

Southampton Football Club Limited

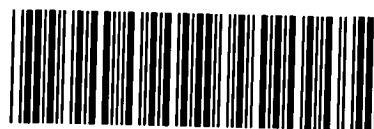
Report and Financial Statements

Year Ended

30 June 2016

Company Number 00053301

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Southampton Football Club Limited

Company Information

Directors	K Liebherr G Rogers L Reed
Company secretary	T A M Steele
Registered number	00053301
Registered office	St Mary's Stadium Britannia Road Southampton SO14 5FP
Independent auditors	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 For the Year Ended 30 June 2016

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2016.

Review of business and key performance indicators

Adoption of Financial Report Standard 102 (FRS 102)

The company has adopted FRS 102 in these financial statements. This adoption resulted in a restatement of the year ended 30 June 2015 Statement of Comprehensive Income and Statement of Financial Position for comparative purposes. Please refer to note 31 for the impact of FRS 102 adoption.

Financial overview

The directors are pleased to report another year of positive financial performance, achieving profit before interest and tax of £8.1m (2015: £16.5m) and Statement of Financial Position strengthening, with net assets increasing to £31.6m (2015: £26.6m as restated).

A summary of results is given below:

	2016 £000s	2015 (as restated) £000s
Turnover	121,092	110,619
Operating costs	(113,136)	(103,539)
Other operating income	4,349	-
Profit before player trading	12,305	8,457
Player trading	(4,215)	8,006
Profit before interest and tax	8,090	16,463

Football

The company's strategy remains to strengthen the first team playing squad in order to compete in multiple competitions whilst simultaneously strengthening the overall operation of the club, through investment in its non-playing staff and infrastructure. As demonstrated below, significant steps have again been made during the financial year to achieve this and the directors understand that continued success cannot be achieved without investment being made across all aspects of the club in order to support this strategy.

Continued investment – players

The club's recent on-field achievements are the result of noteworthy investment in the playing squad, not only in financial year 2016, but also since the club returned to the Premier League in financial year 2013. This investment strategy has resulted in a growing first team playing squad, providing greater depth and seeing record transfer fees paid. The number of players with international recognition at senior or U-21 level in the current first team squad is 23 versus 12 at the time of promotion to the Premier League.

Furthermore, the club has focused on establishing a core group of players on longer-term contracts, strengthening the outlook for future seasons. This was evidenced by thirteen first team player contract renewals occurring prior to or post the Statement of Financial Position date. Player remuneration grew by 4% in financial year 2016 compared to the prior year (from £64.7m to £67.2m) and is forecast to grow by a further 24% (to £83.6m) in financial year 2017.

Southampton Football Club Limited

Strategic Report (continued) For the Year Ended 30 June 2016

Player trading – historic and current

Since financial year 2014, transfer window activity has resulted in the company realising a profit upon disposal of players. From a cash flow perspective, not only has the company reinvested the proceeds into new players, it has also invested in player retention in the form of additional player remuneration and associated costs (e.g. agent fees) as evidenced by the increasing year on year player remuneration described above.

The table below shows the club's reinvestment in players over the last three seasons, and the forecast for the coming season, highlighting a net outflow in spending over that period:

Season	Player sales* £m (A)	Player purchases** £m (B)	Increase in player remuneration to prior year (C)	Net inflow/(outflow) (A-B-C)
2013-14	1.2	34.2	16.9	(49.9)
2014-15	85.3	73.4	12.7	(0.8)
2015-16	30.3	47.9	2.5	(20.1)
2016-17 (forecast)	58.3	64.7	16.3	(22.7)
Total	175.1	220.2	48.4	(93.5)

*net of sell on fees but including any contingent fees that have triggered from the point of sale to the Statement of Financial Position date

**includes contingent fees that have triggered from the point of purchase to the Statement of Financial Position date and future probable contingent fees

Despite this net outflow, the company is pleased that its external debt profile has decreased in financial year 2016 (2016: £46.0m, £2015: £46.6m).

