

St Mary's Football Group Limited

Report and Financial Statements

Year Ended

30 June 2017

Company Number 06951765

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St Mary's Football Group Limited

Company Information

Directors	R Krueger K Liebherr
Company secretary	T Greenwell
Registered number	06951765
Registered office	St. Mary's Stadium Britannia Road Southampton SO14 5FP
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

St Mary's Football Group Limited

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St Mary's Football Group Limited

Group Strategic Report For the Year Ended 30 June 2017

Introduction

The directors are pleased to report another year of positive financial performance, achieving profit before interest and tax of £43.7m (2016: £8.6m). The Statement of Financial Position strengthened, with net assets increasing to £79.1m (2016: £45.0m) and, in addition, net debt has decreased from £38.9m in the 2016 Statement of Financial Position to net cash of £2.9m at 2017's date.

A summary of results is given below:

	2017 £000s	2016 £000s
Turnover	182,252	124,262
Operating costs	(150,867)	(115,826)
Other operating Income	-	4,349
Profit before player trading	31,385	12,785
Player trading	12,328	(4,215)
Profit before interest and tax	43,713	8,570

Financial Overview

2017 saw the Group achieve its highest ever turnover. Broadcasting turnover increased by £52.5m from 2016 driven by four principal factors: 2016-17 season being the first of the new three-year Premier League TV rights deal, the club achieving three more live televised Premier League games than in the previous year, participation in the group stages of the UEFA Europa League and reaching the EFL Cup Final for the first time since 1979.

Match day income also benefitted from the Europa League and EFL Cup campaigns, increasing by £3.5m to £22.4m.

New sponsorship agreements, notably those with Under Armour and Virgin Media, contributed to a 27% growth in commercial turnover, which increased from £12.2m to £15.5m.

The wages to turnover ratio, a key performance indicator for the Group, improved in the financial year, being 62% in 2017 versus 68% in 2016, despite player remuneration growing 29% in 2017 (from £67.2m in 2016 to £86.6m in 2017).

As a result of the factors outlined above, the Group recorded an operating profit for the year, before player trading, of £31.4m (2016: £12.8m).

The financial effect of player trading resulted in profit before interest and taxation of £43.7m compared to £8.6m in 2016. Player trading comprised of profit on disposal of players' registrations of £42.1m (2016: £29.1m) offset by the amortisation of players' registrations of £29.0m (2016: £31.0m) and adverse movements in foreign exchange of £0.8m (2016: £2.3m).

Statement of Financial Position

Intangible fixed assets, being the capitalised element of each player's transfer fee which relates to their registration, increased from £84.9m to £97.3m through continued strengthening of players' contracts and player acquisitions, with the signings of Hojbjerg, McCarthy, Pied, Boufal and Gabbiadini to the first team squad and Latham, Klarer, Freeman and Afolabi to the development squads.

The directors consider the length of first team squad player contracts as a key performance indicator, with the average length remaining at the Statement of Financial Position date being 38 months (2016: 35 months).

St Mary's Football Group Limited

Group Strategic Report For the Year Ended 30 June 2017

The Group's net debt position has improved year on year, moving from a net debt position of £38.9m at the 2016 Statement of Financial Position date to a net cash position of £2.9m in 2017.

Football

At the conclusion of the 2016-17 season, the club finished 8th in the Premier League, representing a fourth top eight finish in as many years, whilst also competing in the UEFA Europa League for the second season running.

The Group's strategy is to strengthen the first team playing squad in order to compete in multiple competitions whilst simultaneously strengthening the overall operation of the club. Aside from the club's league position at each season end, key performance indicators in this area are:

- the number of players with international recognition at senior or U-21 level. The current first team squad has 26 players with this recognition (2016: 23) versus 12 at the time of promotion to the Premier League;
- international honours at youth level. 17 players represented their country at international youth level during the 2016-17 season (12 during the 2015-16 season);
- number of players signed on scholarship agreements. The club had an average of 29 scholars across the 2016-17 season (20 during the 2015-16 season);
- academy players representing the first team. 10 Academy players represented the first team in a competitive fixture during the 2016-17 season (3 during the 2015-16 season).

Commercial Activities

The club entered into sponsorship agreements with nine new partners for the 2016-17 season and beyond, most notably with Under Armour and Virgin Media. As a result, sponsorship turnover increased by 81% in 2017 compared to the prior year.

Furthermore, St Mary's Stadium was used to stage a music concert for the first time in nine years, with the club hosting Robbie Williams in June 2017 for what proved to be a successful event.

