

# Southampton Football Club Limited

Report and Financial Statements

Year Ended

30 June 2018

Company Number 00053301

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# Southampton Football Club Limited

## Company Information

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<b>Directors</b>	R Krueger M Semmens T Steele D Thomas
<b>Company secretary</b>	T Greenwell
<b>Registered number</b>	00053301
<b>Registered office</b>	St Mary's Stadium Britannia Road Southampton Hampshire SO14 5FP
<b>Independent auditors</b>	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

# Southampton Football Club Limited

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# Southampton Football Club Limited

## Strategic Report (continued) For the Year Ended 30 June 2018

### Introduction

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

Despite a disappointing season, finishing 17<sup>th</sup> in the Premier League, the directors are pleased to report another year of positive financial performance, achieving profit before interest and tax of £33.7m (2017: £43.9m), with net assets increasing to £93.9m (2017: £66.2m).

A summary of results is given below:

	2018 £000	2017 £000
Turnover	148,425	178,334
Operating costs	(147,031)	(146,809)
Profit before player trading	1,394	31,525
Player trading	32,257	12,328
Profit before interest and tax	33,651	43,853

### Financial Overview

In addition to the lower Premier League finish of 17<sup>th</sup> (2017: 8<sup>th</sup>), the reduction in turnover is a direct result of the Club competing in the UEFA Europa League and reaching the EFL Cup Final in the prior year, but not in the current year. This impacted the three main streams of turnover, being Broadcasting, Match day and Commercial, albeit somewhat mitigated by the Club reaching the FA Cup Semi Final.

Profit on player trading grew from £12.3m to £32.3m in 2018. Player trading comprised of profit on disposal of players' registrations of £68.9m (2017: £42.1m) and movements in foreign exchange of £0.1m (2017: (£0.8m)), offset by the amortisation of players' registrations of £36.7m (2016: £29.0m).

Intangible fixed assets, being the capitalised element of each player's transfer fee, which relates to their registration, increased from £97.3m to £137.0m. This was driven by player acquisitions, with the signings of Bednarek, Lemina, Hoedt, Carrillo (at the start or part-way through the season), Armstrong and Elyounossi (at the end of the season) to the first team squad and Brennan, Ferry, Ledwidge, Kozak, Hansen, Robise and Watts to the development squads.

The Club's net cash position increased year on year, moving from £17.0m at the 2017 Statement of Financial Position date to £32.7m in 2018, which was due to the timing of certain transfer fee receivables before year-end being in advance of transfer fee payables post year-end.

# Southampton Football Club Limited

## Strategic Report (continued) For the Year Ended 30 June 2018

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### Key Performance Indicators

Due to the nature of the Club's activities, the directors consider the Club's Premier League position at each season end as its principal key performance indicator.

As well as this the directors consider further key performance indicators to be:

- the length of the first team squad playing contracts, with the average length remaining at the Statement of Financial Position date being 35 months (2017: 38 months);
- the wages to turnover ratio, which grew year on year from 61% to 74% in 2018, with the growth driven by the reduced turnover for the reasons described in the Financial Overview section. Year on year player remuneration reduced from £86.6m to £85.2m;
- the number of players with international recognition at senior or U-21 level. The current first team squad has 26 players (2017: 26);
- international honours at youth level. 19 players represented their country at international youth level during the 2017-18 season (17 during the 2016-17 season);
- number of players signed on scholarship agreements. The Club had an average of 26 scholars across the 2017-18 season (29 during the 2016-17 season);
- academy players representing the first team. 6 academy players represented the first team in a competitive fixture during the 2017-18 season (10 during the 2016-17 season).

### Girls & Women's Programme

The Club has been pleased with the continuous development of the Girls & Women's Programme, with the first team winning the Hampshire County Women's Football League Division One, gaining promotion to the Southern Region Women's Football League Premier Division. During the year, 16 players from the Girls & Women's Programme received international recognition across various youth levels from Under 15 to Under 19.

### People

Investment off the pitch also continued and during the year the average number of employees increased by 13% (2018: 385 employees, 2017: 340 employees), with people investment across all areas of the business. This reiterates the Club's commitment to strengthen and support both footballing and commercial growth, where the directors recognise the importance its most important asset, its people.

