

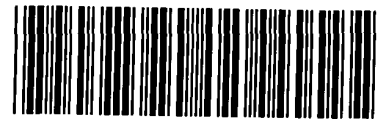
Swansea City Football 2002 Limited

**Annual report and consolidated
financial statements**

Registered number 04305508

31 July 2017

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Company Information

| | |
|---------------------|-------------------------------------------------------------------------------------------------------|
| Directors | R Chaudhari R E Hernreich H M Jenkins OBE S Kaplan J Levien S J McDonald M W Morgan |
| Registered number | 04305508 |
| Registered office | The Liberty Stadium Landore Swansea SA1 2FA |
| Independent auditor | BDO LLP 55 Baker Street London W1U 7EU |

Strategic Report

Business review

During the year under review, Swansea City Football Club competed in the English Premier League for the sixth consecutive season. The 2016-17 season proved to be a difficult season and the Directors made the difficult decision to replace the football management team on two occasions, appointing Paul Clement and his team in January 2017 who then guided the team to a 15th place finish. We have continued to invest in the playing squad both at senior and academy level. We are also very pleased to report our Under 23 team were crowned Premier League 2 Division 2 winners and have gained promotion to Premier League 2 Division 1 for the 2017/18 season. The Under 23's also won the Premier League Cup defeating Reading FC in the final and reached the semi-final of the Premier League International Cup losing to the eventual winners FC Porto.

Turnover for the year was £127.8 million compared with £97.2 million for the previous year. Total operating costs, including player amortisation costs of £24.2 million, amounted to £150.8 million compared with £117.6 million for the previous year.

A net decrease in cash of £12.7 million has occurred in the year. This is as a result of net cash inflows from operating activities of £9.9 million, offset by net cash from investing activities of £31.3 million. £54.6 million was spent investing in the playing squad. This investment was to some extent leveraged by the receivables on certain disposals, for which cash proceeds totalled £27.1 million in the year. A profit of £36.9 million on the sale of players was achieved which has resulted in a profit before tax of £13.3 million for the year.

Future developments

Investment in our first team training facilities have continued over the past year. Negotiations with the City & County of Swansea are continuing in a very positive manner and we hope to reach agreement to take responsibility for the stadium in the coming months. This will allow us to progress our plans to expand the capacity of the stadium and hopefully provide as many of our supporters as possible the opportunity to enjoy live Premier League football games in Swansea.

Principal risks and uncertainties

These have not changed. The major risk continues to be relegation from The English Premier League and the adverse effect it would have on liquidity, operational activity and our ability to realise future plans. To counter this risk we will continue to invest in our playing squad, but in a sensible manner.

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

Key performance indicators are:-

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

Non-financial: playing squad performance.

Financial risk management

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

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

In respect of loans, these are comprised of loans from various sources. The interest rates on these loans are variable, but the capital repayments are fixed. The group prepares regular forecasts of cash flow and liquidity, and any requirement for additional funding is managed as part of the overall liquidity requirement to ensure there are sufficient funds to meet the payments as they fall due.

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

Strategic Report *(continued)*

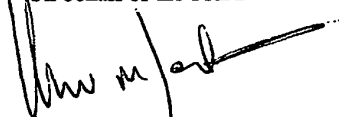
Financial risk management *(continued)*

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

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

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

On behalf of the board



H M Jenkins OBE
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

31 October 2017

Directors' report

The directors present their directors' report and audited financial statements for the year ended 31 July 2017.

Dividends

The directors do not recommend the payment or proposal of a dividend for the financial year (2016: *£nil*).

Directors

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

R Chaudhari (*appointed 2 March 2017*)
R E Hernreich (*appointed 2 March 2017*)
H M Jenkins OBE
S Kaplan
J Levien
S J McDonald (*appointed 2 March 2017*)
M W Morgan

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

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

Political and charitable contributions

During the year the Group made charitable donations amounting to £40,753 (2016: £32,469).

Disabled employees

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

Employee consultation

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

Subsequent events

Material subsequent events are disclosed in note 26 of the consolidated financial statements.

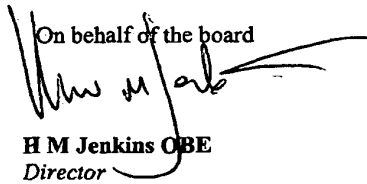
Disclosure of information to auditor

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

Directors' report *(continued)*

Auditor

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

On behalf of the board

H M Jenkins OBE
Director

Liberty Stadium
Landore
Swansea
SA1 2FA

3 | October 2017

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SWANSEA CITY FOOTBALL 2002 LIMITED

Opinion

We have audited the financial statements of Swansea City Football 2002 Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 July 2017 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Changes in Equity, the consolidated Cash Flow Statement, 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 Group's and of the Parent Company's affairs as at 31 July 2017 and of the Group's 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 Group and the Parent 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 Group or the Parent 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.

Other information

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

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SWANSEA CITY FOOTBALL 2002 LIMITED (CONTINUED)

Other information (continued)

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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 Directors' Report.