Further afield the Group established a new subsidiary in the US, Southampton Football (North America) Inc., to facilitate the partner club activity being undertaken at a youth level in the US.

People

Investment off the pitch also continued and during the year the average number of employees increased by 14% (2017: 380 employees, 2016: 334 employees), with people investment across all areas of the business. This reiterates the Group's commitment to strengthen and support both footballing and commercial growth, where the directors recognise the importance of its most important asset, its people.

External Achievements

The directors were pleased to achieve external recognition during the year, most notably featuring as the highest ranked sports team in Financial Times FT1000, which lists the fastest growing European companies, finishing 317th overall in Europe and 60th in the UK.

Further recognition came in the form of 19th place in the 2017 annual report on the world's most valuable football brands conducted by Brand Finance (2016: 20th place) and 134th in the 2017 Top Track 250, which ranks Britain's private mid-market growth companies by turnover.

St Mary's Football Group Limited

Group Strategic Report For the Year Ended 30 June 2017

Future Developments

On 14 August 2017, Lander Sports (UK) International Investment Co. Ltd acquired the entire share capital of St Mary's Football Group Limited, becoming the immediate parent company. Since 14 August 2017, the ultimate controlling party is considered to be Mr. J Gao.

On the same date, K. Liebherr acquired the entire share capital of DMWSL 612 Limited from St Mary's Football Group Limited.

Principal risks & uncertainties

Team performance risk

As is common with many professional football clubs, a principal risk is associated with the performance of the first team and the league in which it operates. The Group manages the impact of this through close control of its direct costs, relative to forecast income.

Liquidity risk

The Group reported a net cash position of £2.9m as at the 2017 Statement of Financial Position date, increasing £41.8m from a net debt position of £38.9m at the 2016 date. In addition, gross debt decreased from £62.8m at the 2016 Statement of Financial Position date to £37.7m at the 2017 date.

In the year, the Group had access to a £25.0m working capital facility, all of which was fully repaid under the terms of the facility agreement at the Statement of Financial Position date (2016: £15.0m drawn, which was repaid during 2017). The directors continually assess the working capital needs of the Group and a facility has been made available for the Group for the 2017-18 season.

The Group considers the liquidity impact of its exposure to movements in foreign exchange, principally future transfer fees payable in Euros and debt funding in Swiss Francs, to be manageable as a result of its foreign exchange strategy.

Credit risk

This relates primarily to trade debtors from commercial activities and the Group monitors this risk closely with the aim of minimising it at all times.

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



R Krueger

Director

Date:

23.12.17

St Mary's Football Group Limited

Directors' Report For the Year Ended 30 June 2017

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

Results and dividends

The profit for the year, after taxation, amounted to £34,120,000 (2016: £4,946,000).

No dividend (2016: £Nil) is proposed.

Employment of Disabled Persons

The Group ensures that all full and part time employees, and job applicants (actual or potential), are treated fairly in accordance with Group policies and values. Selection for employment, promotion, training or any other benefit is assessed objectively against the requirements for each job role, taking account of any reasonable adjustments that may be required for those with disabilities.

Employee Involvement

The Group holds regular senior management, operational management and department meetings to ensure a flow of information across all levels. Alongside this are a number of Group-wide communication channels. During the year an internal newsletter was distributed to all employees and in December 2017 an intranet, Team Talk Live, was launched, whilst Company Handbooks, Performance and Development Reviews and strategic email communication supplement these. Finally, the Group encourages all staff members to present their suggestions and views at all levels on the Group's performance, encouraging creativity for improvement through feedback forums.

Directors

The directors who served during the year were:

R Krueger
K Liebherr
G Rogers (resigned 12 May 2017)

Disclosure of information to auditors

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

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

St Mary's Football Group Limited

Directors' Report For the Year Ended 30 June 2017

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



R Krueger

Director

Date:

23/7/17

St Mary's Football Group Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2017

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

St Mary's Football Group Limited

Independent Auditor's report to the member of St Mary's Football Group Limited

Opinion

We have audited the financial statements of St Mary's Football Group Limited ("the Group") for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 parent Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

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'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.

St Mary's Football Group Limited

Independent Auditor's report to the member of St Mary's Football Group Limited

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 or the 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 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.