Season 2015-16 review

As a consequence of the investment described above, a sixth placed finish was achieved in the 2015-16 Premier League season, the highest ever Premier League position and points (63) achieved by the club. This represents the fourth season of uninterrupted league position improvement since returning to the Premier League and the sixth season when including successive promotions from League One and the Championship. As a result of this sixth placed finish, the club automatically qualified for the group stages of the UEFA Europa League and in the 2016-17 season participated in the competition for the second successive season.

Financial impact of investments

The investment in the playing squad, both through new acquisitions and existing player contract renewals has assisted in strengthening the Statement of Financial Position. The net book value of intangible assets, being the capitalisation of the element of each player's transfer fee, which relates to their registration, increased from the prior year by £13.6m (2016: £84.9m, £2015: £71.3m). This has, however, increased the amortisation charge related to intangible assets by £3.2m compared to the prior year (2016: £31.0m, 2015: £27.8m).

Continued investment – football infrastructure

Football infrastructure investment and development has also been an area of focus for the company during the year. The club's medical science department is renowned worldwide and successfully reduced the number of days lost through injury in season 2015-16 compared to the prior season.

Southampton Football Club Limited

Strategic Report (continued) For the Year Ended 30 June 2016

Continued investment – Academy

The club recognises the long-term benefits of investing in its Academy and is pleased to see the significant contribution to both the club's first team and international teams from Academy graduates. This investment is a key pillar in the company's ongoing strategy.

Continued investment in the club's Academy means the talent pipeline remains strong and twelve players represented their country at international youth level during the 2015-16 season. The club had an average of 20 scholars across the 2015-16 season, which compares favourably with 17 in the previous season, demonstrating the club's continued commitment to strengthen its Academy. The U-21 development squad finished in sixth place in group 1 of the Premier League U-21 league in 2015-16.

Commercial activity

Another key driver of the success of the club has been the continued growth in its commercial activities, with commercial turnover increasing by £2.1m compared to the prior year, representing a 29% increase. The directors recognise the importance of income derived from commercial activities in order for the club to gain a competitive advantage over other clubs in the Premier League and enable continued investment in all areas of the company.

New sponsorship agreements have been entered into with Under Armour and Virgin Media for the 2016-17 season and beyond. Both sponsoring organisations demonstrate commitment to values in line with those of the company and the directors look forward to enhancing the club's brand in partnership with these, and other, club sponsors.

People

Investment and growth has not been confined to the company's football activities. During the year total company staff numbers increased 11% (2016: 300 employees, 2015: 270 employees) and the company anticipates further investment in staff numbers, in financial year 2017. This reiterates the company's commitment to strengthen all areas of the business, to support both footballing and commercial growth that sustains the overall objective of the first team playing squad competing in multiple competitions.

External achievements

Not only is the club proud of its on-field performance during the 2015-16 season, the directors were pleased to achieve external recognition during the year, most notably Investors in People accreditation and the Preliminary Level Equality Standard Award, as judged by the Premier League.

Further recognition came in the form of 22nd place in the 2016 Deloitte Money League (2015: 25th place), 17th place in the 2016 annual report on the world's most valuable football brands conducted by Brand Finance (2015: 18th place) and 38th in the 2016 Fast Track 100 fastest growing private companies (2015: 34th place).

Future Developments

Cup competitions

The club was able to put the disappointment of the early exit from the UEFA Europa League qualifying round in the 2015-16 season behind it, qualifying directly for the group stage of the tournament for the 2016-17 season. The club were disappointed to narrowly miss out on qualification from the group stage and is focusing its efforts for the remainder of the 2016/17 season in achieving qualification for this tournament for a third successive year.

The club is also pleased to have reached the EFL Cup final for the second time in its history.