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

- adequate accounting records have not been kept 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 statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines 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.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF SWANSEA CITY FOOTBALL 2002 LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Ian Clayden (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
2 November 2017

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

Consolidated Statement of Comprehensive Income
for the year ended 31 July 2017

| | <i>Note</i> | Operations excluding player amortisation & trading £ | Player amortisation & trading £ | Year ended 31 July 2017 £ | Year ended 31 July 2016 £ |
|------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Turnover | 2 | 127,501,106 | 260,000 | 127,761,106 | 97,151,029 |
| Operating expenses | | (126,624,564) | (24,174,746) | (150,799,310) | (117,560,979) |
| Other operating income | | 17,214 | - | 17,214 | 10,037 |
| Group operating loss before profit on disposal of player registrations | 3 | 893,756 | (23,914,746) | (23,020,990) | (20,399,913) |
| Share of associate's operating (loss) / profit | | (92,873) | - | (92,873) | 11,510 |
| Profit on disposal of player registrations | | - | 36,901,903 | 36,901,903 | 6,128,077 |
| Group operating profit / (loss) on ordinary activities before interest and taxation | | 800,883 | 12,987,157 | 13,788,040 | (14,260,326) |
| Interest receivable and similar income | 6 | | | 606,337 | 524,238 |
| Interest payable and similar charges | 7 | | | (1,126,542) | (846,419) |
| Profit / (Loss) on ordinary activities before taxation | | | | 13,267,835 | (14,582,507) |
| Taxation on profit / (loss) on ordinary activities | 8 | | | (365,166) | 1,512,844 |
| Profit / (Loss) and total comprehensive income for the financial period | | | | 12,902,669 | (13,069,663) |

All activities derive from continuing operations.

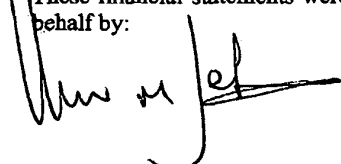
The notes on pages 15 to 35 form part of these financial statements.

Consolidated Statement of Financial Position
at 31 July 2017

| | <i>Note</i> | 31 July 2017 | 31 July 2016 |
|--------------------------------------------------------------------------------|-------------|---------------------|---------------------|
| | | £ | £ |
| Fixed assets | | | |
| Intangible assets | 10 | 69,255,702 | 34,171,274 |
| Tangible assets | 11 | 22,383,966 | 19,297,509 |
| Investments | 12 | - | 14,141 |
| | | <u>91,639,668</u> | <u>53,482,924</u> |
| Current assets | | | |
| Stocks | 13 | 1,210,107 | 864,972 |
| Debtors (including £8,153,035 (2016: £6,273,902) due after more than one year) | 14 | 29,671,229 | 17,817,943 |
| Cash at bank and in hand | | 7,507,869 | 20,244,983 |
| | | <u>38,389,205</u> | <u>38,927,898</u> |
| Creditors: amounts falling due within one year | 15 | <u>(96,155,893)</u> | <u>(75,992,157)</u> |
| Net current liabilities | | <u>(57,766,688)</u> | <u>(37,064,259)</u> |
| Total assets less current liabilities | | <u>33,872,980</u> | <u>16,418,665</u> |
| Creditors: amounts falling due after more than one year | 16 | (8,828,092) | (4,720,344) |
| Provisions for liabilities | 17 | (4,498,575) | (4,054,677) |
| Minority interests | 18 | (3,431) | (3,431) |
| Net assets | | <u>20,542,882</u> | <u>7,640,213</u> |
| Capital and reserves | | | |
| Called up share capital | 19 | 950,000 | 950,000 |
| Profit and loss account | | 19,542,882 | 6,640,213 |
| Capital redemption reserve | | 50,000 | 50,000 |
| Shareholders' funds | | <u>20,542,882</u> | <u>7,640,213</u> |

The notes on pages 15 to 35 form part of these financial statements.

These financial statements were approved by the board of directors
behalf by:



H M Jenkins OBE
Director

Company registered number: 04305508

31 October 2017 and were signed on its

Company Statement of Financial Position
at 31 July 2017

| | <i>Note</i> | 31 July 2017 | 31 July 2016 |
|-----------------------------------------------------------------|-------------|---------------------|---------------------|
| | | £ | £ |
| Fixed assets | | | |
| Investments | 12 | 1,500,767 | 1,500,767 |
| Current assets | | | |
| Debtors | 14 | - | - |
| Cash at bank and in hand | | 9,299 | 9,299 |
| Creditors: amounts falling due within one year | 15 | (470,032) | (470,032) |
| Net current liabilities | | (460,733) | (460,733) |
| Total assets less current liabilities – being net assets | | 1,040,034 | 1,040,034 |
| Capital and reserves | | | |
| Called up share capital | 19 | 950,000 | 950,000 |
| Profit and loss account | | 40,034 | 40,034 |
| Capital redemption reserve | | 50,000 | 50,000 |
| Shareholders' funds | | 1,040,034 | 1,040,034 |

The notes on pages 15 to 35 form part of these financial statements.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent company for the year was £nil (2016: £nil).

