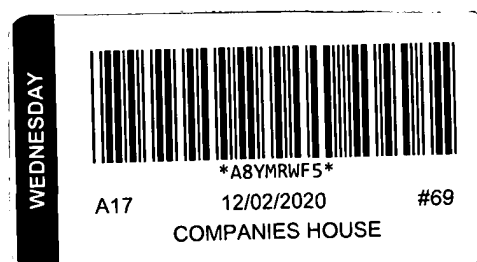


Company Registration No. 05176687 (England and Wales)

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019



SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr G Davies Mr H M Jenkins Mr A Davies Mr T Birch	(Appointed 24 April 2019)
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Secretary	Mr G Davies
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Company number	05176687
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Registered office	Liberty Stadium Landore Swansea UK SA1 2FA
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Auditor	Baldwins Audit Services Charter Court Phoenix Way Enterprise Park Swansea UK SA7 9FS
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SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

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SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 2019

The directors present their annual report and financial statements for the year ended 31 July 2019. The comparatives presented are for a 14 month period from 1 June 2017 to 31 July 2018.

Principal activities

The principal activity of the company continued to be that of the management of a sports stadium.

Directors

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

Mr G Davies

Mr H M Jenkins

Mr A Davies

Mr C M Pearlman

Mr T Birch

(Resigned 19 August 2019)

(Appointed 24 April 2019)

Auditor

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

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

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

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

On behalf of the board



.....
Mr T Birch
Director

Date: 12/11/2019

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

Opinion

We have audited the financial statements of Swansea Stadium Management Company Limited (the 'company') for the year ended 31 July 2019 which comprise the statement of comprehensive income, the balance sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2019 and of its 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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company relies on its immediate parent undertaking, Swansea City Association Football Club Limited, for both trading income and ongoing financial support. As Swansea City Association Football Club Limited has identified the existence of a material uncertainty over its ability to continue as a going concern, this also indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

Use of our report

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



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

12/11/2019

Statutory Auditor

Charter Court
Phoenix Way
Enterprise Park
SWANSEA
UK
SA7 9FS

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2019

	Year ended 31 July 2019 £	Period ended 31 July 2018 £
Turnover	6,241,190	4,815,795
Cost of sales	(894,966)	(717,469)
Gross profit	5,346,224	4,098,326
Administrative expenses	(4,262,403)	(5,286,526)
Other operating income	33,718	117,533
Operating profit/(loss)	1,117,539	(1,070,667)
Interest receivable and similar income	1,809	2,855
Interest payable and similar expenses	-	(195)
Profit/(loss) before taxation	1,119,348	(1,068,007)
Tax on profit/(loss)	-	-
Profit/(loss) for the financial year	1,119,348	(1,068,007)

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

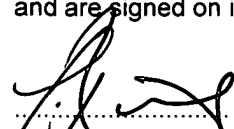
BALANCE SHEET

AS AT 31 JULY 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	3		1,603,219		1,078,752
Current assets					
Debtors	4	304,639		540,745	
Cash at bank and in hand		959,539		650,755	
		1,264,178		1,191,500	
Creditors: amounts falling due within one year	5	(2,050,067)		(2,242,444)	
Net current liabilities			(785,889)		(1,050,944)
Total assets less current liabilities			817,330		27,808
Provisions for liabilities	6		(429,460)		(759,286)
Net assets/(liabilities)			387,870		(731,478)
Capital and reserves					
Called up share capital	7	150,000		150,000	
Other reserves		375,000		375,000	
Profit and loss reserves		(137,130)		(1,256,478)	
Total equity			387,870		(731,478)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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


 Mr. T. Birch
 Director

Company Registration No. 05176687

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

Company information

Swansea Stadium Management Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Liberty Stadium, Landore, Swansea, SA1 2FA

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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.

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

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

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

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

1.2 Going concern

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

The company has net current liabilities at the balance sheet date and is reliant upon the income generated from and the financial support of its immediate parent company, Swansea City Association Football Club Limited ('SCAFC').

The company's trade is seasonal in nature and cash flows generated from sales fluctuate throughout the year. A significant proportion of the company's income is the revenue it receives from SCAFC. Where additional cash flow is required at certain times during the year, SCAFC provides additional short term financial support to the company. At the year end the company owed SCAFC £1,493,908 (2018: £1,916,979).

As disclosed in its own financial statements, SCAFC has identified a material uncertainty over its ability to continue as a going concern, and as such, the same is applicable to the company.

