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**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2017**

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**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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**COMPANY INFORMATION**

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<b>Directors</b>	R Martin S A Kavanagh (resigned 31 October 2016) G King G J Lockett D Macklin (resigned 10 November 2017) D M Markscheffel F Van Wezel
<b>Registered number</b>	00089767
<b>Registered office</b>	45 Grosvenor Road St Albans Hertfordshire AL1 3AW
<b>Independent auditors</b>	WMT Chartered Accountants and Statutory Auditors 45 Grosvenor Road St Albans Hertfordshire AL1 3AW
<b>Bankers</b>	The Royal Bank of Scotland plc Commercial Office 26 High Street Chelmsford CM11YJ

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**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 JULY 2017**

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**Introduction**

The board are ambitious to maximise the Club's potential, and believe the opportunity for success within the Club's demographic to be considerable. However, in the view of the Board this can only truly be fulfilled through improved infrastructure and is why a move to a new stadium has remained a key objective.

A project of such magnitude is not, in the Board's opinion, sustainable if leveraged by debt and this is why enabling development to help fund the proposals is crucial. A smooth transition from Roots Hall to Fossetts Farm (Fossetts) is fundamental. Whilst this adds to the complexity through the need to coordinate two major, inextricably linked developments, it is nevertheless an objective of both the Club and the Council.

A new planning application at Fossetts was submitted in April 2017 and it is anticipated that the Council will vote on this submission in the summer of 2018. This application provides the appropriate mix of 'enabling development' to facilitate the new stadium, including revised proposals for residential development at Roots Hall. We have not previously been this advanced in coordinating all the 'ingredients' and are doing so without the need of a 'partner'. Previously the needs and programme constraints of others has proved an impediment to the Club. With a favourable vote by the Council, the Club will be well placed to build the new facilities without further delay. This will enable the Club to sustainably play a more pivotal role in the community.

**Football business review**

The Club competed in league 1, ending the season in seventh place. Over this period the loss has fluctuated as a result of increased investment in higher player wages. This is being demonstrated in the current season.

Major investment in the Clubs Academy has also continued unabated for over 10 years which will bring further rewards as facilities continue to improve. The soccer domes which we purchased in a prior financial year are safely in storage awaiting planning permission and if the Council vote favourably the domes will be erected under the first phase plans. The largest of the domes has been earmarked as a "community dome", further cementing the Clubs commitment to the Community and Youth in the Southend area.

Our Academy is already highly regarded by the industry and these plans, it is hoped, will help further aid the production of the Club's stars in the future.

The Group has continued to support the Club, including investment in the Academy, which will continue for the foreseeable future. Without group support, the Club would not be able to maintain its infrastructure and competitive edge. Currently the Group is owed in excess of £17m.

**Principal risks and uncertainties**

The Club has been for many years, and continues to be, reliant on its parent company for support. Without this support the Club could not successfully compete.

Such a position is not, to a greater or lesser degree, unusual in Football. However in the long term this is equally not sustainable and why we place great importance on a move to the new modern facilities that will provide the ability to compete as a result of improved revenue streams, and a reduced dependence on our parent company for our continued existence.

Many supporters love Roots Hall but sadly our current stadium is no longer fit for purpose in the modern era with increasing costs year on year to ensure we maintain the standards demanded by the authorities. For that reason alone support from the Council is crucial. Under our new stadium plans the Clubs "risks and uncertainties" are substantially reduced, if not eradicated, with continued prudent management. The community will have a state of the art facility of which we can all be justifiably proud.

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**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2017**

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

**R Martin**  
**Director**

Date: 19 April 2018

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## SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2017

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The Directors present their report and the financial statements for the year ended 31 July 2017.

#### Principal activity

The principal activity of the Company continues to be that of a Professional Football Club.

#### Results and dividends

The loss for the year, after taxation, amounted to £2,055,359 (2016 - loss £1,417,228).

The Directors do not recommend the payment of a dividend (2016 - NIL).

#### Directors

The Directors who served during the year were:

R Martin  
S A Kavanagh (resigned 31 October 2016)  
G King  
G J Lockett  
D Macklin (resigned 10 November 2017)  
D M Markscheffel  
F Van Wezel

#### Principal risks and uncertainties

The Company is exposed to a variety of risks. These range from the wider effects of the general economy and external competition to those more specific to the Company, such as its own financial strength and size. There are also added risks associated with operating an old stadium, which is becoming increasingly difficult to maintain to the latest safety regulations. The Board regularly review these risks and their potential impact on the Company. The Board monitors the Company's performance through use of regular financial information and management reports. The Board focuses on the Company's levels of profitability, liquidity and balance sheet strength.