These financial statements were approved by the board of directors on 31 October 2017 and were signed on its behalf by:


H M Jenkins OBE
Director

Company registered number: 04305508

Consolidated Statement of Changes in Equity at 31 July 2017

| | Called up Share Capital | Profit & loss account | Capital Redemption Reserve | Total shareholders' equity |
|---------------------------------------------------------------|-------------------------------|--------------------------|----------------------------------|----------------------------------|
| | £ | £ | £ | £ |
| Balance at 1 August 2015 | 950,000 | 19,709,876 | 50,000 | 20,709,876 |
| Total comprehensive income for the period: | | | | |
| Loss for the period | - | (13,069,663) | - | (13,069,663) |
| Total comprehensive income for the period | - | (13,069,663) | - | (13,069,663) |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - |
| Balance at 31 July 2016 | 950,000 | 6,640,213 | 50,000 | 7,640,213 |
| Balance at 1 August 2016 | 950,000 | 6,640,213 | 50,000 | 7,640,213 |
| Total comprehensive income for the period: | | | | |
| Profit for the period | - | 12,902,669 | - | 12,902,669 |
| Total comprehensive income for the period | - | 12,902,669 | - | 12,902,669 |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | - | - | - | - |
| Total contributions by and distributions to owners | - | - | - | - |
| Balance at 31 July 2017 | 950,000 | 19,542,882 | 50,000 | 20,542,882 |

The notes on pages 15 to 35 form part of these financial statements.

Company Statement of Changes in Equity
at 31 July 2017

| | Called up Share Capital | Profit & loss account | Capital Redemption Reserve | Total shareholders' equity |
|---------------------------------------------------------------|-------------------------------|--------------------------|----------------------------------|----------------------------------|
| | £ | £ | £ | £ |
| Balance at 1 August 2015 | 950,000 | 40,034 | 50,000 | 1,040,034 |
| Total comprehensive income for the period: | | | | |
| Profit for the period | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Total comprehensive income for the period | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Total contributions by and distributions to owners | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Balance at 31 July 2016 | 950,000 | 40,034 | 50,000 | 1,040,034 |
| | _____ | _____ | _____ | _____ |
| Balance at 1 August 2016 | 950,000 | 40,034 | 50,000 | 1,040,034 |
| Total comprehensive income for the period: | | | | |
| Profit for the period | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Total comprehensive income for the period | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Transactions with owners, recorded directly in equity: | | | | |
| Dividends | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Total contributions by and distributions to owners | - | - | - | - |
| | _____ | _____ | _____ | _____ |
| Balance at 31 July 2017 | 950,000 | 40,034 | 50,000 | 1,040,034 |
| | _____ | _____ | _____ | _____ |

The notes on pages 15 to 35 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 July 2017

| | Year ended 31 July 2017 £ | Year ended 31 July 2016 £ |
|-------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Cash flows from operating activities | | |
| Group profit / (loss) and total comprehensive income for the financial period | 12,902,669 | (13,069,663) |
| Adjustments for: | | |
| Share of associate's operating (profit) / loss | 92,873 | (11,510) |
| Profit on disposal of player registrations | (36,901,903) | (6,128,077) |
| Depreciation, amortisation and impairment | 25,565,301 | 18,522,564 |
| Profit on disposal of fixed assets | (4,929) | (1,806) |
| Foreign exchange losses | 974,570 | 659,428 |
| Interest receivable | (606,337) | (523,849) |
| Interest payable | 1,126,542 | 846,419 |
| Taxation | 365,166 | (1,512,844) |
| | <u>3,513,952</u> | <u>(1,219,338)</u> |
| (Increase) / decrease in stocks | (345,135) | 257,269 |
| Decrease in debtors | 3,331,950 | 1,128,968 |
| Increase in creditors | 3,834,593 | 40,990,608 |
| | <u>10,335,360</u> | <u>41,157,507</u> |
| Dividends paid | - | - |
| Interest paid | (461,360) | (389,567) |
| Tax paid | - | - |
| | <u>9,874,000</u> | <u>40,767,940</u> |
| Net cash inflow from operating activities | | |
| Cash flows from investing activities | | |
| Proceeds from sale of intangible fixed assets | 27,081,506 | 29,646,017 |
| Proceeds from sale of tangible fixed assets | 4,929 | 23,546 |
| Interest received | 23,616 | 8,533 |
| Acquisition of tangible fixed assets | (3,861,874) | (3,868,714) |
| Acquisition of intangible fixed assets | (54,587,426) | (25,435,986) |
| | <u>(31,339,249)</u> | <u>373,396</u> |
| Net cash from investing activities | | |
| Cash flows from financing activities | | |
| Proceeds from new loan | 9,065,002 | - |
| Repayment of borrowings | - | (8,000,000) |
| Payment of finance lease liabilities | (254,418) | (264,113) |
| | <u>8,810,584</u> | <u>(8,264,113)</u> |
| Net cash from financing activities | | |
| Net increase/(decrease) in cash and cash equivalents | (12,654,665) | 32,877,223 |
| Cash and cash equivalents at beginning of period | 20,244,983 | (12,540,439) |
| Effect of foreign exchange rate differences | (82,449) | (91,801) |
| | <u>7,507,869</u> | <u>20,244,983</u> |
| Cash and cash equivalents at end of period | | |
| Reconciliation to cash at bank and in hand: | | |
| Cash at bank and in hand | 7,507,869 | 20,244,983 |
| Overdrafts | - | - |
| | <u>7,507,869</u> | <u>20,244,983</u> |
| Cash and cash equivalents | | |
| | <u>7,507,869</u> | <u>20,244,983</u> |

Notes

(forming part of the financial statements)

1 Accounting policies

Swansea City Football 2002 Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 27).