Southampton Football Club Limited

Strategic Report (continued) For the Year Ended 30 June 2016

Youth development

The talent pipeline remains strong and the club remains focused upon its principles of developing young players and incorporating them into a successful first team squad. During season 2015-16, three Academy graduates represented the first team and twelve players represented their country at International Youth level. During the 2016-17 season, a further four Academy players established themselves in the first team squad.

Premier League 2

From the 2016-17 season, Premier League 2 is a new competition, which replaces the U-21 Premier League, with the age limit for players rising from U-21 to U-23. The club is competing in Division 1 of this new competition and, in addition, entered the EFL Trophy, giving the club's younger players the opportunity to gain experience and develop their skills against EFL clubs.

Training ground

With phases I and II of the Markus Liebherr Pavilion opening during the prior financial year, the company is now focussing on Phase III, which is anticipated to commence during financial year 2017.

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. Turnover, particularly that which is associated with broadcasting, and direct costs, are substantially higher in the Premier League and consequently, the club manages the impact of that risk through close control of its direct costs, relative to forecast income.

Liquidity risk

Net debt has decreased from £34.4m to £24.9m and gross debt also decreased marginally from £46.6m to £46.0m. Given the player investment made during the year, as highlighted above, the directors are pleased to see that debt levels have fallen, underlying the sound financial position of the company.


During the year the company had access to a £20m working capital facility, of which £15m was drawn down under the terms of the facility agreement at the Statement of Financial Position date (2015: £13.9m) and was repaid in August 2016. The directors continually assess the working capital needs of the company and a facility has been made available to the company for the 2016-17 season. Debt service costs remain manageable and robust plans are built into forecasts to reduce the level of debt in the medium and longer term.

The implications of the UK's referendum decision to leave the European Union are continually monitored by the directors. The club considers the liquidity impact of this decision to be manageable as a result of its foreign exchange strategy and natural hedges to mitigate Euro/Sterling exchange rate fluctuations.

Credit risk

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

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



G Rogers
Director

Date: 21/2/17

Southampton Football Club Limited

Directors' Report For the Year Ended 30 June 2016

The directors present their report and the financial statements for the year ended 30 June 2016.

Results and dividends

The profit for the year, after taxation, amounted to £4,972,000 (2015 – £12,257,000 as restated).

No dividend (2015 - £Nil) is proposed.

Directors

The directors who served during the year were:

K Liebherr
G Rogers
L Reed

Future developments

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

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. An internal newsletter, Team Talk, is distributed weekly to all employees, whilst 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.

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.

Disclosure of information to auditors

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

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

Southampton Football Club Limited

Directors' Report For the Year Ended 30 June 2016

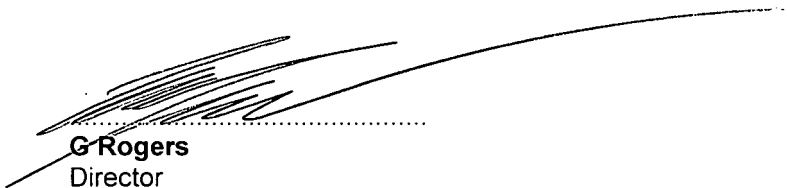
Post Statement of Financial Position events

A full description of the events after the Statement of Financial Position date is stated in note 29.

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:



G Rogers
Director

Date: 21/2/17

Southampton Football Club Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2016

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 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 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 Auditor's report to the member of Southampton Football Club Limited

We have audited the financial statements of Southampton Football Club Limited for the year ended 30 June 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member 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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of the 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.


Southampton Football Club Limited

Independent Auditor's report to the members of Southampton Football Club Limited

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the company's 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.



