended 30 June 2016:					
Loss and total comprehensive income for the year		-	-	(1,502,540)	(1,502,540)
Issue of share capital	21	275,000	-	-	275,000
Transfers		-	41,598	-	41,598
Other movements		-	(27,401)	27,401	-
Balance at 30 June 2016		11,138,137	8,383,436	(16,881,342)	2,640,231
Year ended 30 June 2017:					
Loss and total comprehensive income for the year		-	-	(603,817)	(603,817)
Issue of share capital	21	470,000	-	-	470,000
Transfers		-	27,418	-	27,418
Other movements		-	(45,561)	45,561	-
Balance at 30 June 2017		11,608,137	8,365,293	(17,439,598)	2,533,832

SCARLETS REGIONAL LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash absorbed by operations	24	(768,610)		(730,527)	
Interest paid		(115,691)		(120,763)	
Net cash outflow from operating activities		(884,301)		(851,290)	
Investing activities					
Purchase of tangible fixed assets		(19,065)		(158,502)	
Proceeds on disposal of tangible fixed assets		206		1,000	
Proceeds on disposal of associates		-		250	
Proceeds on disposal of fixed asset investments		-		(250)	
Net cash used in investing activities		(18,859)		(157,502)	
Financing activities					
Proceeds from issue of shares		470,000		275,000	
Repayment of borrowings		211,418		842,614	
Net cash generated from financing activities		681,418		1,117,614	
Net (decrease)/increase in cash and cash equivalents		(221,742)		108,822	
Cash and cash equivalents at beginning of year		(345,863)		(454,685)	
Cash and cash equivalents at end of year		(567,605)		(345,863)	
Relating to:					
Cash at bank and in hand		5,525		4,514	
Bank overdrafts included in creditors payable within one year		(573,130)		(350,377)	

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies

Company information

Scarlets Regional Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Parc Y Scarlets, Parc Pemberton Retail Park, Llanelli, Carmarthenshire, United Kingdom, SA14 9UZ.

The group consists of Scarlets Regional Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

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

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

The consolidated financial statements incorporate those of Scarlets Regional Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1.2 Going concern

The group incurred a net loss of £597,815 (2016: £1,502,540) during the year ended 30 June 2017 and at the balance sheet date, the group had excess net current liabilities over assets of £2,224,967 (2016: £2,718,007). The group is dependent on future short and long term funding being available to enable it to continue operating and to meet its liabilities as they fall due.

The club's financial well-being is dependent on the continued goodwill and financial support of its supporters, sponsors, directors and investors. Projections prepared on this basis suggest that there is adequate funding to enable the group to continue to trade for at least 12 months from the date of signing the balance sheet, and so is appropriate to prepare the financial statements on the going concern basis.

However, there remains a very small margin in terms of the group meeting its ongoing liabilities, and so there can be no real certainty with ongoing cashflows. The financial statements do not include any adjustments that would result from a withdrawal of this financial support.

The directors and the group have entered into an agreement with the Welsh Rugby Union ("WRU") in that any monies owed to the WRU would take precedent over any amounts due to the directors. Until such time the loans provided by WRU are repaid, the directors are unable to seek repayment and have confirmed they would give at least 12 months notice should the event arise. On this basis, directors loans are included in the accounts as capital contribution and the directors consider it appropriate to prepare the financial statements on the going concern basis.

The financial statements do not reflect the adjustments that would have been made should continuing finance not be available, namely reducing the value of the assets to their realisable amounts, providing for any further liabilities which might arise and reclassifying all fixed assets and long term liabilities as current assets and liabilities respectively.

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

1.3 Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services. Ticket income, hospitality income and income from competitions are recognised as revenue when the respective event takes place. Revenue from commercial contracts - including broadcasting revenue, sponsorship and the lease of hospitality boxes is recognised based on the terms of the contract.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

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

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

Freehold land and buildings	2% - Straight line
Plant and equipment	20% - Straight line
Heritage Trail	20% - Straight line

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

1.5 Fixed asset investments

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

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

1.6 Impairment of fixed assets

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

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

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

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

1 Accounting policies (Continued)

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

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

1.9 Employee benefits

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

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

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

1.10 Retirement benefits

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

1.11 Government grants

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

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

1.12 Transfer fees

Fees payable to and receivable from other rugby football clubs on the transfer of a player's registration, together with associated costs, are dealt with through the profit and loss account in the accounting year in which the transfer of the player's registration takes place.

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

2 Judgements and key sources of estimation uncertainty

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

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

Stadium carrying value

The trading along with the other matters explained in the accounting policies to the financial statements, indicate the uncertainty with regards the directors estimation to the carrying value of the stadium. The stadium is currently carried at initial cost less previous provisions for impairment.