Going concern

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

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

Basic financial instruments

Trade and other debtors / creditors

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

Notes (continued)

1 Accounting policies (continued)

Basic financial instruments (continued)

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Turnover

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

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

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

Patents and licences

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

Signing-on fees

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

Players' registration costs

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

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

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets

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

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

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

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

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

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

Stocks

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

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Notes (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU):

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

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

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

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

Taxation

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

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

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

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

Notes (continued)

1 Accounting policies (continued)

Taxation (continued)

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

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

Joint Ventures and Associates

In the Group financial statements investments in joint ventures and associates are accounted for using the equity method. Investments in joint ventures and associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture or associate.

In the Company financial statements investments in joint ventures and associates are accounted for at cost less impairment.

Deferred income

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

Hire purchase, finance leases and operating leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability.

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Foreign currencies

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

Pension costs and other post-retirement benefits

Regular pension costs relate to contributions made by the Group to private pension schemes, the costs of which are recognised in the Statement of Comprehensive Income in the period to which they relate.

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

Fixed asset investments

Fixed asset investments, other than investments in joint ventures and associates (see policy above), are stated at cost less any provision for impairment.

Notes (continued)

1 Accounting policies (continued)

Dividends

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

Reserves

The Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.
- Capital redemption reserve represents the amount by which the issued share capital of the company is diminished through the purchase of its own shares.

2 Turnover

| | 2017 £ | 2016 £ |
|------------------------------|--------------------|-------------------|
| Sale of goods | | |
| Commercial | 2,436,367 | 2,905,227 |
| Media | 103,942 | 111,126 |
| Other | 54,640 | 11,501 |
| Rendering of services | | |
| Media | 109,336,797 | 79,181,384 |
| Match | 7,375,744 | 7,526,928 |
| Commercial | 6,982,331 | 4,510,187 |
| Other | 1,471,285 | 2,904,676 |
| Total turnover | 127,761,106 | 97,151,029 |

3 Operating loss and auditor's remuneration

Included in profit/loss are the following:

| | 2017 £ | 2016 £ |
|------------------------------------------------------------|----------------|----------------|
| Inventory recognised as an expense | 1,424,020 | 1,761,476 |
| Depreciation – owned assets | 1,189,953 | 980,724 |
| Depreciation - assets on hire purchase contracts | 195,509 | 215,824 |
| Profit / (Loss) on disposal of tangible fixed assets | 4,929 | 1,806 |
| Patents and licences amortisation | 5,189 | 3,951 |
| Player registration costs amortisation | 24,174,650 | 17,322,065 |
| Foreign exchange losses / (gains) | 974,570 | 659,428 |
| Defined contribution pension costs | 32,744 | 49,162 |
| Auditor's remuneration: | | |
| Audit of the financial statements | 21,630 | 27,000 |
| Auditor's remuneration – other assurance services | 5,370 | 5,500 |
| Auditor's remuneration – taxation assurance services | 5,750 | 3,000 |
| Auditor's remuneration – other taxation assurance services | 193,149 | 25,050 |
| Lease payments (operating) | 113,479 | 136,410 |

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

Notes (continued)

4 Staff numbers and costs

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

| | Number of employees | |
|--------------------------------------|---------------------|------------|
| | 2017 | 2016 |
| Football | 264 | 266 |
| Administration (including directors) | 18 | 19 |
| Commercial | 75 | 64 |
| Media | 12 | 12 |
| | <u>369</u> | <u>361</u> |

The aggregate payroll costs of these persons were as follows:

| | 2017 £ | 2016 £ |
|---------------------------------------------|-------------------|-------------------|
| Wages and salaries | 87,480,382 | 72,099,538 |
| Social security costs | 11,185,564 | 9,628,956 |
| Contributions to defined contribution plans | 32,744 | 49,162 |
| | <u>98,698,690</u> | <u>81,777,656</u> |

5 Directors' remuneration

| | Year ended 31 July 2017 £ | Year ended 31 July 2016 £ |
|-----------------------------------------------------|---------------------------------|---------------------------------|
| Directors' remuneration | 633,666 | 877,528 |
| Group contributions to money purchase pension plans | 347 | 585 |
| | <u>633,666</u> | <u>877,528</u> |

The aggregate of remuneration of the highest paid director was £633,666 (2016: £500,368). Company pension contributions of £347 (2016: £122) were made to a money purchase pension scheme on his behalf.

| | Number of directors | |
|------------------------------------------------------------------------------|---------------------|----------|
| | 2017 | 2016 |
| Retirement benefits are accruing to the following number of directors under: | | |
| Money purchase schemes | <u>1</u> | <u>2</u> |

Notes (continued)

6 Interest receivable and similar income

| | 2017 £ | 2016 £ |
|---------------------------------------------------------------|-----------|-----------|
| Finance income on unwinding of discount of player receivables | 582,721 | 475,022 |
| Bank interest | 18,630 | 8,533 |
| Other | 4,986 | 40,683 |
| | <hr/> | <hr/> |
| Total interest receivable and similar income | 606,337 | 524,238 |
| | <hr/> | <hr/> |