### 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 Club manages the impact of this through close control of its direct costs, relative to forecast income.

#### *Liquidity risk*

The Club reported a net cash position of £32.7m at the 2018 Statement of Financial Position date, increasing £15.7m from a net cash position of £17.0m at the 2017 date. In addition, gross debt remained at similar levels to the prior year, being £20.5m at the 2018 Statement of Financial Position date compared with £20.0m in 2017.

In the year, the Club had access to a £35.0m working capital facility, of which £20.5m was drawn at the Statement of Financial Position date (2017: fully repaid). The facility has been fully repaid after the Statement of Financial Position date. The directors continually assess the working capital needs of the Club and a facility has been made available for the Club for the 2018-19 season.

# Southampton Football Club Limited

Strategic Report (continued)  
For the Year Ended 30 June 2018

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## Principal risks & uncertainties (continued)

### *Credit risk*

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

### *Brexit risk*

Following the UK's decision to leave the EU, and the consequential uncertainty surrounding the UK economy, the Club continues to consider the impact that this decision will have in the longer term. The Club considers the implications on the free movement of EU citizens to the UK and volatility in foreign exchange currencies as factors most likely to affect the Club.

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



R Krueger  
Director  
Date:

19.1.19

# Southampton Football Club Limited

## Directors' Report For the Year Ended 30 June 2018

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

### Results and dividends

The profit for the year, after taxation, amounted to £27,683,000 (2017: £34,632,000).

No dividend (2017: £Nil) is proposed.

### Employment of disabled persons

The Company ensures that all full and part time employees, and job applicants (actual or potential), are treated fairly in accordance with Company 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 Company holds regular senior management, operational management and department meetings to ensure a flow of information across all levels. Alongside this are a number of Company-wide communication channels, most notably our intranet, Team Talk Live. Company Handbooks, Performance and Development Reviews and strategic email communication supplement these. Finally, the Company encourages all staff members to present their suggestions and views at all levels on the Company's performance, encouraging creativity for improvement through feedback forums.

### Directors

The directors who served during the year were:

L Reed (resigned 28 November 2018)

R Krueger

M Semmens

T Steele

D Thomas

### Future developments

No significant change in the principal activities of the Company is expected in the foreseeable future.

### 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 the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# Southampton Football Club Limited

Directors' Report (continued)  
For the Year Ended 30 June 2018

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## Post Statement of Financial Position events

A full description of the events after the Statement of Financial Position date is stated in note 30.

## 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:

19.1.19



# Southampton Football Club Limited

## Directors' Responsibilities Statement For the Year Ended 30 June 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

# Southampton Football Club Limited

## Independent Auditors' Report to the member of Southampton Football Club Limited

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### Opinion

We have audited the financial statements of Southampton Football Club Limited ("the Company") for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its 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.

### Conclusions relating to going concern

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

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

# Southampton Football Club Limited

## Independent Auditors' Report to the member of Southampton Football Club Limited (continued)

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### Other information

The directors are responsible for the other information. The other information comprises the information included in this 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 the audit:

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

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's 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, 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.

# Southampton Football Club Limited

## Independent Auditors' Report to the member of Southampton Football Club Limited (continued)

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### 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.

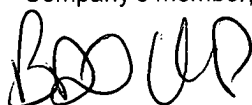
### Auditor's responsibilities for the audit of the financial statements

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

### Use of our report

This report is made solely to the Company's member, 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 member 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 member, for our audit work, for this report, or for the opinions we have formed.