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

22/2/17

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 2016

	Note	Operations excluding player trading 2016 £000	Player trading* 2016 £000	Total 2016 £000	Restated Total 2015 £000
Turnover	3	121,092	-	121,092	110,619
Cost of sales		(104,493)	(31,031)	(135,524)	(130,884)
Gross profit/(loss)		16,599	(31,031)	(14,432)	(20,265)
Administrative expenses		(8,643)	(2,258)	(10,901)	(4,315)
Other operating income	4	4,349	-	4,349	-
Operating profit/(loss)	6	12,305	(33,289)	(20,984)	(24,580)
Profit on disposal of players		-	29,074	29,074	41,043
Profit/(loss) on ordinary activities before interest		12,305	(4,215)	8,090	16,463
Interest receivable and similar income	9	2,971	-	2,971	4,403
Interest payable and similar charges	10	(5,293)	-	(5,293)	(5,525)
Profit/(loss) on ordinary activities before taxation		9,983	(4,215)	5,768	15,341
Tax on profit/(loss) on ordinary activities	11	(796)	-	(796)	(3,084)
Profit/(loss) for the financial year		9,187	(4,215)	4,972	12,257
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		9,187	(4,215)	4,972	12,257

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


The notes on pages 15 to 37 form part of these financial statements.

Southampton Football Club Limited
Registered number:00053301

Statement of Financial Position
As at 30 June 2016

		2016 £000	2016 £000	Restated 2015 £000	Restated 2015 £000
Fixed assets					
Intangible assets	12		84,945		71,330
Tangible assets	13		3,164		3,499
			<u>88,109</u>		<u>74,829</u>
Current assets					
Stocks	14	450		646	
Debtors: amounts falling due after more than one year	16	3,770		22,865	
Debtors: amounts falling due within one year	16	61,742		49,979	
Cash at bank and in hand		21,051		12,682	
		<u>87,013</u>		<u>86,172</u>	
Creditors: amounts falling due within one year	17	(103,332)		(76,845)	
Net current (liabilities)/assets			<u>(16,319)</u>		<u>9,327</u>
			<u>71,790</u>		<u>84,156</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	18		(36,609)		(50,825)
Provisions for liabilities					
Other provisions	21		(3,568)		(6,690)
			<u>31,613</u>		<u>26,641</u>
Net assets			<u><u>31,613</u></u>		<u><u>26,641</u></u>
Capital and reserves					
Called up share capital	22		501		501
Other reserves	23		14,686		14,686
Profit and loss account	23		16,426		11,454
Equity attributable to owners of the parent company			<u><u>31,613</u></u>		<u><u>26,641</u></u>

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


.....
G Rogers
Director

Date: 21/2/17

The notes on pages 15 to 37 form part of these financial statements.

Southampton Football Club Limited

Statement of Changes in Equity For the Year Ended 30 June 2016

	Share capital £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
At 1 July 2014 as restated	501	14,686	(803)	14,384
Profit and total comprehensive income for the year	-	-	12,257	12,257
At 30 June 2015 as restated	501	14,686	11,454	26,641
Comprehensive income for the year				
Profit and total comprehensive income for the year	-	-	4,972	4,972
At 30 June 2016	501	14,686	16,426	31,613

The notes on pages 15 to 37 form part of these financial statements.

Southampton Football Club Limited

Notes to the Financial Statements For the Year Ended 30 June 2016

1. Accounting policies

1.1 Company information

Southampton Football Club Limited is a company incorporated in England & Wales under the Companies Act. 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.

1.2 Basis of preparation of financial statements

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

Information on the impact of first-time adoption of FRS 102 is given in note 31.

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 2).

The following principal accounting policies have been applied:

1.3 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;
- the requirements of Section 33 Related Party Disclosures paragraph 33.1A

This information is included in the consolidated financial statements of St Mary's Football Group Limited as at 30 June 2016 and these financial statements may be obtained from St Mary's Stadium, Britannia Road, Southampton, SO14 5FP.

1.4 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.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.5 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. Turnover from broadcasting income is recognised on a straight line basis. 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.

1.6 Intangible assets

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

1.7 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 profit or loss during the period in which they are incurred.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.7 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.