St Mary's Football Group Limited

Independent Auditor's report to the members of St Mary's Football Group Limited

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the Group's 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

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 on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Malcolm Thixton (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
Southampton
United Kingdom

Date: 23/2/17

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

St Mary's Football Group Limited

Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2017

	Note	Operations excluding player trading 2017 £000	Player Trading* 2017 £000	Total 2017 £000	Total 2016 £000
Turnover	4	182,252	-	182,252	124,262
Cost of sales		(136,940)	(28,973)	(165,913)	(134,516)
Gross profit/(loss)		45,312	(28,973)	16,339	(10,254)
Administrative expenses		(13,927)	(796)	(14,723)	(14,599)
Other operating income	5	-	-	-	4,349
Operating profit/(loss)	7	31,385	(29,769)	1,616	(20,504)
Profit on disposal of players		-	42,097	42,097	29,074
Profit on ordinary activities before interest		31,385	12,328	43,713	8,570
Interest receivable and similar income	11	1,669	-	1,669	2,971
Interest payable and similar charges	12	(3,857)	-	(3,857)	(5,615)
Profit on ordinary activities before taxation		29,197	12,328	41,525	5,926
Tax on profit	13	(7,405)	-	(7,405)	(980)
Profit for the year		21,792	12,328	34,120	4,946
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		21,792	12,328	34,120	4,946

*Player trading represents the amortisation, exceptional impairment, foreign exchange on player purchases and the profit or loss on disposal of player registrations.


The notes on pages 16 to 38 form part of these financial statements.

St Mary's Football Group Limited
Registered number:06951765

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Intangible assets	14		97,277		84,945
Tangible assets	15		44,057		43,670
Investment property	17		1,000		1,000
			<hr/>		<hr/>
			142,334		129,615
Current assets					
Stocks	18	1,536		482	
Debtors: amounts falling due within one year	19	16,466		49,317	
Debtors: amounts falling due after more than one year	19	15,913		3,770	
Cash at bank and in hand		40,551		23,938	
		<hr/>		<hr/>	
		74,466		77,507	
Creditors: amounts falling due within one year	20	(98,746)		(118,803)	
		<hr/>		<hr/>	
Net current liabilities			(24,280)		(41,296)
Total assets less current liabilities			<hr/>		<hr/>
			118,054		88,319
Creditors: amounts falling due after more than one year	21		(25,903)		(39,791)
Provisions for liabilities					
Other provisions	25	(7,004)		(3,568)	
Deferred tax	26	(6,067)			
		<hr/>		<hr/>	
			(13,071)		(3,568)
Net assets			<hr/>		<hr/>
			79,080		44,960
Capital and reserves			<hr/>		<hr/>
Share capital	27		-		-
Share premium account	28		12,000		12,000
Other reserves	28		25,988		25,988
Profit and loss account	28		41,092		6,972
			<hr/>		<hr/>
Equity attributable to owners of the parent Company			79,080		44,960
			<hr/>		<hr/>

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


R Krueger
Director
Date: 23.12.17

The notes on pages 16 to 38 form part of these financial statements.

St Mary's Football Group Limited

Company Statement of Financial Position As at 30 June 2017

CO NO: 6951765

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments	17		1,948		1,948
Current assets					
Debtors: amounts falling due within one year	19	8,000		7,000	
		<u>8,000</u>		<u>7,000</u>	
Creditors: amounts falling due within one year	20	(1,472)		(340)	
		<u></u>		<u></u>	
Net current assets			6,528		6,660
			<u></u>		<u></u>
Net assets			8,476		8,608
			<u></u>		<u></u>
Capital and reserves					
Share capital	27		-		-
Share premium account	28		12,000		12,000
Profit and loss account	28		(3,524)		(3,392)
			<u></u>		<u></u>
			8,476		8,608
			<u></u>		<u></u>

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not prepared its own Statement of Comprehensive Income in these financial statements. The loss for the year after tax of the parent Company was £132,000 (2016: loss of £785,000).

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



R Krueger

Director

Date:

23.12.17

The notes on pages 16 to 38 form part of these financial statements.

St Mary's Football Group Limited

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2017

	Share premium £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
At 1 July 2015	12,000	25,988	2,026	40,014
Profit and total comprehensive income for the year	-	-	4,946	4,946
At 30 June 2016	12,000	25,988	6,972	44,960
Profit and total comprehensive income for the year	-	-	34,120	34,120
At 30 June 2017	12,000	25,988	41,092	79,080

St Mary's Football Group Limited

Company Statement of Changes in Equity For the Year Ended 30 June 2017

	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2015	12,000	(2,607)	9,393
Loss and total comprehensive income for the year	-	(785)	(785)
	<hr/>	<hr/>	<hr/>
At 30 June 2016	12,000	(3,392)	8,608
Loss and total comprehensive income for the year	-	(132)	(132)
	<hr/>	<hr/>	<hr/>
At 30 June 2017	12,000	(3,524)	8,476
	<hr/>	<hr/>	<hr/>