#### Treasury operations and financial instruments

The Company operates a treasury function which is responsible for managing the liquidity and interest risks associated with the Company's activities. The Company's principal financial instruments are loans, the main purpose of which is to raise finance for the Company's operations. In addition, the Company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations.

#### Liquidity risks

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Company has sufficient liquid resources to meet the operating needs of the business.

#### Interest rate risk

The Company is exposed to interest rate risk on loans. The Company manages debt so as to reduce its exposure to changes in interest rates.

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## **SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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### **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2017**

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#### **Future developments**

The Club continues to seek improvements in its turnover and trading performance. The Directors are of the opinion that growth in revenue streams will be greatly aided by the move to the new stadium. In addition the running costs will be dramatically reduced with a modern state of the art facility and most importantly, the new stadium will more appropriately address the varied needs of the whole community.

The Company is dependant on funding from its major shareholder and parent company, South Eastern Leisure (UK) Limited and the Directors would like to thank them for this financial support.

#### **Charitable donations**

The Company provides a significant number of local charities, football teams and schools with free tickets and signed merchandise. The Company also provides resources and accommodation to the Southend United Community and Educational Trust, a registered charity. The Club has not quantified the cost of the resource given, even though it is substantial and sustained. The club has no intention of recovering this cost from the Trust as it is part of our Corporate Social responsibilities' of which we are proud.

#### **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 Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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's auditors are aware of that information.

#### **Post balance sheet events**

There have been no significant events affecting the Company since the year end.

#### **Auditors**

The auditors, WMT, 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 Martin**

Director

Date: 19 April 2018

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 JULY 2017**

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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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's 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 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 to 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.



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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## **Opinion**

We have audited the financial statements of Southend United Football Club Limited (The) (the 'Company') for the year ended 31 July 2017, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and the related notes, 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).

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 Auditors' 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2017 and of its loss 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 Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Material uncertainty related to going concern**

We draw attention to note 2.2 in the financial statements, which indicates that whilst the Directors are confident that the company's major shareholder and parent company South Eastern Leisure (UK) Limited, will continue to provide the necessary funds to the company through their financing facilities, there can be no certainty in these matters. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)  
(CONTINUED)**

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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.

**Opinion 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 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, 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.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 5, 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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)  
(CONTINUED)**

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**Auditors' 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 Auditors' 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)  
(CONTINUED)

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Graham Wintle (Senior Statutory Auditor)

for and on behalf of

**WMT**

Chartered Accountants and Statutory Auditors

45 Grosvenor Road

St Albans

Hertfordshire

AL1 3AW

20 April 2018

SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 JULY 2017**

	Note	2017 £	2016 £
Turnover	4	5,666,460	5,476,533
Cost of sales		(5,634,147)	(4,880,671)
<b>Gross profit</b>		<b>32,313</b>	<b>595,862</b>
Administrative expenses		(2,133,019)	(1,901,512)
Other operating income	5	23,164	28,005
<b>Operating loss</b>	6	<b>(2,077,542)</b>	<b>(1,277,645)</b>
Interest payable and expenses	10	22,183	(139,583)
<b>Loss before tax</b>		<b>(2,055,359)</b>	<b>(1,417,228)</b>
<b>Loss after tax</b>		<b>(2,055,359)</b>	<b>(1,417,228)</b>
Retained earnings at the beginning of the year		(16,569,581)	(15,152,353)
Loss for the year		(2,055,359)	(1,417,228)
<b>Retained earnings at the end of the year</b>		<b>(18,624,940)</b>	<b>(16,569,581)</b>

**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**  
**REGISTERED NUMBER: 00089767**

**BALANCE SHEET**  
**AS AT 31 JULY 2017**

	Note	2017 £	2016 £
<b>Fixed assets</b>			
Intangible assets	12	172,433	59,321
Tangible assets	13	1,465,708	1,370,504
		<u>1,638,141</u>	<u>1,429,825</u>
<b>Current assets</b>			
Stocks	14	26,594	18,713
Debtors	15	1,564,367	889,702
Cash at bank and in hand		57,198	138,716
		<u>1,648,159</u>	<u>1,047,131</u>
Creditors: amounts falling due within one year	16	(21,065,050)	(18,200,347)
<b>Net current liabilities</b>		<u>(19,416,891)</u>	<u>(17,153,216)</u>
<b>Total assets less current liabilities</b>		<u>(17,778,750)</u>	<u>(15,723,391)</u>
<b>Net liabilities</b>		<u>(17,778,750)</u>	<u>(15,723,391)</u>
<b>Capital and reserves</b>			
Called up share capital	19	169,488	169,488
Share premium account		676,702	676,702
Profit and loss account		(18,624,940)	(16,569,581)
		<u>(17,778,750)</u>	<u>(15,723,391)</u>

Under Companies Act 2006, s454, on a voluntary basis, the Directors can amend these financial statements if they subsequently prove to be defective.