**Malcolm Thixton** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Southampton  
United Kingdom

Date

19/1/19

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

# Southampton Football Club Limited

## Statement of Comprehensive Income For the Year Ended 30 June 2018

	Note	Operations excluding player trading 2018 £000	Player trading* 2018 £000	Total 2018 £000	Total 2017 £000
Turnover	4	148,425	-	148,425	178,334
Cost of sales		(137,224)	(36,705)	(173,929)	(166,439)
<b>Gross (loss)/profit</b>		<b>11,201</b>	<b>(36,705)</b>	<b>(25,504)</b>	<b>11,895</b>
Administrative expenses		(9,807)	83	(9,724)	(10,139)
Other operating income		-	-	-	-
<b>Operating (loss)/profit</b>	6	<b>1,394</b>	<b>(36,622)</b>	<b>(35,228)</b>	<b>1,756</b>
Profit on disposal of players		-	68,879	68,879	42,097
<b>Profit on ordinary activities before interest</b>		<b>1,394</b>	<b>32,257</b>	<b>33,651</b>	<b>43,853</b>
Interest receivable and similar income	9	1,882	-	1,882	1,669
Interest payable and similar charges	10	(2,181)	-	(2,181)	(3,684)
<b>Profit on ordinary activities before taxation</b>		<b>1,095</b>	<b>32,257</b>	<b>33,352</b>	<b>41,838</b>
Tax on profit	11	(5,669)	-	(5,669)	(7,206)
<b>Profit and total comprehensive income for the year</b>		<b>(4,574)</b>	<b>32,257</b>	<b>27,683</b>	<b>34,632</b>

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

The note on page 15 to 32 form part of these financial statements

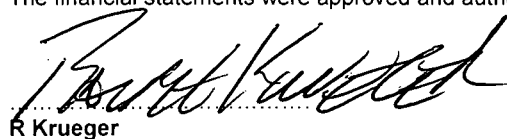
# Southampton Football Club Limited

Registered number: 00053301

## Statement of Financial Position As at 30 June 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>					
Intangible assets	12		136,973		97,277
Tangible assets	13		6,392		4,616
			<u>143,365</u>		<u>101,893</u>
<b>Current assets</b>					
Stocks	14	1,368		1,460	
Debtors: amounts falling due within one year	15	52,708		28,630	
Debtors: amounts falling due after more than one year	15	4,608		15,913	
Cash at bank and in hand		53,152		37,026	
		<u>111,836</u>		<u>83,029</u>	
Creditors: amounts falling due within one year	16	(110,529)		(82,846)	
<b>Net current assets</b>			<u>1,307</u>	<u>183</u>	
<b>Total assets less current liabilities</b>			<u>144,672</u>		<u>102,076</u>
Creditors: amounts falling due after more than one year	17		(33,602)		(22,815)
<b>Provisions for liabilities</b>					
Other provisions	20	(5,419)		(7,004)	
Deferred tax	21	(11,723)		(6,012)	
			<u>(17,142)</u>	<u>(13,016)</u>	
<b>Net assets</b>			<u>93,928</u>		<u>66,245</u>
<b>Capital and reserves</b>					
Share capital	22		501		501
Other reserves	23		14,686		14,686
Profit and loss account	23		78,741		51,058
<b>Equity attributable to the owner of the parent Company</b>			<u>93,928</u>		<u>66,245</u>

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



R Krueger

Director

Date:



The notes on pages 15 to 32 form part of these financial statements.

## Southampton Football Club Limited

### Statement of Changes in Equity For the Year Ended 30 June 2018

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	Share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total Equity £000
At 1 July 2016	501	14,686	16,426	31,613
Profit and total comprehensive income for the year	-	-	34,632	34,632
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 July 2017	501	14,686	51,058	66,245
Profit and total comprehensive income for the year	-	-	27,683	27,683
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2018	501	14,686	78,741	93,928
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# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 1. General information

Southampton Football Club Limited is a private company, limited by shares, incorporated in England & Wales under the Companies Act 2006. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activity is disclosed in the Strategic report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.1A.

This information is included in the consolidated financial statements of Lander Sports (UK) International Investment Co., Limited as at 30 June 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

#### 2.3 Going concern

The directors consider that the Company has adequate facilities in place to finance operations over the next twelve months. Accordingly, the directors consider it appropriate to prepare the accounts on a going concern basis.

#### 2.4 Turnover

Turnover represents the total amount receivable from the principal activities of the Company, excluding transfer fees receivable, and is stated net of value added tax. The fixed element of broadcasting turnover is recognised as games are performed 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 recognised over the matches played 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.



# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.5 Intangible assets

The element of each player's transfer fee which relates to his registration is capitalised as an intangible asset, and amortised over the period of his 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 transition 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 Company 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 his own. As such, the Company 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 Company 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.

#### 2.6 Tangible fixed assets

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

The Company 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 Company. 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:

Motor vehicles	-	between 4 and 5 years
Fixtures, fittings and equipment	-	between 4 and 10 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.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.7 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.