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the financial year	34,120	4,946
Adjustments for:		
Depreciation, amortisation and impairment	31,858	33,743
Profit on disposal of tangible assets	(1)	(9)
Decrease in stock	114	202
Net interest payable	2,188	2,644
Taxation expense	7,405	980
Increase in debtors	(862)	(4,093)
Increase/(decrease) in creditors	7,213	(1,605)
Increase/(decrease) in provisions	1,745	(4,023)
Loss on foreign exchange	1,531	4,086
Profit on disposal of players	(42,097)	(29,074)
Net cash generated from operating activities	43,214	7,797
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,564)	(4,473)
Purchase of intangible fixed assets	(70,395)	(40,973)
Proceeds from sale of intangible fixed assets	75,485	51,956
Proceeds from sale of tangible fixed assets	1	52
Net cash generated from investing activities	1,527	6,562
Cash flows from financing activities		
New secured loans	11,500	20,000
Repayment of loans	(37,500)	(20,641)
Repayment of finance leases	(200)	(395)
Interest paid	(1,997)	(3,958)
Interest receivable	69	93
Net cash used in financing activities	(28,128)	(4,901)
Net increase in cash and cash equivalents	16,613	9,458
Cash and cash equivalents at beginning of year	23,938	14,480
Cash and cash equivalents at the end of year	40,551	23,938
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	40,551	23,938

The notes on pages 16 to 38 form part of these financial statements.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

1. General information

St Mary's Football Group Limited is a Company incorporated in England and Wales under the Companies Act. The address of the registered office is shown on the Company Information page. The nature of the Group's operations and its principal activities are outlined in the Group Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained.

2.3 Parent Company disclosure exemptions

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent Company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Company as their remuneration is included in the totals for the Group as a whole.

2.4 Going concern

Although the Group has net current liabilities at the Statement of Financial Position date, the Group has adequate facilities in place to finance Group operations over the next twelve months. Accordingly, the directors consider it appropriate to prepare the accounts on a going concern basis.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.5 Turnover

Turnover represents the total amount receivable from the principal activities of the Group, excluding transfer fees receivable, and is stated net of value added tax. The fixed element of broadcasting turnover is recognised straight line over the length of the football season, whilst facility fees for live coverage or highlights are recognised as and when the point of broadcast occurs. Merit payments are accounted for once known at the end of the season to which they relate, and accrued if not received by the end of the financial year. UEFA distributions from participation in the Europa League include market pool payments and fixed amounts for participation in individual matches, both recognised when matches are played. Match day income and those elements of commercial activities relating to matches are recognised when related matches are played. Turnover from advance ticket sales is deferred accordingly. Other commercial income is recognised on a receivable basis once the contracted events have taken place.

2.6 Intangible assets

The element of each player's transfer fee which relates to their registration is capitalised as an intangible asset and amortised over the period of their contract including any agreed extensions, subject to any provision for impairment. Where there are deferred payment terms and no interest is charged, the future cash flows are discounted to their present value at the date of the transactions using the prevailing market rate for such instruments. Contingent fees payable, which are dependent upon factors such as the number of first team appearances and international debuts being made, are capitalised in the year when it is considered probable that the conditions of the contract will be satisfied.

The Group does not consider it to be possible to determine value in use of an individual player in isolation as that player cannot generate cash flows on their own. As such, the Group considers the smallest cash-generating unit to contain all of the first team players, the stadium and the training facilities.

However, management may consider that an individual player is highly unlikely to play for the first team again, either due to serious injury or other circumstances outside the club's control, and therefore will not contribute to the future cash flows earned by the cash generating unit. In these instances, the Group compares the carrying value of the asset to its recoverable amount. To the extent that the carrying value exceeds the recoverable amount, the asset is impaired and the impairment loss is recognised in the Statement of Comprehensive Income.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.7 Tangible fixed assets

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Statement of Comprehensive Income during the period in which they are incurred.

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

The estimated useful lives are as follows:

Fixtures, fittings and equipment	- between 4 and 10 years
Stadium and other freehold buildings	- between 3 and 50 years

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

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

2.8 Investment property

Investment property is carried at fair value as estimated by the directors with reference to recent professional valuations by external valuers. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

2.9 Capitalisation of interest

Interest incurred on borrowings financing the construction of tangible fixed assets is capitalised gross of tax relief.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, in particular transfer fees payable and receivable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2.15 Creditors

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

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.16 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

2.17 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the Statement of Comprehensive Income over the shorter of estimated useful economic life and the period of the lease.