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

**R Martin**  
Director

Date: 19 April 2018  
The notes on pages 13 to 27 form part of these financial statements.

SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 JULY 2017**

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss for the financial year	(2,055,359)	(1,417,228)
<b>Adjustments for:</b>		
Amortisation of intangible assets	83,810	44,893
Depreciation of tangible assets	98,511	57,068
Interest paid	(22,183)	139,583
(Increase) in stocks	(7,881)	(907)
(Increase) in debtors	(674,665)	(329,313)
(Decrease) in creditors	(172,715)	(1,048,800)
Increase in amounts owed to groups	3,037,419	3,824,005
<b>Net cash generated from operating activities</b>	<u>286,937</u>	<u>1,269,301</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(196,922)	(78,140)
Sale of intangible assets	-	27,236
Purchase of tangible fixed assets	(193,716)	(912,452)
<b>Net cash from investing activities</b>	<u>(390,638)</u>	<u>(963,356)</u>
<b>Cash flows from financing activities</b>		
Interest paid	22,183	(139,583)
<b>Net cash used in financing activities</b>	<u>22,183</u>	<u>(139,583)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(81,518)</u>	<u>166,362</u>
Cash and cash equivalents at beginning of year	138,716	(27,646)
<b>Cash and cash equivalents at the end of year</b>	<u><u>57,198</u></u>	<u><u>138,716</u></u>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	57,198	138,716
	<u><u>57,198</u></u>	<u><u>138,716</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**1. General information**

Southend United Football Club Limited is a company, limited by shares, incorporated in England and Wales. The address of the registered office is given on the Company information page. The principal activity of the Company continued to be that of a Professional Football Club.

**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 UK and the Republic of Ireland, Companies Act 2006 and FRC Abstracts.

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

The following principal accounting policies have been applied:

**2.2 Going concern**

The financial statements have been prepared on the going concern basis. The Directors are confident that its major shareholder and parent company, South Eastern Leisure (UK) Limited, will continue to provide the necessary funds to the Company through their financing facilities. However, there can be no certainty in these matters. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of funding facilities.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**2. Accounting policies (continued)**

**2.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.4 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. All intangible assets are considered to have a finite useful life.

**2.5 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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**2. Accounting policies (continued)**

**2.5 Tangible fixed assets (continued)**

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.

Depreciation is provided on the following basis:

Leasehold Improvements	- 33% per annum straight line
Motor vehicles	- 20% per annum straight line
Fixtures & fittings	- 33% per annum straight line

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 in the Statement of Income and Retained Earnings.

**2.6 Stocks**

Stocks are stated at the lower of cost and 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.

At each balance sheet 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 profit or loss.

**2.7 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.8 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.

**2.9 Financial instruments**

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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**2. Accounting policies (continued)**

**2.9 Financial instruments (continued)**

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.

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, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

**2.10 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.

**2.11 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.

Finance costs are charged to the Statement of Income and Retained Earnings 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.

**2.12 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**2.13 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**2. Accounting policies (continued)**

**2.14 Taxation**

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 balance sheet 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 Balance sheet date, except that:

1. 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; and
2. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

There were no critical judgments made in the process of applying the Company's accounting policies.

There were no key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**4. Turnover**

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

	2017 £	2016 £
Operations and other income	987,399	1,003,311
Player trading income	1,147,500	1,431,875
Centre of Excellence income	381,275	277,750
Bar and catering income	388,714	378,771
Advertising income	615,265	520,613
Shop royalties income	61,329	59,422
TV income	-	90,000
Sales - Season Tickets	685,218	669,341
Sales - League Income	1,399,760	1,045,450
	<u>5,666,460</u>	<u>5,476,533</u>

All turnover arose within the United Kingdom.