7 Interest payable and similar charges

| | 2017 £ | 2016 £ |
|---------------------------------------------------------------|-----------|-----------|
| Finance charge on unwinding of discount on player liabilities | 461,520 | 386,825 |
| Bank loans and overdrafts | 452,768 | 389,178 |
| Other loans | 203,662 | 50,602 |
| Hire purchase | 8,592 | 19,814 |
| | <hr/> | <hr/> |
| Total other interest payable and similar charges | 1,126,542 | 846,419 |
| | <hr/> | <hr/> |

8 Taxation

Analysis of the tax charge / (credit)

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

| | 2017 £ | 2016 £ |
|------------------------------------------------|-------------|-------------|
| Current tax | | |
| UK corporation tax | - | - |
| Adjustment in respect of prior years | - | - |
| | <hr/> | <hr/> |
| Total current tax | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | 2,327,794 | (1,332,216) |
| Effect of tax rate change on opening balance | (1,839,567) | 419,221 |
| Adjustment in respect of prior years | (123,061) | (599,849) |
| | <hr/> | <hr/> |
| Total deferred tax (note 17) | 365,166 | (1,512,844) |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 365,166 | (1,512,844) |
| | <hr/> | <hr/> |

Notes (continued)

8 Taxation (continued)

Reconciliation of tax charge / (credit)

| | 2017 £ | 2016 £ |
|----------------------------------------------------------------|-------------|--------------|
| Profit / (Loss) for the year | 12,902,669 | (13,069,663) |
| Total tax charge / (credit) | 365,166 | (1,512,844) |
| | <hr/> | <hr/> |
| Profit / (Loss) before taxation | 13,267,835 | (14,582,507) |
| Tax using the UK corporation tax rate of 19.67% (2016: 20.00%) | 2,608,910 | (2,916,501) |
| Reduction in tax rate on deferred tax balances | (488,081) | (438,643) |
| Non-deductible expenses | 18,364 | 1,538,130 |
| Fixed asset differences | 46,965 | - |
| Tax exempt revenues | - | (119,243) |
| Adjustments to deferred tax in respect of prior periods | (1,839,567) | 419,221 |
| Share of associates' and joint ventures results | 18,575 | (2,302) |
| Other permanent differences | - | 6,494 |
| | <hr/> | <hr/> |
| Total tax expense / (credit) included in profit or loss | 365,166 | (1,512,844) |
| | <hr/> | <hr/> |

9 Profit of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £nil (2016: £nil).

Notes (continued)

10 Intangible assets

| Group | Patents and licences | Player registration costs | Total |
|-------------------------|---------------------------------|------------------------------------------|-------------------|
| | £ | £ | £ |
| Cost | | | |
| At 1 August 2016 | 43,554 | 68,940,260 | 68,983,814 |
| Additions | 11,566 | 64,071,703 | 64,083,269 |
| Disposals | - | (13,829,408) | (13,829,408) |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2017 | 55,120 | 119,182,555 | 119,237,675 |
| | <hr/> | <hr/> | <hr/> |
| Amortisation | | | |
| At 1 August 2016 | 14,802 | 34,797,738 | 34,812,540 |
| Amortisation for period | 5,189 | 24,174,650 | 24,179,839 |
| Eliminated on disposal | - | (9,010,406) | (9,010,406) |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2017 | 19,991 | 49,961,982 | 49,981,973 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 July 2017 | 35,129 | 69,220,573 | 69,255,702 |
| | <hr/> | <hr/> | <hr/> |
| At 31 July 2016 | 28,752 | 34,142,522 | 34,171,274 |
| | <hr/> | <hr/> | <hr/> |

Notes (continued)

11 Tangible fixed assets

| Group | Land and Buildings £ | Stadium fittings £ | Under construction £ | Plant & machinery £ | Fixtures & fittings £ | Motor vehicles £ | Total £ |
|-------------------------|----------------------------|--------------------------|----------------------------|---------------------------|-----------------------------|------------------------|------------|
| Cost | | | | | | | |
| At 1 August 2016 | 14,222,460 | 1,122,537 | 2,738,159 | 3,946,257 | 458,676 | 39,107 | 22,527,196 |
| Additions | 262,737 | - | 1,933,235 | 2,044,005 | 231,942 | - | 4,471,919 |
| Disposals | - | - | - | (25,918) | - | - | (25,918) |
| Transfers | 3,500,922 | - | (3,667,740) | 166,818 | - | - | - |
| At 31 July 2017 | 17,986,119 | 1,122,537 | 1,003,654 | 6,131,162 | 690,618 | 39,107 | 26,973,197 |
| Depreciation | | | | | | | |
| At 1 August 2016 | 926,945 | 107,670 | - | 1,964,470 | 191,495 | 39,107 | 3,229,687 |
| Depreciation for period | 419,425 | 24,204 | - | 849,166 | 92,667 | - | 1,385,462 |
| Eliminated on disposal | - | - | - | (25,918) | - | - | (25,918) |
| At 31 July 2017 | 1,346,370 | 131,874 | - | 2,787,718 | 284,162 | 39,107 | 4,589,231 |
| Net book value | | | | | | | |
| At 31 July 2017 | 16,639,749 | 990,663 | 1,003,654 | 3,343,444 | 406,456 | - | 22,383,966 |
| At 31 July 2016 | 13,295,515 | 1,014,867 | 2,738,159 | 1,981,787 | 267,181 | - | 19,297,509 |

Leased plant and machinery

At 31 July 2017 the net carrying amount of plant & machinery leased under a finance lease was £325,169 (2016: £520,678). The leased equipment secures lease obligations (see note 16).