Lease payments of assets financed are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital element reduces the amount payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

2.19 Pensions

The Group is one of a number of employers in a shared defined benefit scheme for playing staff. The Group's share of the scheme's liabilities is notified by the scheme and included in accruals.

Contributions payable by the Group to employees' (including executive directors) personal pension schemes are charged to the Statement of Comprehensive Income in the year to which they relate. The schemes are defined contribution schemes, the assets of which are held separately from the Group.

2.20 Interest income

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

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.21 Borrowing costs

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

2.22 Provisions for liabilities

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

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

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

2.23 Current and deferred taxation

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

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

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

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

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

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following key judgements and estimates:

- determined whether there any indicators of impairment of player registrations that are held as intangible assets;

Factors taken into consideration are whether the player is highly unlikely to play for the first team again, either through serious injury or other factors outside of the club's control;

- where such indicators exist, determined the net realisable value of the player registration. This is based on an agreed selling price in the event that the player has been transferred subsequent to the year end or, if there has been no such transfer, the best estimate of the disposal proceeds (less associated costs) based on recent player transactions;
- if a player is considered to be outside of the first team squad and highly unlikely to play for the first team again, management determine whether the contract is onerous and any associated provision required as a result of obligations at the Statement of Financial Position date. Such onerous contract provisions are estimated based on the unavoidable cost (least net cost) of exiting the contract;
- determined whether contingent liabilities exist in relation to contingent transfer fees payable;

Management assess whether it is probable that the conditions will be met based on experience and the circumstances of the player concerned;

- determined the fair value of investment properties, which are periodically valued by external valuers on the basis of current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset.

4. Turnover

	2017 £000	2016 £000
An analysis of turnover by class of business is as follows:		
Broadcasting	142,968	90,430
Match day	22,419	18,882
Commercial	15,506	12,200
Other	1,359	2,750
	182,252	124,262

Materially all turnover arose within the United Kingdom.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

5. Other Income

Other operating income represents compensation fees receivable.

6. Exceptional items

Exceptional items included within cost of sales are as follows:

	2017 £000	2016 £000
Impairment of player registrations	1,416	-
Cost of onerous and cancelled contracts	1,840	-
	<u>3,256</u>	<u>-</u>

7. Operating profit

	2017 £000	2016 £000
The operating profit/(loss) is stated after charging:		
Stock recognised as an expense	3,841	3,562
Depreciation of tangible fixed assets	3,048	2,712
Amortisation of intangible assets	27,394	31,031
Other operating lease rentals	182	179
Foreign exchange losses	1,673	4,086
Impairment of intangible fixed assets	1,416	-
Defined contribution pension cost	384	723
	<u></u>	<u></u>

The operating profit/(loss) is stated after crediting:

Amortisation of grants	(93)	(93)
Profit on disposal of tangible fixed assets	(1)	(9)
	<u></u>	<u></u>

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

8. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	2	2
Fees payable to the Group's auditor in respect of:		
The audit of the Company's subsidiaries	30	29
Taxation compliance services	11	11
Taxation advisory services	12	15
Interim accounts review	12	10
Other non-audit services	10	20
	<hr/>	<hr/>

9. Employees

	2017 £000	2016 £000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	98,859	74,284
Social security costs	13,210	9,856
Cost of defined contribution pension scheme	384	723
	<hr/>	<hr/>
	112,453	84,863
	<hr/>	<hr/>

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

	2017 Number	2016 Number
Administrative	150	121
Direct	230	213
	<hr/>	<hr/>
	380	334
	<hr/>	<hr/>

In addition the Group employs approximately 1,165 temporary staff on match days (2016: 1,037).

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

10. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	956	729
Company contributions to defined contribution pension schemes	26	30
Compensation for loss of office	580	-
	<u>1,562</u>	<u>759</u>

During the year retirement benefits were accruing to 1 director (2016: 1) in respect of defined contribution pension schemes.

The total amount payable to the highest paid director in respect of emoluments was £606,000 (2016: £415,000). Company pension contributions of £nil (2016: £30,000) were made to a defined contribution scheme on their behalf.