#### 2.8 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.

#### 2.9 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.

#### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities, for example trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, 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 debtors and creditors, 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, for example 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.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.10 Financial instruments (continued)

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 Club 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.

#### 2.11 Creditors

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

#### 2.12 Foreign currency translation

##### Functional and presentation currency

The Company'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.

#### 2.13 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.

#### 2.14 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 profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.15 Pensions

The Company is one of a number of employers in a shared defined benefit scheme for playing staff. The Company recognises a liability for the present value of future contributions to the scheme's deficit.

Contributions payable by the Company 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 Company.

#### 2.16 Interest income

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

#### 2.17 Borrowing costs

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

#### 2.18 Provisions for liabilities

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

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

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

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.19 Current and deferred taxation

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

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

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

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

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

### 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:

- determine 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, to determine 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, management's 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 determined 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; and
- assessed whether it is probable that the conditions will be met based on experience and the circumstances of the player concerned.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Broadcasting	117,001	142,968
Match day	16,748	20,927
Commercial	13,370	13,271
Other	1,306	1,168
	148,425	178,334

Materially all turnover arose within the United Kingdom.

### 5. Exceptional items

Exceptional items included within cost of sales are as follows:

	2018 £000	2017 £000
Impairment of player registrations	-	1,416
Cost of onerous and cancelled contracts	-	1,840
	-	3,256

### 6. Operating (loss)/profit

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

	2018 £000	2017 £000
Stock recognised as an expense	1,696	2,175
Depreciation of tangible fixed assets	1,563	1,519
Amortisation of intangible assets	36,706	27,394
Impairment of intangible assets	-	1,416
Foreign exchange losses	-	796
Other operating lease rentals	210	182
Defined contribution pension cost	513	351
Loss on sale of tangible fixed assets	238	-
	-	-

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

Foreign exchange gains	(83)	-
Profit on disposal of tangible fixed assets	-	(1)
	-	-

The auditor was remunerated by Southampton Football Club Limited on behalf of the Group, of which Southampton Football Club Limited is a member. The total remuneration amounted to £44,000 (2017: £38,000).

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £000	2017 £000
Wages and salaries	96,355	95,389
Social security costs	12,917	12,947
Cost of defined contribution pension scheme	513	351
	<u>109,785</u>	<u>108,687</u>

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

	2018 No.	2017 No.
Administrative	129	110
Football	256	230
	<u>385</u>	<u>340</u>

In addition the Company employs approximately 280 temporary staff on match days (2017: 324).

### 8. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	2,125	1,034
Company contributions to defined contribution pension schemes	85	81
Compensation for loss of office	-	580
<b>Total</b>	<u>2,210</u>	<u>1,695</u>

The average number of directors serving during the year was 5 (2017: 2).

There were 4 directors in the Company's defined contribution pension scheme during the year (2017: 5). The total amount payable to the highest paid director in respect of emoluments was £675,000 (2017: £545,000). Company pension contributions of £54,000 (2017: £54,000) were made to a money purchase scheme on their behalf.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 9. Interest receivable and similar income

	2018 £000	2017 £000
Bank interest receivable	173	69
Imputed interest charge on transfer fees receivable	1,709	1,600
	<hr/>	<hr/>
	1,882	1,669
	<hr/>	<hr/>

### 10. Interest payable and similar charges

	2018 £000	2017 £000
Other loan interest payable	1,490	1,797
Imputed interest charge on transfer fees payable	691	1,887
	<hr/>	<hr/>
	2,181	3,684
	<hr/>	<hr/>



# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

11. Taxation	2018 £000	2017 £000
<b>Current tax</b>		
Current tax on profits for the year	-	402
Adjustment in respect of previous periods	(43)	-
	(43)	402
<b>Total current tax charge</b>	(43)	402
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,688	7,841
Adjustment in respect of previous periods	24	(671)
Effect of rate change on opening balance	-	(366)
	5,712	6,804
<b>Total deferred tax charge</b>	5,712	6,804
	5,669	7,206
<b>Total tax charge</b>	5,669	7,206

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before tax	33,352	41,838
	33,352	41,838
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	6,337	8,263
	6,337	8,263
<b>Effects of:</b>		
Non-tax deductible depreciation	-	18
Expenses not deductible for tax purposes	33	14
Adjustments to tax charge in respect of prior periods	(43)	-
Adjustments to tax charge in respect of prior periods (deferred tax)	25	(671)
Deferred tax not recognised	-	-
Effect of rate change	(670)	(366)
Group relief surrendered	(13)	(52)
	(670)	(366)
<b>Total tax charge for the year</b>	5,669	7,206

There are no factors that may affect future tax charges.