Land and Buildings

The net book value of land and buildings comprises:

| | 2017 £ | 2016 £ |
|-----------------|-------------------|-------------------|
| Freehold | 8,133,594 | 8,345,659 |
| Short leasehold | 8,506,155 | 4,949,856 |
| | <u>16,639,749</u> | <u>13,295,515</u> |

Notes (continued)

12 Fixed asset investments

| Group | Interests in associated undertakings (including joint ventures) £ |
|------------------------------------------|----------------------------------------------------------------------------------|
| <i>Cost and net book value</i> | |
| At beginning of period | 14,141 |
| Group's share of the loss for the period | (14,141) |
| | <hr/> |
| At end of period | - |
| | <hr/> <hr/> |

The net book value of interests in associated undertakings, comprises interest in joint ventures of £nil (2016: £14,141).

| Company | Shares in group undertakings £ | Loans to group undertakings £ | Total £ |
|--------------------------------|-----------------------------------------|----------------------------------------|-------------|
| <i>Cost</i> | | | |
| At beginning of period | 513,370 | 987,397 | 1,500,767 |
| Additions | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| At end of period | 513,370 | 987,397 | 1,500,767 |
| | <hr/> | <hr/> | <hr/> |
| <i>Provisions</i> | | | |
| At beginning and end of period | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | |
| At 31 July 2017 | 513,370 | 987,397 | 1,500,767 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31 July 2016 | 513,370 | 987,397 | 1,500,767 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

12 Fixed asset investments (continued)

Details of the company's subsidiary undertakings and other investments are listed below. In the opinion of the directors, the investments are not worth less than the value shown in the financial statements.

Subsidiaries:

Swansea City Football Club Limited

Nature of business: Dormant company

| | % | | |
|--------------------------------|---------|-------------|-------------|
| Class of shares: | Holding | | |
| Ordinary £1 shares | 99.40 | | |
| | | 31 May 2017 | 31 May 2016 |
| | | £ | £ |
| Aggregate capital and reserves | | 470,000 | 470,000 |
| Profit for the year | | - | - |

Swansea City Association Football Club Limited

Nature of business: Professional Association Football Club

| | % | | |
|--------------------------------|---------|--------------|--------------|
| Class of shares: | Holding | | |
| Ordinary £1 shares | 100 | | |
| | | 31 July 2017 | 31 July 2016 |
| | | £ | £ |
| Aggregate capital and reserves | | 19,632,225 | 6,708,962 |
| Profit / (Loss) for the year | | 12,923,263 | (13,081,173) |

Associated companies and joint ventures

Swansea Stadium Management Company Limited

Nature of business: Stadium Management

| | % | | |
|--------------------------------|---------|-------------|-------------|
| Class of shares: | Holding | | |
| Ordinary £1 shares | 33.33 | | |
| | | 31 May 2017 | 31 May 2016 |
| | | £ | £ |
| Aggregate capital and reserves | | (123,449) | 155,203 |
| (Loss) / Profit for the year | | (278,648) | 14,193 |

Swansea Stadium Premier Club Limited

Nature of business: Management of the Stadium Premier Club

| | % | | |
|--------------------------------|---------|--------------|--------------|
| Class of shares: | Holding | | |
| Ordinary £1 shares | 50.00 | | |
| | | 31 July 2017 | 31 July 2016 |
| | | £ | £ |
| Aggregate capital and reserves | | 2 | 2 |
| Profit for the year | | - | - |

The registered offices of each of the above companies is Liberty Stadium, Landore, Swansea. SA1 2FA. Every dormant subsidiary is exempt from preparing individual accounts by virtue of s394A of Companies Act 2006. Every dormant subsidiary is exempt from filing with the registrar individual accounts by virtue of s448A of Companies Act 2006.

Notes (continued)

13 Stocks

| | Group | |
|--------|-----------|---------|
| | 2017 | 2016 |
| | £ | £ |
| Stocks | 1,210,107 | 864,972 |

The value of impaired stock as at the balance sheet date was £nil (2016: £nil).

14 Debtors

| | Group | | Company | |
|------------------------------------------------------------------------------|-------------------|-------------------|----------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Trade debtors | 2,124,897 | 849,613 | - | - |
| Other debtors | 24,373,083 | 13,476,128 | - | - |
| Corporation tax debtor | 443 | 443 | - | - |
| Amounts owed by undertakings in which the group has a participating interest | - | 375,000 | - | - |
| Prepayments | 3,172,806 | 3,116,759 | - | - |
| | <u>29,671,229</u> | <u>17,817,943</u> | <u>-</u> | <u>-</u> |
| Due within one year | 21,518,194 | 11,669,041 | - | - |
| Due after more than one year | 8,153,035 | 6,148,902 | - | - |
| | <u>29,671,229</u> | <u>17,817,943</u> | <u>-</u> | <u>-</u> |

Debtors include other debtors of £8,153,035 (2016: £6,023,902) and amounts owed by participating interests of £nil (2016: £125,000) due after more than one year. An impairment loss recognised in the Statement of Comprehensive Income in respect of bad and doubtful debts were £465,000 (2016: £nil). Amounts owed by participating interests gross of any provisions are disclosed in note 24. Other debtors include amounts receivable on disposal of player registrations.