Given the aforementioned material uncertainty over SCAFC's ability to continue as a going concern, and the company's continued need for the financial support from SCAFC, this also represents a material uncertainty about the company's ability to continue as a going concern.

However, the directors have assessed the projected performance of the company over the next 12 months, from the date of signing these financial statements, and, after making appropriate enquiries of SCAFC, have concluded that based on the proposed mitigating plans of SCAFC, it remains appropriate to continue to adopt the going concern basis of preparation for these financial statements.

1.3 Reporting period

In the comparative period, the financial statements were prepared for a 14 month period commencing 01 June 2017 to 31 July 2018. The change in financial year end was due to the company becoming wholly owned by Swansea City Association Football Club Limited during the period and therefore aligning its year end with its parent. As a result of this longer reporting period, comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.5 Tangible fixed assets

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

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

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 buildings	4% on cost
Plant and machinery etc	33% on cost and 10% on cost

Freehold land is not depreciated.

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

1.6 Impairment of fixed assets

At each reporting period end date, the company 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.

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 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.10 Taxation

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

Current tax

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

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

Deferred tax

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

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

1.11 Provisions

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

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

1.12 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.

1.13 Retirement benefits

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

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 324 (2018 - 319).

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

3 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 August 2018	739,581	1,062,436	1,802,017
Additions	-	649,328	649,328
At 31 July 2019	739,581	1,711,764	2,451,345
Depreciation and impairment			
At 1 August 2018	142,002	581,263	723,265
Depreciation charged in the year	30,297	94,564	124,861
At 31 July 2019	172,299	675,827	848,126
Carrying amount			
At 31 July 2019	567,282	1,035,937	1,603,219
At 31 July 2018	597,579	481,173	1,078,752

4 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	149,280	126,931
Other debtors	155,359	413,814
	304,639	540,745

5 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	318,775	92,264
Amounts owed to group undertakings	1,493,908	1,916,979
Taxation and social security	8,838	50,278
Other creditors	228,546	182,923
	2,050,067	2,242,444

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

6 Provisions for liabilities

	2019 £	2018 £
Dilapidation provision	429,460	462,286
Legal cost provision	-	297,000
	<u>429,460</u>	<u>759,286</u>

Provisions are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

Movements on provisions:

	Dilapidation provision £	Legal cost provision £	Total £
At 1 August 2018	462,286	297,000	759,286
Reversal of provision	(32,826)	(297,000)	(329,826)
At 31 July 2019	<u>429,460</u>	<u>-</u>	<u>429,460</u>

The company occupies the Liberty Stadium under a lease from the City and County of Swansea. The lease is for a term of 50 years and commenced in April 2005.

Under the terms of that lease the company has an obligation to maintain the Stadium in a state of good and sustainable repair. In order to comply with this obligation the company has worked in conjunction with its professional advisors, Messrs Faithful and Gould, Quantity Surveyors, to carry out work on the Stadium in accordance with a 'Lifecycle Maintenance Plan' prepared by that firm.

The Plan was initially prepared in 2011 and estimated that £5,793,601 should be expended on the Stadium over the first 25 years of the lease term. The object of the Plan is that the Stadium will be properly maintained during the term of the lease and in conjunction required by the lease at the end of the lease term. The Plan was last updated in June 2017 and estimated that £16,038,499 is required to be expended on the Stadium over the 25 year period ending June 2042.

In order to do this, the company:

- 1) Undertakes the works required under the Plan.
- 2) Commissions regular surveys by Faithful and Gould so that any necessary amendments can be made to the Plan (see above).
- 3) Is subject to annual checks by the Landlord in order to verify whether the work is being performed in accordance with the Plan.
- 4) Obtains a specific survey on an ad hoc basis to value the cost of dilapidations at the survey date.

Under the Plan, work may be scheduled for the future years where an element of deterioration in the condition of the Stadium has taken place by the balance sheet date. It is necessary for the financial statements to include a reliable estimate of the company's liability under the lease in respect of such deterioration at the balance sheet date.