The estimated useful lives are as follows:

Motor vehicles	- between 4 and 5 years
Fixtures and fittings	- 5 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 'other operating income' in the Statement of Comprehensive Income.

1.8 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.

1.9 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.

1.10 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.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.11 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 accounts receivable and payable, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, in particular transfer fees payable and receivable are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company 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.

1.12 Creditors

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

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.13 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.

1.14 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.

1.15 Leased assets

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

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

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

1.16 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.

1.17 Interest income

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

1.18 Borrowing costs

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

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.19 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. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the Statement of Financial Position date, taking into account relevant risks and uncertainties.

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

1.20 Current and deferred taxation

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

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

1.21 Signing on fees

Signing on fees are charged to cost of sales in the accounting period in which the payment is due.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

1. Accounting policies (continued)

1.22 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

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

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

- determined whether there any indicators of impairment of player registrations that are held as intangible assets. Factors taken into consideration are whether the player is highly unlikely to play for the first team again, either through serious injury or other factors outside of the club's control.
- where such indicators exist, determined the net realisable value of the player registration. This is based on an agreed selling price in the event that the player has been transferred subsequent to the year end or, if there has been no such transfer, the best estimate of the disposal proceeds (less associated costs) based on recent player transactions.
- if a player is considered to be outside of the first team squad and highly unlikely to play for the first team again, management determine whether the contract is onerous and any associated provision required as a result of obligations at the Statement of Financial Position date. Such onerous contract provisions are estimated based on the unavoidable cost (least net cost) of exiting the contract.
- determined whether contingent liabilities exist in relation to contingent transfer fees payable. Management assess whether it is probable that the conditions will be met based on experience and the circumstances of the player concerned.

3. Turnover

	2016 £000	2015 £000
An analysis of turnover by class of business is as follows:		
Broadcasting	90,430	84,175
Match day	18,882	18,297
Commercial	9,197	7,142
Other	2,583	1,005
	<u>121,092</u>	<u>110,619</u>

All turnover arose within the United Kingdom.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

4. Other income

Other operating income represents compensation fees receivable.

5. Exceptional items

	2016 £000	2015 £000
Impairment of player registrations	-	6,612
Cost of onerous and cancelled contracts	-	8,280
	<u>-</u>	<u>14,892</u>

6. Operating profit/(loss)

	2016 £000	Restated 2015 £000
The operating profit/(loss) is stated after charging:		
Depreciation of tangible fixed assets	1,224	1,226
Amortisation of intangible assets, including goodwill	31,031	27,848
Impairment of intangible assets	-	6,612
Other operating lease rentals	179	190
Defined contribution pension cost	690	276
	<u></u>	<u></u>
The operating profit/(loss) is stated after crediting:		
Profit on disposal of tangible fixed assets	(13)	(3)
Foreign exchange gains	(2,258)	(1,474)
	<u></u>	<u></u>

The auditors were 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 £36,000 (2015 - £33,000).

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

7. Employees

	2016 £000	2015 £000
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	71,839	68,191
Social security costs	9,680	9,115
Cost of defined contribution pension scheme	690	276
	<u>82,209</u>	<u>77,582</u>

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

	2016 Number	2015 Number
Administrative	87	79
Football	213	191
	<u>300</u>	<u>270</u>

In addition the company employs approximately 239 temporary staff on match days (2015 - 348).