15 Creditors: amounts falling due within one year

| | Group | | Company | |
|------------------------------------------------|-------------------|-------------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Other loans (see note 16) | 5,446,390 | - | - | - |
| Obligations under finance leases (see note 16) | 46,624 | 254,419 | - | - |
| Trade creditors | 2,724,046 | 877,963 | - | - |
| Amounts owed to group undertakings | - | - | 470,000 | 470,000 |
| Taxation and social security | 13,146,944 | 11,267,737 | - | - |
| Other creditors | 28,672,236 | 20,452,199 | 32 | 32 |
| Accruals and deferred income | 46,119,653 | 43,139,839 | - | - |
| | <u>96,155,893</u> | <u>75,992,157</u> | <u>470,032</u> | <u>470,032</u> |

Notes (continued)

16 Creditors: amounts falling due after more than one year

| | 2017 £ | Group 2016 £ |
|----------------------------------------------|------------------|--------------------|
| Other loans (see below) | 3,785,390 | - |
| Obligations under finance leases (see below) | - | 46,623 |
| Other creditors | 5,042,702 | 4,673,721 |
| | <u>8,828,092</u> | <u>4,720,344</u> |

Borrowings are repayable as follows

| | 2017 £ | 2016 £ |
|----------------------------|------------------|-----------|
| Other loans | | |
| Less than one year | 5,446,390 | - |
| Between one and five years | 3,785,390 | - |
| More than five years | - | - |
| | <u>9,231,780</u> | <u>-</u> |

| | 2017 £ | 2016 £ |
|-----------------------------------------|---------------|----------------|
| Obligations under finance leases | | |
| Less than one year | 46,624 | 254,419 |
| Between one and five years | - | 46,623 |
| More than five years | - | - |
| | <u>46,624</u> | <u>301,042</u> |

| | 2017 £ | 2016 £ |
|--------------------------------------------------|------------------|----------------|
| Total borrowings including finance leases | | |
| Less than one year | 5,493,014 | 254,419 |
| Between one and five years | 3,785,390 | 46,623 |
| More than five years | - | - |
| | <u>9,278,404</u> | <u>301,042</u> |

Hire purchase contract liabilities are secured on the underlying fixed assets. Other loans as at 31 July 2017 were secured against trade and other receivables. During the year, the Group borrowed funds from an approved financial institution under a term loan agreement. The value of the loan drawdown was £9,065,002. At the balance sheet date, the carrying value of this loan was £9,231,780. The loan is repayable in instalments and the scheduled final repayment date is 02 July 2019. The loan accrues interest at a rate of 3.5% per annum. Issue costs of £117,500 were incurred with this transaction.

Notes (continued)

17 Provisions for liabilities

| | Deferred taxation | Group's share of associates' net liabilities | Total |
|------------------------------------------|----------------------|----------------------------------------------------|--------------------|
| | £ | £ | £ |
| <i>Group</i> | | | |
| Balance at 01 August 2016 | (4,054,677) | - | (4,054,677) |
| Charge to profit and loss for the period | (365,166) | (78,732) | (443,898) |
| | <u>(4,419,843)</u> | <u>(78,732)</u> | <u>(4,498,575)</u> |
| Balance at 31 July 2017 | (4,419,843) | (78,732) | (4,498,575) |

The elements of deferred taxation are as follows:

| | 2017 £ | 2016 £ |
|-------------------------------------|------------------|------------------|
| Accelerated capital allowances | 101,341 | 93,536 |
| Unused tax losses | - | (2,482,967) |
| Capital gains | 4,457,583 | 6,617,852 |
| Other short term timing differences | (139,081) | (173,744) |
| | <u>4,419,843</u> | <u>4,054,677</u> |
| Total deferred tax liability | 4,419,843 | 4,054,677 |

18 Minority interests

| | 2017 £ | Group 2016 £ |
|---------------------------------------|----------------|--------------------|
| At beginning of period | (3,431) | (3,431) |
| Share of loss/(profit) for the period | - | - |
| | <u>(3,431)</u> | <u>(3,431)</u> |
| At end of period | (3,431) | (3,431) |

Equity minority interests represent the share of the net assets attributable to the interests of equity shareholders in subsidiaries which are not wholly owned by the group.