11. Interest receivable and similar income

	2017 £000	2016 £000
Bank interest receivable	69	93
Imputed interest charge on transfer fees receivable	1,600	2,878
	<u>1,669</u>	<u>2,971</u>

12. Interest payable and similar charges

	2017 £000	2016 £000
Bank interest payable	173	165
Other loan interest payable	1,797	2,578
Finance leases and hire purchase contracts	-	2
Imputed interest charge on transfer fees payable	1,887	2,870
	<u>3,857</u>	<u>5,615</u>

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

13. Taxation

	2017 £000	2016 £000
Current tax		
Current tax on profits for the year	402	-
Total current tax charge	402	-
Deferred tax		
Origination and reversal of timing differences	8,159	1,411
Adjustment in respect of previous periods	(805)	(431)
Effect of rate change on opening balance	(351)	-
Total deferred tax charge	7,003	980
Total tax charge	7,405	980

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.75% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit on ordinary activities before tax	41,525	5,926
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016: 20%)	8,201	1,185
Effects of:		
Non-tax deductible depreciation	214	262
Expenses not deductible for tax purposes	212	29
Effect of rate change	(351)	104
Income not taxable for tax purposes	(18)	(213)
Adjustments in respect of prior periods (deferred tax)	(804)	(431)
Other movements	(49)	44
Total tax charge for the year	7,405	980

There are no factors that may affect future tax charges.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

14. Intangible assets

Group	Player registrations £000
Cost	
At 1 July 2016	144,782
Additions	52,296
Disposals	(32,188)
	<hr/>
At 30 June 2017	164,890
	<hr/>
Amortisation	
At 1 July 2016	59,837
Charge for the year	27,394
On disposals	(21,034)
Impairment	1,416
	<hr/>
At 30 June 2017	67,613
	<hr/>
Net book value	
At 30 June 2017	97,277
	<hr/>
At 30 June 2016	84,945
	<hr/>

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

15. Tangible fixed assets

Group	Freehold land and buildings £000	Fixtures and fittings £000	Stadium £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 July 2016	32,434	8,093	12,784	473	53,784
Additions	113	1,887	-	1,435	3,435
Disposals	-	(3,232)	-	-	(3,232)
Transfers	-	1,069	-	(1,069)	-
At 30 June 2017	32,547	7,817	12,784	839	53,987
Depreciation					
At 1 July 2016	1,514	4,800	3,800	-	10,114
Charge for the year	651	1,769	628	-	3,048
On disposals	-	(3,232)	-	-	(3,232)
At 30 June 2017	2,165	3,337	4,428	-	9,930
Net book value					
At 30 June 2017	30,382	4,480	8,356	839	44,057
At 30 June 2016	30,920	3,293	8,984	473	43,670

The net book value of tangible fixed assets includes an amount of £442,000 (2016: £663,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £221,000 (2016: £221,000).

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

16. Fixed asset investments

Subsidiary undertakings

Subsidiary companies which are either directly or indirectly held by the Company are as follows:

Name	Country of incorporation	Class of shares	Holding	Nature of business
Southampton Football Club Limited	UK	Ordinary	100 %	Trading
St Mary's SPV Limited	UK	Ordinary	100 %	Dormant
St Mary's Training Centre Limited	UK	Ordinary	100 %	Trading
St Mary's Stadium Limited	UK	Ordinary	100 %	Trading
St Mary's Catering Limited	UK	Ordinary	100 %	Trading
St. Mary's Training Ground Limited	UK	Ordinary	100 %	Trading
St. Mary's Property Holdings Limited	UK	Ordinary	100 %	Dormant
DMWSL 612 Limited	UK	Ordinary	100 %	Investment
Southampton Football Club (North America) Inc.	USA	Ordinary	100 %	Trading

Since the Statement of Financial Position date, DMWSL 612 Limited has been disposed and is no longer a subsidiary undertaking of the Company.

Company	Group undertakings £000
Cost or valuation	
At 1 July 2016	1,948
At 30 June 2017	1,948
Net book value	
At 30 June 2017	1,948
At 30 June 2016	1,948

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

17. Investment property

	Investment property £000
Group	
Valuation	
At 1 July 2016 and 30 June 2017	1,000

In the opinion of the directors the valuation of the investment property at the Statement of Financial Position date is not materially different from book value.