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 12. Intangible assets

	Player registrations £000
<b>Cost</b>	
At 1 July 2017	164,890
Additions	86,367
Disposals	(28,045)
	<hr/>
<b>At 30 June 2018</b>	<b>223,212</b>
	<hr/>
<b>Amortisation</b>	
At 1 July 2017	67,613
Charge for the year	36,706
On disposals	(18,080)
	<hr/>
<b>At 30 June 2018</b>	<b>86,239</b>
	<hr/>
<b>Net book value</b>	
<b>At 30 June 2018</b>	<b>136,973</b>
	<hr/>
At 30 June 2017	97,277
	<hr/>

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 13. Tangible fixed assets

	Fixtures, fittings and vehicles £000	Assets in course of construction £000	Total £000
<b>Cost or valuation</b>			
At 1 July 2017	7,245	828	8,073
Additions	2,959	620	3,579
Disposals	(1,142)	-	(1,142)
Transfers	1,237	(1,237)	-
	<b>10,299</b>	<b>211</b>	<b>10,510</b>
<b>Depreciation</b>			
At 1 July 2017	3,457	-	3,457
Charge for the year	1,563	-	1,563
Disposals	(902)	-	(902)
	<b>4,118</b>	<b>-</b>	<b>4,118</b>
<b>Net book value</b>			
<b>At 30 June 2018</b>	<b>6,181</b>	<b>211</b>	<b>6,392</b>
At 30 June 2017	3,788	828	4,616

The net book value of tangible fixed assets includes an amount of £Nil (2017: £442,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £129,000 (2017: £221,000).

### 14. Stocks

	2018 £000	2017 £000
Goods for resale	1,368	1,460
	<b>1,368</b>	<b>1,460</b>

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

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 15. Debtors

	2018 £000	2017 £000
<b>Due within one year:</b>		
Trade debtors	7,158	5,356
Amounts owed by group undertakings	9,342	12,407
Other debtors	371	174
Prepayments and accrued income	5,350	4,516
Corporation tax receivable	43	-
Transfer fees receivable	30,444	6,177
	52,708	28,630
<b>Due after more than one year:</b>		
Transfer fees receivable	4,608	15,913
	4,608	15,913

### 16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Shareholder loan	-	9,000
Other loan	20,500	-
Trade creditors	3,925	3,545
Amounts owed to group undertakings	20,622	2,682
Taxation and social security	5,765	6,514
Obligations under finance lease and hire purchase contracts	16	-
Transfer fees payable	40,854	27,688
Other creditors	222	352
Accruals and deferred income	18,625	32,663
Corporation tax	-	402
	110,529	82,846

### 17. Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Shareholder loan	-	11,000
Obligations under finance lease and hire purchase contracts	66	-
Transfer fees payable	33,057	11,663
Accruals and deferred income	479	152
	33,602	22,815

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 18. Loans

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
<b>Amounts falling due within 1 year</b>		
Other loan	20,500	-
Shareholder loan	-	9,000
	<u>20,500</u>	<u>9,000</u>
<b>Amounts falling due between 1-2 years</b>		
Shareholder loan	-	11,000
	<u>-</u>	<u>11,000</u>

During the year a £20,000,000 loan was transferred to the parent company. Of this loan, £19,000,000 was subsequently converted to equity, while £1,000,000 was received by the parent company as consideration for an investment property held by the parent company at the date of the prior Statement of Financial Position date.

The other loan represents a revolving facility that was fully repaid at the prior year end. The facility, when drawn, was repayable on demand and at an annual interest rate of 4.25% (2017: 4.99%).