8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	955	977
Company contributions to defined contribution pension schemes	96	92
Compensation for loss of office	-	52
	<u>1,051</u>	<u>1,121</u>

There were 2 directors in the company's defined contribution pension scheme during the year (2015: 3). The total amount payable to the highest paid director in respect of emoluments was £539,000 (2015: £512,000). Company pension contributions of £66,000 (2015: £54,000) were made to a defined contribution scheme on their behalf.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

9. Interest receivable and similar income

	2016 £000	Restated 2015 £000
Bank interest receivable	93	118
Imputed interest charge on transfer fees receivable	2,878	4,285
	<u>2,971</u>	<u>4,403</u>

10. Interest payable and similar charges

	2016 £000	Restated 2015 £000
Other interest payable	2,421	2,720
Finance leases and hire purchase contracts	2	1
Imputed interest charge on transfer fees payable	2,870	2,804
	<u>5,293</u>	<u>5,525</u>

11. Taxation

	2016 £000	2015 £000
Deferred tax		
Origination and reversal of timing differences	1,385	3,052
Adjustment in respect of previous periods	(589)	32
	<u>796</u>	<u>3,084</u>
Total deferred tax charge		

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

11. Taxation (*continued*)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	5,768	15,341
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.75%)	1,154	3,183
Effects of:		
Non-tax deductible depreciation	46	17
Expenses not deductible for tax purposes	2	7
Adjustments to tax charge in respect of prior periods (deferred tax)	(589)	11
Deferred tax not recognised	42	(111)
Effect of rate change	89	-
Group relief surrendered/claimed	52	(23)
Total tax charge for the year	796	3,084

Factors that may affect future tax charges

There are no factors that may affect future tax charges.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

12. Intangible assets

	Player registrations £000
Cost or valuation	
At 1 July 2015 as restated	128,014
Additions	50,332
Disposals	(33,564)
	<hr/>
At 30 June 2016	144,782
	<hr/>
Amortisation	
At 1 July 2015 as restated	56,684
Charge for the year	31,031
On disposals	(27,878)
	<hr/>
At 30 June 2016	59,837
	<hr/>
Net book value	
At 30 June 2016	84,945
	<hr/>
At 30 June 2015 as restated	71,330
	<hr/>

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

13. Tangible fixed assets

	Motor vehicles £000	Fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 July 2015	125	7,319	-	7,444
Additions	-	459	473	932
Disposals	(89)	(9)	-	(98)
At 30 June 2016	36	7,769	473	8,278
Depreciation				
At 1 July 2015	75	3,870	-	3,945
Charge for the year	7	1,217	-	1,224
Disposals	(46)	(9)	-	(55)
At 30 June 2016	36	5,078	-	5,114
Net book value				
At 30 June 2016	-	2,691	473	3,164
At 30 June 2015	50	3,449	-	3,499

The net book value of tangible fixed assets includes an amount of £663,000 (2015: £935,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £221,000 (2015: £243,000).

14. Stocks

	2016 £000	2015 £000
Goods for resale	450	646

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 (continued) For the Year Ended 30 June 2016

15. Deferred taxation

	Deferred tax £000
At 1 July 2015	1,588
Charged to the statement of comprehensive income	(796)
	<hr/>
At 30 June 2016	792
	<hr/>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
(Decelerated)/accelerated capital allowances	35	9
Unutilised losses	7,291	1,060
Short term timing differences	95	519
Gains rolled over	(6,629)	-
	<hr/>	<hr/>
	792	1,588
	<hr/>	<hr/>

16. Debtors

	2016 £000	Restated 2015 £000
Due after more than one year		
Transfer fees receivable	3,770	22,865
	<hr/>	<hr/>
Due within one year		
Trade debtors	4,090	2,406
Amounts owed by group undertakings	12,848	13,844
Other debtors	125	281
Prepayments and accrued income	4,934	2,109
Deferred taxation	792	1,588
Transfer fees receivable	38,953	29,751
	<hr/>	<hr/>
	61,742	49,979
	<hr/>	<hr/>

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

17. Creditors: amounts falling due within one year

	2016 £000	Restated 2015 £000
Shareholder loan	11,000	1,700
Other loans	15,000	13,941
Transfer fees payable	42,779	21,742
Trade creditors	1,750	4,164
Amounts owed to group undertakings	1,882	1,719
Taxation and social security	6,325	3,849
Obligations under finance lease and hire purchase contracts	200	390
Other creditors	1,843	1,975
Accruals and deferred income	22,553	27,365
	<u>103,332</u>	<u>76,845</u>