Notes (continued)

19 Called up share capital

Allotted, issued and fully paid

| Number | Class | Nominal value | 2017 £ | 2016 £ |
|-------------------------|----------|---------------|----------------|----------------|
| 950,000 (2016: 950,000) | Ordinary | £1 | <u>950,000</u> | <u>950,000</u> |

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

20 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

| | 2017 £ | 2016 £ |
|----------------------------------------|-------------------|-------------------|
| Assets measured at amortised cost | 34,005,849 | 34,959,865 |
| Liabilities measured at amortised cost | 45,717,388 | <u>26,258,302</u> |

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

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

21 Operating leases

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

| | Land and buildings | | Other operating leases | |
|----------------------------|----------------------|----------------|------------------------|---------------|
| | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| <i>Expiring:</i> | | | | |
| Within one year | 50,000 | 100,000 | 19,893 | 13,479 |
| Between one and five years | - | 50,000 | 75,130 | 31,770 |
| In more than five years | - | - | 11,304 | - |
| | <u>50,000</u> | <u>150,000</u> | <u>106,327</u> | <u>45,249</u> |

Notes (continued)

22 Commitments

Capital commitments

The Group had contractual commitments to purchase tangible fixed assets at the period end of £935,000. At the balance sheet date, £492,500 of this balance was paid on account.

Pension commitments

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

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

Following a review of the Minimum Funding Requirement ('MFR') of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1995. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the terms of participating in the FLLPLAS, the Group is required to contribute to the deficit of the scheme. The amount owed by the Group at the balance sheet date was £3,931 (2016: £6,607). During the period, contributions of £2,676 (2016: £4,092) have been paid to the scheme.

23 Contingencies

Under the terms of certain contracts for the purchase of players' registrations, future payments may be due, dependent on the future success of the team and/or the future team selection and performance of individual players. As at 31 July 2017 the maximum that could be payable is £11,151,571 (2016: £6,717,543). Signing on fees of £11,550,100 (2016: £24,637,833) will become due to certain players if they are still in the service of the Group on specific future dates. In accordance with the Group's stated accounting policies these amounts have not been recognised as liabilities as at 31 July 2017.

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

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

The club has responded to certain HMRC requests for further details pertaining to historic employment tax matters. The directors have taken professional tax advice (including legal Tax Counsel) and considers itself to be appropriately accrued for such tax liabilities in line with prevailing tax statute and case law. However, should certain areas of tax case law be superseded, these could have a retrospective impact on the club. Whilst the directors informed position is that this to be unlikely, an awareness of other ongoing proceedings have led them to conclude that an adverse outcome, whilst improbable is not necessarily remote at this stage. In the context of ongoing uncertainty, the directors are not able to make reliable estimate of any potential exposure.

Notes (continued)

24 Related party disclosures

Transactions with key management personnel

Total compensation of key management personnel (including the directors) in the period amounted to £981,464 (2016: £878,113)

Other related party transactions

For the year ended 31 July 2017

| | Sales to £ | Purchases from £ | Receivables outstanding £ | Creditors outstanding £ |
|--------------------------------------------------------------------------------------------------|------------------|---------------------|---------------------------------|-------------------------------|
| Entities over which Group has joint control | 5,923,713 | 610,735 | 494,089 | 12,139 |
| Key management personnel of the Group | 2,856 | - | 68 | - |
| Other related parties, being entities under the control of key management personnel of the Group | 32,820 | 1,857,454 | 18,756 | 1,998 |
| | <u>5,959,389</u> | <u>2,468,189</u> | <u>512,913</u> | <u>14,137</u> |

For the year ended 31 July 2016

| | Sales to £ | Purchases from £ | Receivables outstanding £ | Creditors outstanding £ |
|--------------------------------------------------------------------------------------------------|------------------|---------------------|---------------------------------|-------------------------------|
| Entities over which Group has joint control | 6,888,483 | 986,874 | 257,805 | 10,006 |
| Key management personnel of the Group | 10,796 | - | 126 | - |
| Other related parties, being entities under the control of key management personnel of the Group | 6,733 | 2,621,339 | - | 14,841 |
| | <u>6,906,012</u> | <u>3,608,213</u> | <u>257,931</u> | <u>24,847</u> |

Amounts are stated gross of any provisions against receivables

Notes (continued)

25 Ultimate parent company and parent company of larger group

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Swansea Football LLC, a company incorporated in the United States of America.

26 Subsequent events

Subsequent to the balance sheet date, the Group sold certain player registrations for total consideration of £46,915,332 (2016: £32,629,425). In addition the Group acquired new player registrations and extended the registrations of existing players for a total consideration of £28,727,197 (2016: £48,764,790).

27 Accounting estimates and judgements

Key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements in applying the Company's accounting policies

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

Revenue recognition

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

Leases

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

Notes (continued)

27 Accounting estimates and judgements (continued)

Impairment of Capitalised Player Registration Costs

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

- *Injury* – Where the medical opinion provided suggests that a player has suffered a career ending injury then an impairment loss will be recognised in full less any anticipated insurance receivable, against the carrying value of that particular player. Career threatening injuries may also result in impairment losses depending on the medical opinion received and other external factors.
- *Loss of Player Form* – The assessment of player form is considered to be highly subjective and accordingly it is unlikely that the loss of player form will result in an impairment loss unless there is a firm intention to release the player without further first team performance subsequent to the period end for a fee less than his carrying amount.
- *Transfer of a player's registration after the end of an accounting period* – Where a player is sold after the end of an accounting period without further first team action for an amount lower than the carrying value this is a strong indicator of impairment and accordingly an impairment loss will be recognised in the accounting period if there is sufficient evidence that the underlying impairment existed as at the accounting period end date.

Key source of estimation uncertainty

Corporation taxes

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

Tangible Fixed Assets

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