### 19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2018 £000	2017 £000
Within 1 year	16	-
Between 2 to 5 years	66	-
	<u>82</u>	<u>-</u>

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

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 20. Provisions for liabilities

	Contingent transfer Fees £000	Provisions for other costs £000	Total £000
At 1 July 2017	5,164	1,840	7,004
Arising in the year	3,407	141	3,548
Utilised in the year	(3,293)	(1,840)	(5,133)
	5,278	141	5,419

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

### 21. Deferred taxation

	Deferred tax £000
Deferred tax liability at 1 July 2017	(6,011)
Charged to Statement of Comprehensive Income	(5,712)
	(11,723)

The deferred tax liability is made up as follows:

	2018 £000	2017 £000
Decelerated capital allowances	-	177
Unutilised losses	1,280	1,865
Short term timing differences	25	69
Gains rolled over into intangible assets	(13,028)	(8,123)
	(11,723)	(6,012)

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 22. Share capital

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
501,000 Ordinary shares of £1 each	<u>501</u>	<u>501</u>

### 23. Reserves

The Company's capital and reserves are as follows:

#### Share capital

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

#### Capital contribution reserve

During 2009, a fellow group company waived amounts owed from the company resulting in a Capital Contribution. This contribution is non-refundable, bears no interest and may be distributed after all accumulated losses have been taken into account.

#### Retained earnings

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

### 24. Pensions

The Club participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, and as one of a number of participating employers, the Club is advised only of its share of the deficit in the Scheme. The last actuarial valuation carried out at 31 August 2017 highlighted that the Club's notional share of the deficit was £512,000 (£200,000 as at 30 June 2017).

As at 30 June 2018, the Club was paying total contributions of £98,000 per annum, increasing by 5% p.a. from 1 September 2018 and thereafter, and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 October 2023.

As at 30 June 2018, based on an appropriate discount rate of 1.6% per annum (1.2% per annum as at 30 June 2017), the present value of the Club's outstanding contributions is £582,000 (£250,000 as at 30 June 2017). This amounts to £102,000 (2017: £98,000) due within one year and £479,000 (2017: £152,000) due after more than one year and is included within accruals and deferred income. The pension cost charged during the year relating to this deficit was £434,000 (2017: £Nil).

# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 25. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2018 the Company had a liability to pay up to £19,218,000 (2017: £12,665,000) to other clubs in respect of players under contract, dependent upon a number of factors but principally first team appearances.

At 30 June 2018 the Company 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.

### 26. Capital commitments

At 30 June 2018 the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted for but not provided in these financial statements	711	748

### 27. Commitments under operating leases

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

	2018 £000	2017 £000
Not later than 1 year	170	27
Later than 1 year and not later than 5 years	213	20
<b>Total</b>	<b>383</b>	<b>47</b>

### 28. Related party transactions

The Company held loans amounting to £Nil (2017: £20,000,000) in issue to the former ultimate controlling party. Interest accrued at 30 June 2018 amounted to £Nil (2017: £389,000). Interest of £Nil (2017: £1,548,000) was charged on the loan and is included in other interest payable. During the year, £19,000,000 of this loan was converted to equity, while £1,000,000 was received by the parent company as consideration for an investment property held by the parent company at the date of the prior Statement of Financial Position.

The Company is a wholly owned subsidiary of Lander Sports (UK) International Investment Co., Limited and has taken advantage of the exemption conferred by Section 33.1A of FRS 102 "Related Party Disclosures" not to disclose transactions with Lander Sports (UK) International Investment Co., Limited or other wholly owned subsidiaries within the Group.



# Southampton Football Club Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 29. Ultimate parent company and parent undertaking of larger group

On 14 August 2017, Lander Sports (UK) International Investment Co., Ltd acquired the entire share capital of St Mary's Football Group Limited.

Consequently, the smallest group in which the results of the Company are consolidated is that headed by St Mary's Football Group Limited, incorporated in Great Britain. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The largest group in which the results of the company are consolidated is that headed by Southampton Football Sports Development Co., Limited, which is incorporated in the British Virgin Islands.

Since 14 August 2017 the directors consider the *ultimate controlling party* to be Mr J Gao.

### 30. Post Statement of Financial Position events

Since the Statement of Financial Position date the Company has entered into sale and purchase agreements for players with net transactions amounting to £12,110,000 payable (2017: £22,900,000 payable), as well as a further capital commitment regarding the future acquisition of a player amounting to £18,720,000.