18. Stocks	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Finished goods and goods for resale	1,536	482	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

19. Debtors

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Due within one year:				
Trade debtors	5,519	4,265	-	-
Amounts owed by group undertakings	-	-	8,000	7,000
Other debtors	233	196	-	-
Prepayments and accrued income	4,538	4,967	-	-
Deferred taxation	-	936	-	-
Transfer fees receivable	6,176	38,953	-	-
	16,466	49,317	8,000	7,000
Due after more than one year:				
Transfer fees receivable	15,913	3,770	-	-

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

20. Creditors: amounts falling due within one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Shareholder loan	9,001	11,001	1	1
Bank loan (secured)	17,672	16,795	-	-
Other loan	-	15,000	-	-
Trade creditors	3,851	1,824	-	-
Amounts owed to group undertakings	-	-	1,471	301
Taxation and social security	6,578	6,389	-	-
Obligations under finance lease and hire purchase contracts	-	200	-	-
Transfer fees payable	27,688	42,779	-	-
Other creditors	534	1,903	-	-
Accruals and deferred income	33,020	22,912	-	38
Corporation tax	402	-	-	-
	<u>98,746</u>	<u>118,803</u>	<u>1,472</u>	<u>340</u>

Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

21. Creditors: amounts falling due after more than one year

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Shareholder loan	11,000	20,000	-	-
Transfer fees payable	11,663	16,363	-	-
Accruals and deferred income	3,240	3,428	-	-
	<u>25,903</u>	<u>39,791</u>	<u>-</u>	<u>-</u>

Football Trust grants of £3,089,000 (2016: £3,182,000) are classified as accruals and deferred income within creditors falling due after more than one year and £93,000 (2016: £93,000) falling due within one year, being the amortisation that will be credited in the next accounting period.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

22. Loans

Analysis of the maturity loans is given below:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Amounts falling due within one year				
Bank loans	17,672	16,795	-	-
Other loans	-	15,000	-	-
Shareholder loan	9,001	11,001	1	1
	26,673	42,796	1	1
Amounts falling due between 1-2 years				
Shareholder loan	11,000	9,000	-	-
Amounts falling due between 2-5 years				
Shareholder loan	-	11,000	-	-

A loan of £17,672,000 (2016: £16,795,000) is repayable on demand at an annual interest rate of 0.966% (2016: 0.966%). The debt is secured by a charge over the estate of the Group's shareholder.

In respect of the amounts falling due within one year, subsequent to the Statement of Financial Position date, the repayment terms of the secured bank loan have been amended such that, had these terms been in place at the year end, £9,001,000 would have been reflected as total loans falling due within one year, £16,891,000 as total loans falling due between 1-2 years and £11,781,000 as total loans falling due between 2-5 years.

Other loans represents a facility that was fully repaid at the year end (2016: £15,000,000). The facility, when drawn, was repayable on demand and at an annual interest rate of 4.99% (2016: 5%).

A loan of £20,000,000 (2016: £31,000,000) is repayable over 2 years (2016: 3) at an annual interest rate of 5% (2016: 5%). Since the Statement of Financial Position date this loan has been converted to equity.

A loan of £1,000 (2016: £1,000) is repayable on demand. No interest is charged on this loan.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

23. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £000	2016 £000
Within one year	-	200

Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

24. Financial instruments

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financial assets				
Financial assets that are debt instruments measured at amortised cost	70,374	73,478	8,000	7,000
Financial liabilities				
Financial liabilities measured at amortised cost	(104,523)	(142,883)	(1,472)	(340)

Financial assets measured at amortised cost comprise cash, trade debtors, amounts owed to Group undertakings, other debtors and transfer fees receivable.

Financial liabilities measured at amortised cost comprise shareholder loans, bank loans, other loans, trade creditors, amounts owed to Group undertakings, transfer fees payable and other creditors.

If intangible assets were treated as financial assets, the total Group financial assets would be £167,651,000 (2016: £158,423,000). Financial liabilities would remain unchanged. There is no impact on the Company position.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

25. Provisions

Group	Contingent transfer fees £000	Provisions for other costs £000	Total £000
At 1 July 2016	3,568	-	3,568
Arising in the year	4,701	1,840	6,541
Utilised in the year	(3,105)	-	(3,105)
At 30 June 2017	5,164	1,840	7,004

The provision for other costs in the year relates to the contractual wage obligations on players that have been fully impaired.

26. Deferred taxation

Group	Deferred tax £000
Deferred tax asset at 1 July 2016	936
Charged to the Statement of Comprehensive Income	(7,003)
Deferred tax liability at 30 June 2017	(6,067)

The deferred tax (liability)/asset is made up as follows:

	Group 2017 £000	Group 2016 £000
Accelerated capital allowances	(117)	(85)
Unutilised losses	2,105	7,704
Other short term timing differences	238	146
Gains rolled over into intangible assets	(8,123)	(6,629)
Tax on fair value of investment property	(170)	(200)
	(6,067)	936

The Company has no deferred taxation.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

27. Share capital

	2017 £000	2016 £000
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	-	-
	<hr/>	<hr/>

28. Reserves

The Group and Company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Retained earnings

Retained earnings represents cumulative profits or losses, net of any dividends paid and other adjustments.