**5. Other operating income**

	2017 £	2016 £
Other operating income	4,992	-
Net rents receivable	18,172	28,005
	<u>23,164</u>	<u>28,005</u>

**6. Operating loss**

The operating loss is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	98,511	57,068
Amortisation of intangible assets, including goodwill	83,810	44,893
Other operating lease rentals	450,000	400,000
Defined contribution pension cost	<u>31,164</u>	<u>22,148</u>

SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**7. Auditors' remuneration**

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>21,500</u>	<u>19,250</u>

**8. Employees**

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

	2017 £	2016 £
Wages and salaries	4,233,541	3,676,790
Social security costs	435,019	347,580
Cost of defined contribution scheme	31,164	22,148
	<u>4,699,724</u>	<u>4,046,518</u>

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

	2017 No.	2016 No.
Playing, Training and Coaching	105	85
Establishment and ground maintenance	46	39
Directors	6	5
	<u>157</u>	<u>129</u>

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SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	140,626	106,589
Company contributions to defined contribution pension schemes	9,200	6,000
	<u>149,826</u>	<u>112,589</u>

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

Key management remuneration for 2017 is £172,791 (2016 - £112,589).

10. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	(99,078)	(139,583)
Waiver of loan interest accrued	121,261	-
	<u>22,183</u>	<u>(139,583)</u>

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**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

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**11. Taxation**

**Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2016 - the same as) the standard rate of corporation tax in the UK of 20% (2016 - 20%) as set out below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(2,055,359)</u>	<u>(1,417,228)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	(411,072)	(283,446)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	9,038	9,072
Capital allowances for year in excess of depreciation	1,496	4,896
Changes in provisions leading to an increase (decrease) in the tax charge	235,671	40,683
Unrelieved tax losses carried forward	164,867	228,795
<b>Total tax charge for the year</b>	<u><u>-</u></u>	<u><u>-</u></u>

**Factors that may affect future tax charges**

A deferred tax asset of £77,706 (2016: £108,604) in respect of fixed asset and other short term timing differences has not been provided for due to the uncertainty of sufficient taxable profits in the foreseeable future. A deferred tax asset of £3,322,754 (2016: £3,277,974) in respect of trading losses carried forward of £19,088,512 (2016: £16,940,461) has not been provided for due to the uncertainty of sufficient taxable profits in the foreseeable future.



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SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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12. Intangible assets

	Players' Registrations £
<b>Cost</b>	
At 1 August 2016	112,604
Additions	196,922
Disposals	(28,058)
	<hr/>
At 31 July 2017	281,468
	<hr/>
<b>Amortisation</b>	
At 1 August 2016	53,283
Charge for the year	83,810
On disposals	(28,058)
	<hr/>
At 31 July 2017	109,035
	<hr/>
<b>Net book value</b>	
At 31 July 2017	<hr/> <u>172,433</u>
<i>At 31 July 2016</i>	<hr/> <u>59,321</u>

SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

13. Tangible fixed assets

	L/Term Leasehold Property £	Motor vehicles £	Fixtures & fittings £	Total £
<b>Cost or valuation</b>				
At 1 August 2016	1,077,241	52,329	2,188,581	3,318,151
Additions	-	5,915	187,801	193,716
At 31 July 2017	1,077,241	58,244	2,376,382	3,511,867
<b>Depreciation</b>				
At 1 August 2016	242,167	45,283	1,660,198	1,947,648
Charge for the year on owned assets	-	2,909	95,602	98,511
At 31 July 2017	242,167	48,192	1,755,800	2,046,159
<b>Net book value</b>				
At 31 July 2017	835,074	10,052	620,582	1,465,708
<i>At 31 July 2016</i>	<i>835,074</i>	<i>7,046</i>	<i>528,383</i>	<i>1,370,503</i>

14. Stocks

	2017 £	2016 £
Bar, catering and miscellaneous stock	26,594	18,713
	<u>26,594</u>	<u>18,713</u>

The value of stocks sold in the year is £201,857 (2016 - £211,347).

**SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**15. Debtors**

	2017 £	2016 £
<b>Due after more than one year</b>		
Other debtors	10,640	10,700
Prepayments and accrued income	450,000	-
	<u>460,640</u>	<u>10,700</u>
<b>Due within one year</b>		
Trade debtors	194,023	242,818
Other debtors	40,542	28,969
Prepayments and accrued income	869,162	607,215
	<u>1,564,367</u>	<u>889,702</u>

During 1987, the Company entered into a joint venture agreement ("the agreement") to build a block of flats on land owned by the Company. The agreement specified that both parties would retain equity shares in each unit of leasehold property which would be realised no later than five years from the date of sale of each unit. The equity shares allowed the joint venture partners to participate in the agreed values of the leasehold interests on sale and any subsequent increase in value if sold within five years of granting the lease. Thus the equity share debtor of £10,640 (2016 - £10,700) represents the amounts due to the Company, after provisions, in respect of its share in the total sale price of each unit of leasehold property.