3 Turnover and other revenue

	2017 £	2016 £
Turnover analysed by class of business		
Membership income	435,956	425,734
WRU receipts	6,583,946	5,353,755
Sponsorships	1,791,230	1,433,084
Tickets and match day income	695,496	797,962
Other income	1,048,643	974,975
	<u>10,555,271</u>	<u>8,985,510</u>

4 Operating loss

	2017 £	2016 £
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	367,131	306,004
Profit on disposal of tangible fixed assets	-	(1,000)
Cost of stocks recognised as an expense	505,980	496,781
Operating lease charges	2,375	88
	<u>875,486</u>	<u>801,873</u>

5 Auditor's remuneration

	2017 £	2016 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	<u>7,030</u>	<u>7,750</u>

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

6 Employees

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

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Number of staff	186	196	186	196

Their aggregate remuneration comprised:

	Group 2017 £	2016 £	Company 2017 £	2016 £
Wages and salaries	6,784,805	6,424,305	6,662,623	6,424,305
Social security costs	704,971	564,990	704,971	564,990
Pension costs	34,954	26,571	34,954	26,571
	<u>7,524,730</u>	<u>7,015,866</u>	<u>7,402,548</u>	<u>7,015,866</u>

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>173,417</u>	<u>141,000</u>

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	16,986	16,123
Other interest on financial liabilities	98,705	104,640
	<u>115,691</u>	<u>120,763</u>
Other finance costs:		
Finance costs for financial instruments measured at fair value through profit or loss	45,561	27,401
Total finance costs	<u>161,252</u>	<u>148,164</u>

9 Taxation

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

9 Taxation (Continued)

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

	2017 £	2016 £
Loss before taxation	(603,817)	(1,502,540)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	(120,763)	(300,508)
Tax effect of expenses that are not deductible in determining taxable profit	2,027	27,405
Depreciation on assets not qualifying for tax allowances	69,613	22,297
Losses carried forward	49,123	250,806
Taxation charge for the year	-	-

10 Tangible fixed assets

Group	Freehold land and buildings £	Plant and equipment £	Heritage Trail £	Total £
Cost				
At 1 July 2016	11,112,028	1,074,294	24,163	12,210,485
Additions	-	19,065	-	19,065
Disposals	-	(206)	-	(206)
At 30 June 2017	11,112,028	1,093,153	24,163	12,229,344
Depreciation and impairment				
At 1 July 2016	1,717,606	619,143	6,505	2,343,254
Depreciation charged in the year	226,308	136,437	4,386	367,131
At 30 June 2017	1,943,914	755,580	10,891	2,710,385
Carrying amount				
At 30 June 2017	9,168,114	337,573	13,272	9,518,959
At 30 June 2016	9,394,423	455,150	17,658	9,867,231

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

10 Tangible fixed assets (Continued)

Company	Freehold land and buildings £	Plant and equipment £	Heritage Trail £	Total £
Cost				
At 1 July 2016	11,112,028	1,074,294	24,163	12,210,485
Additions	-	19,065	-	19,065
Disposals	-	(206)	-	(206)
At 30 June 2017	11,112,028	1,093,153	24,163	12,229,344
Depreciation and impairment				
At 1 July 2016	1,717,606	619,143	6,505	2,343,254
Depreciation charged in the year	226,308	136,437	4,386	367,131
At 30 June 2017	1,943,914	755,580	10,891	2,710,385
Carrying amount				
At 30 June 2017	9,168,114	337,573	13,272	9,518,959
At 30 June 2016	9,394,423	455,150	17,658	9,867,231

11 Fixed asset investments

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Investments in associates	13	-	-	250	250
Unlisted investments		14,300	14,300	14,300	14,300
		14,300	14,300	14,550	14,550

Movements in fixed asset investments

Group	Investments other than loans £
Cost or valuation	
At 1 July 2016 and 30 June 2017	14,300
Carrying amount	
At 30 June 2017	14,300
At 30 June 2016	14,300

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

11 Fixed asset investments (Continued)

Movements in fixed asset investments
Company

	Shares in group undertakings and participating interests £	Other investments other than loans £	Total £
Cost or valuation			
At 1 July 2016 and 30 June 2017	250	14,300	14,550
Carrying amount			
At 30 June 2017	250	14,300	14,550
At 30 June 2016	250	14,300	14,550

12 Subsidiaries

Details of the company's subsidiaries at 30 June 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Llanelli RFC Limited	Parc y Scarlets, Parc Pemberton Retail Park, Llanelli, Carmarthenshire SA14 9UZ	Running of Llanelli RFC and other associated rugby activities	Ordinary	100.00

13 Associates

Details of associates at 30 June 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Pro Rugby Wales Limited	Parc Y Scarlets, Parc Pemberton Retail Park, Llanelli, Carmarthenshire SA14 9UZ	PR Support services	Ordinary	25.00

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

14 Financial instruments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,093,102	726,807	1,088,601	726,807
Equity instruments measured at cost less impairment	14,300	14,300	14,300	14,300
Carrying amount of financial liabilities				
Measured at amortised cost	7,684,391	7,686,272	7,671,385	7,686,272