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

6 Provisions for liabilities (Continued)

Cash reserves

Although not a specific requirement of the lease, the company sets aside funds in order to meet the future costs of adhering to the Plan. The amount of the funds set aside at the year end amounted to £502,132 (2018: £505,298)

Dilapidations survey

Faithful and Gould undertook a dilapidations survey of the Stadium in February 2014, which identified the deterioration in the condition of the Stadium that had occurred at that date. Faithful and Gould had quantified the work by making notional estimates based upon standard costing data. Under the Lifecycle Maintenance Plan, the company will undertake work by either using its own labour or that of local contractors and has evaluated the cost of such work with reference to quotations from local contractors or by calculating the costs of using in house labour. Faithful and Gould have agreed that this is an appropriate approach at arriving at a reliable estimate of actual cost outlay.

Interval Survey

In September 2018 Faithful and Gould carried out the annual survey and updated Plan accordingly. The directors have referred to the schedule of work needed over the 3 years from this date and identified repair work that they consider represents deterioration as at the balance sheet date. A provision of £179,460 (2018: £212,286) has been included in the accounts in respect of this.

Due to the scope of the Faithful and Gould report and the inherent risk of predicting future events, it is possible that additional costs may be expended in future years in relation to deterioration of the stadium at 31 July 2019 in addition to the amounts quantified above.

The directors have also identified future capital expenditure that the company is required to expend under the terms of the lease. The provision for dilapidation does not include capital expenditure, as the economic benefit of such will be enjoyed by the company in future years and to provide for capital expenditure would not impact upon reported profits, but instead augment reported assets, which have not been acquired at the balance sheet date. The cost of capital expenditure requiring to be replenished over the immediate maintenance period has been assessed as £356,380 (2018: £329,850). Both the repair and capital costs referred to above are expected to be expended within the 3 years from the report date. Such 3 year repair and capital cost estimates are revised on an ongoing rolling basis.

In addition to the above items, the directors recognise that remedial work is also required in relation to the Stadium steelwork (as referenced below).

With regards to the remedial work, during the financial period litigation proceedings were concluded against two parties involved in the original construction of the Liberty Stadium. The Company claimed that elements of the flooring and structural steelwork located within the structure of the Liberty Stadium contained defects which would require rectification at a significant cost to the Company. The case was heard in the High Court in October and November 2018 and judgement over the case was issued in April 2019. The company was unsuccessful in its litigation action, and as a consequence was liable to the defendants legal costs. These were paid in this financial year and therefore no provision is required in this regard (2018: provision of £297,000 for legal costs).

An accurate assessment of the cost of the above remedial work will not be conducted until the work is in progress, however, based on the information and preliminary assessments available to the board, this is estimated to be not lower than £250,000 and a provision has been included in dilapidations provision to this amount. Due to the inherent uncertainty in this assessment at this time, the Board acknowledge that the total cost could significantly exceed this amount. However, a more reliable estimate cannot be made at this time.

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

7 Called up share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
150,000 Ordinary shares of £1 each	150,000	150,000

8 Related party transactions

Transactions with related parties

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

	Sales		Purchases	
	2019 £	2018 £	2019 £	2018 £
Entities with control, joint control or significant influence over the company	5,413,740	2,839,084	612,285	1,060,214

	2019 £	2018 £
Amounts due to related parties		
Entities with control, joint control or significant influence over the company	1,493,908	2,287,280

The following amounts were outstanding at the reporting end date:

	2019 £	2018 £
Amounts due from related parties		
Entities with control, joint control or significant influence over the company	-	2,813

During the previous period, amounts owing to entities with control, joint control or significant influence over the Company totalling £442,500 were cancelled. Of this amount £375,000 was recognised as a capital contribution and has been disclosed in the Statement of Changes in Equity; and £67,000 was recognised as other operating income in the Income Statement.

On 16th February 2018, the entire share capital of the Company was acquired by Swansea City Association Football Club Limited. From this date, the two former shareholders (being the City & County of Swansea, and Ospreys Rugby Limited) ceased to be related to the Company. For the purpose of the above disclosure, these entities have been treated as though they were related to the Company throughout the prior period. However, they have not been treated as related for the current period.

SWANSEA STADIUM MANAGEMENT COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

9 Parent company

In the opinion of the directors, the Company's ultimate parent company and ultimate controlling party is Swansea Football LLC, a company incorporated in the United States of America. Swansea City Football 2002 Limited, a company incorporated in England & Wales, is the parent undertaking of the largest and smallest group in which the results of the company are consolidated. The consolidated financial statements of Swansea City Football 2002 Limited are available from the Registrar at Companies House, Crown Way, Cardiff, CF14 3UZ. The company's immediate parent is Swansea City Association Football Club Limited.