**16. Creditors: Amounts falling due within one year**

	2017 £	2016 £
Trade creditors	1,190,981	1,092,521
Amounts owed to group undertakings	17,608,937	14,571,518
Other taxation and social security	194,680	156,084
Other creditors	452,513	755,612
Accruals and deferred income	1,617,939	1,624,612
	<u>21,065,050</u>	<u>18,200,347</u>

SOUTHEND UNITED FOOTBALL CLUB LIMITED (THE)

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017**

**17. Financial instruments**

	2017 £	2016 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	311,001	522,076
	<u>311,001</u>	<u>522,076</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(20,870,672)	(18,463,172)
	<u>(20,870,672)</u>	<u>(18,463,172)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors and accrued income.

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

**18. Deferred taxation**

An estimated deferred tax asset of £3,322,754 (2016 - £3,277,974) in respect of fixed assets and short term timing differences and losses has not been provided for, due to the uncertainty of sufficient profits in the foreseeable future.

**19. Share capital**

	2017 £	2016 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
677,952 Ordinary Shares shares of £0.25 each	<u>169,488</u>	<u>169,488</u>

**20. Contingent liabilities**

Under the terms of certain contracts for the transfer of players' registrations, future payments may be due, dependant on the future transfer value attained for certain players. It is not possible to quantify the maximum liability that could be payable. In addition, where payments due for player transfers cannot be accurately determined at the year end, only those amounts actually agreed have been included in these financial statements. Any subsequent amounts will be included when they have been agreed.

NOTES TO THE FINANCIAL STATEMENTS  
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**21. Pension commitments**

Eligible players are members of the Football League Limited Players Retirement Income Scheme. No employers contributions are made. The scheme is defined contribution in nature.

For administration & support employees the Company contributes towards a Pension Scheme. During the year contributions of £15,164 (2016 - £26,548) were made. At the year end £2,856 (2016 - £872) of outstanding contributions were included in other creditors.

**22. Commitments under operating leases**

Rentals are payable to the leaseholder on demand.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2017

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**23. Related party transactions**

DM Markscheffel is a Director of the Company. At the year end, the Company owed £116,699 (2016 - £116,699) to DM Markscheffel.

During the year G Lockett, a Director of the Company, continued his loan to Southend United Football Club Limited. At the year end the Company owed £259,809 (2016 - £259,809) in respect of the capital portion of this loan. The Company also owed G Lockett £57,810 (2016 - £57,810) at the year end. A sum of £11,250 (2016 - £11,250) was outstanding at the year end to SP Financial Management Limited, a company in which Gary Lockett has a controlling interest. Ticket sales of £256 (2016 - £842) were made during the year to SP Broker Services; a company in which Gary Lockett has a controlling interest.

F Van Wezel is a Director of the Company. At the year end the Company owed £nil (2016 - £240,000) in respect of the capital portion of the amount due to F Van Wezel. F Van Wezel had a controlling interest in Hi-Tec Sports plc for a portion of the year under review. During the year the Company made sponsorship and hospitality sales to Hi-Tec Sports plc of £20,712 and made ticket sales of £840 (2016 - £18,000 relating to sponsorship and hospitality and £36 relating to memorabilia) to Hi-Tec Sports plc. At the year end £nil (2016 - £36) was outstanding.

**South Eastern Leisure UK Limited**

South Eastern Leisure UK Limited ("SEL") is the direct parent undertaking. The amount owed to SEL group at the year end was £16,608,938 (2016 - £13,571,518). This amount is included in creditors falling due within one year. The Company leases the training ground and the Roots Hall ground from SEL. Rent is charged amounting to £450,000 (2016 - £400,000). A management charge amounting to £300,000 (2016 - £310,000) was also payable to the group. During the year, SEL group invoiced the Company £nil (2016 - £835,074) in relation to the building of the new stadium.

**Southend United Community and Education Trust**

G King is Chairman of Southend United Community and Education Trust. During the year the Company made sales of £24,331 (2016 - 16,164) to the Trust. In 2016 the Club assisted the Trust in processing some bookings; as a consequence some of the debtor payments went through the Club bank account which resulted in the Company being owed £890 by the Trust (2016 - Company owed £4,998).

**Mezcal Investments**

Mezcal Investments Limited owns 50% of SEL. In 2006 the Company received loans from Mezcal Investments Limited amounting to £1,000,000. At the year end £1,000,000 (2016 - £1,000,000) remained outstanding.

**24. Controlling party**

The immediate and ultimate parent company is South Eastern Leisure UK Limited. There is no ultimate controlling party in the current or the preceeding year.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.