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

29. Pensions

Southampton Football Club ('the club') participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, where members may have periods of service attributable to several participating employers. The club is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2014 where the total deficit on the on-going valuation basis was £21.8 million. The key assumptions used to calculate the deficit at the 31 August 2014 actuarial valuation are:

Discount Rate:	5.4% per annum for the 1st 7 years, 4.4% per annum for the following 10 years and 3.4% per annum thereafter.
RPI Inflation:	3.2% per annum
Pension Increases:	3.0% per annum, for benefits accrued prior to 6 April 1997, and 3.7% per annum for benefits accrued after 6 April 1997.
Mortality (pre-retirement):	None
Mortality (post-retirement):	SAPS CMI 2013 2.0%

The accrual of benefits ceased within the Scheme on 31 August 1999. The club pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

The results of the 2014 valuation were rolled forward to 30 June 2017 on the same assumptions as detailed above and the club's notional share of the deficit was £200,000 (£276,000 as at 30 June 2016).

The club currently pays total contributions of £98,000 per annum and based on the actuarial valuation assumptions detailed above will be sufficient to pay off the deficit by 28 February 2020.

As at 30 June 2017, based on an appropriate discount rate of 1.18% (2016: 1.29%) per annum, the present value of the club's outstanding contributions (i.e. their future liability) is £344,000. This amounts to £98,000 (2016: £98,000) due within one year and £147,000 (2016: £246,000) due after more than one year and is included within other payables.

A financial cost of £4,000 (2016: £10,000) was made to the Statement of Comprehensive Income during the year, representing the interest cost on the outstanding deficit of the Scheme.

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2014), deficit contributions are payable by all participating clubs. Payments are made in accordance with a pension contribution schedule. There are no additional costs associated with the accruing of members' future benefits. In the case of a club being relegated from the Football League and being unable to settle its debt then the remaining clubs may, in exceptional circumstances, have to share the deficit.

Upon the wind-up of the Scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the clubs in line with their contribution schedule. Should an individual club leave the Scheme, they may be required to pay their share of the deficit based on a proxy buyout basis (i.e. valuing the benefits on a basis consistent with buying out the benefits with an insurance Company).

St Mary's Football Group Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

30. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2017 Southampton Football Club Limited had a liability to pay up to £12,665,000 (2016: £9,646,000) to other clubs in respect of players under contract, dependent upon a number of factors but principally first team appearances.

At 30 June 2017 Southampton Football Club Limited, a wholly owned subsidiary, had contingent sums receivable from other clubs in respect of players sold. Due to the uncertainty of receipt of these contingent assets it is not practicable to disclose the amount likely to be received.

31. Capital commitments

At 30 June 2017 the Group had capital commitments as follows:

	Group 2017 £000	Group 2016 £000
Contracted for but not provided in these financial statements	748	1,413

The Company had no capital commitments.

32. Commitments under operating leases

At 30 June 2017 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000
Not later than one year	27	167
Later than one year and not later than 5 years	20	79
Total	47	246

33. Related party transactions

The Group held loans amounting to £20,000,000 (2016: £31,000,000) in issue to the ultimate controlling party at the Statement of Financial Position date. Interest accrued at 30 June 2017 amounted to £389,000 (2016: £412,000). Interest of £1,548,000 (2016: £1,639,000) was charged on the loan and is included in other interest payable. In addition, a further £1,000 (2016: £1,000) is due to the shareholder and is included within shareholder loans due within one year.

The Company has taken advantage of the exemption conferred by Section 33.1A of FRS102 not to disclose transactions with its wholly owned subsidiaries.

Key management personnel include all directors and a number of senior managers across the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group was £2,301,000 (2016: £1,530,000).

St Mary's Football Group Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2017

34. Controlling Party

At the Statement of Financial Position date the ultimate controlling party was K Liebherr.

35. Post Statement of Financial Position events

Since the Statement of Financial Position date, Southampton Football Club Limited has entered into the sale and purchase of players with net transactions amounting to £22,900,000 payable (2016: £6,081,000 receivable).

On 14 August 2017, Lander Sports (UK) International Investment Co. Ltd acquired the entire share capital of St Mary's Football Group Limited, becoming the immediate parent Company. Since 14 August 2017 the directors consider the ultimate controlling party to be Mr J. Gao.