15 Stocks

	Group 2017 £	2016 £	Company 2017 £	2016 £
Materials and consumables	19,230	15,743	19,230	15,743

16 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	413,088	248,025	408,567	248,025
Amounts owed by group undertakings	-	-	20	-
Other debtors	681,145	478,782	680,014	478,782
Prepayments and accrued income	218,736	218,704	218,736	218,704
	1,312,969	945,511	1,307,337	945,511

17 Creditors: amounts falling due within one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Bank loans and overdrafts	19	573,130	350,377	573,130	350,377
Trade creditors		854,727	710,073	845,345	710,073
Other taxation and social security		627,156	510,796	626,192	510,796
Other creditors		337,822	587,549	337,498	587,549
Accruals and deferred income		1,175,858	1,524,980	1,172,558	1,524,980
		3,568,693	3,683,775	3,554,723	3,683,775

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

18 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	2016 £	Company 2017 £	2016 £
Other borrowings	19	4,742,854	4,513,293	4,742,854	4,513,293
Government grants		25,604	10,000	25,604	10,000
		<u>4,768,458</u>	<u>4,523,293</u>	<u>4,768,458</u>	<u>4,523,293</u>

19 Loans and overdrafts

		Group 2017 £	2016 £	Company 2017 £	2016 £
Bank overdrafts		573,130	350,377	573,130	350,377
Other loans		4,742,854	4,513,293	4,742,854	4,513,293
		<u>5,315,984</u>	<u>4,863,670</u>	<u>5,315,984</u>	<u>4,863,670</u>
Payable within one year		573,130	350,377	573,130	350,377
Payable after one year		<u>4,742,854</u>	<u>4,513,293</u>	<u>4,742,854</u>	<u>4,513,293</u>

Included within Other loans is an amount of £2,614,000 (2016: £2,614,000) which is owed to Carmarthenshire Country Council. The amount is secured by a floating charge over the company's assets. The company pledges not to encumber any assets without Carmarthenshire Country Council's consent. Interest is charged at 4% per annum. The loan is due for repayment in 2023.

Also included in Other loans are amounts due to the Welsh Rugby Union which are secured by a fixed and floating charge over the assets of the company. The loans have been provided interest free on expected repayment within 3 years time. The balance held in Other loans has been discounted in accordance with FRS 102.

Also included in Other loans are debentures and subordinated debts of the directors. These are secured by the assets of the company but acknowledge that Carmarthenshire County Council have a prior charge. The loans have been provided interest free with varying repayment terms. The balances held in Other loans has been discounted in accordance with FRS 102.

20 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>34,954</u>	<u>26,571</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2017

21 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
11,108,135 Ordinary shares of £1 each	11,108,135	10,638,135
500 Special ordinary shares of £1000 each	500,000	500,000
2 Heritage shares of £1 each	2	2
	<u>11,608,137</u>	<u>11,138,137</u>

470,000 Ordinary £1 shares were issued at par value during the year.

22 Related party transactions

Transactions with related parties

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

	Purchase of goods	
	2017	2016
	£	£
Group		
Entities over which the group has control, joint control or significant influence	<u>81,521</u>	<u>71,627</u>
Company		
Entities over which the company has control, joint control or significant influence	<u>81,521</u>	<u>71,627</u>

The following amounts were outstanding at the reporting end date:

	2017	2016
	£	£
Amounts owed to related parties		
Group		
Entities over which the group has control, joint control or significant influence	125,000	125,000
Directors	8,210,152	8,210,152
Other related parties	<u>470,000</u>	<u>540,000</u>
Company		
Entities over which the company has control, joint control or significant influence	125,000	125,000
Directors	8,210,152	8,210,152
Other related parties	<u>470,000</u>	<u>540,000</u>

SCARLETS REGIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

22 Related party transactions (Continued)

Amounts owed to related parties are shown at their original transactional value. Amounts owed to related parties include loans provided to the company interest free, with and without set repayment terms. Therefore in accordance with FRS 102, outstanding loans in certain circumstances have been discounted resulting in the original liability due to related parties being split between Creditors amounts falling due after more than one year and Other reserves.

23 Controlling party

There was no ultimate controlling party during the current or previous year.

24 Cash generated from group operations

	2017 £	2016 £
Loss for the year after tax	(603,817)	(1,502,540)
Adjustments for:		
Finance costs	161,252	148,164
Gain on disposal of tangible fixed assets	-	(1,000)
Depreciation and impairment of tangible fixed assets	367,131	306,004
Amounts written off investments	-	250
Movements in working capital:		
(Increase)/decrease in stocks	(3,487)	3,728
(Increase)/decrease in debtors	(366,327)	275,251
(Decrease)/increase in creditors	(338,966)	29,616
Increase in deferred income	15,604	10,000
Cash absorbed by operations	(768,610)	(730,527)