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

	2016 £000	Restated 2015 £000
Shareholder loan	20,000	31,000
Obligations under finance lease and hire purchase contracts	-	205
Transfer fees payable	16,363	19,288
Accruals and deferred income	246	332
	<u>36,609</u>	<u>50,825</u>

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

19. Loans and overdrafts

Analysis of the maturity of loans is given below:

	2016 £000	2015 £000
Amounts falling due within one year		
Other loans	15,000	13,941
Shareholder loans	11,000	1,700
	<u>26,000</u>	<u>15,641</u>
Amounts falling due 1-2 years		
Shareholder loans	<u>9,000</u>	<u>9,000</u>
Amounts falling due 2-5 years		
Shareholder loans	<u>11,000</u>	<u>22,000</u>

A loan of £15,000,000 (2015: £13,941,000) is repayable on demand at an annual interest rate of 5% (2015: 8%). This loan has been repaid in full since the Statement of Financial Position date.

A loan of £31,000,000 (2015: £32,700,000) is repayable over 3 (2015: 4) years at an annual interest rate of 5% (2015: 5%).

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

20. Hire purchase and finance leases

	2016 £000	2015 £000
Minimum lease payments under hire purchase fall due as follows:		
Within one year	200	390
Between 1-2 years	-	205
	<u>200</u>	<u>595</u>

21. Provisions for liabilities

	Contingent liabilities £000	Provisions for other costs £000	Total £000
At 1 July 2015	2,667	4,023	6,690
Arising in the year	4,599	-	4,599
Utilised in year	(3,698)	(4,023)	(7,721)
	<u>3,568</u>	<u>-</u>	<u>3,568</u>
At 30 June 2016	3,568	-	3,568

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

22. Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
501,000 Ordinary shares of £1 each	<u>501</u>	<u>501</u>

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

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.

Profit and loss account

Profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

24. Pensions

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

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

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

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

The results of the 2014 valuation were rolled forward to 30 June 2016 on the same assumptions as detailed above, and the club's notional share of the deficit was £276,000 (£349,000 as at 30 June 2015).

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

As at 30 June 2016, based on an appropriate discount rate of 1.29% per annum, the present value of the club's outstanding contributions (i.e. their future liability) is £344,000. This amounts to £98,000 (2015: £98,000) due within one year and £246,000 (2015: £332,000) due after more than one year and is included within other payables.

A financial cost of £10,000 (2015: £13,000) is made to the Statement of Comprehensive Income during the year, representing the interest cost on the outstanding deficit of the Scheme.

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

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

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

25. Contingent liabilities

Excluding items already provided in the Statement of Financial Position, at 30 June 2016 Southampton Football Club had a liability to pay up to £9,647,000 (2015: £5,125,000) to other clubs in respect of players under contract, dependent upon the number of first team appearances, goals scored and international debuts made.

At 30 June 2016 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 2016 the Company had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	1,413	-

27. Commitments under operating leases

At 30 June 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Operating leases which expire:		
Within 1 year	167	185
In two to five years	79	246
	246	431

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

28. Related party transactions

The company has loan notes of £31,000,000 (2015: £32,700,000) in issue to the ultimate controlling party at the year end. Interest accrued at 30 June 2016 amounted to £412,000 (2015: £1,601,000). Interest was charged on the loan of £1,639,000 (2015: £1,601,000) and is included in other interest payable.

The company is a wholly owned subsidiary of St Mary's Football Group Limited and has taken advantage of the exemption conferred by Section 33.1A of FRS102 "Related Party Disclosures" not to disclose transactions with St Mary's Football Group Limited or other wholly owned subsidiaries within the group.

29. Post Statement of Financial Position events

Since the year end the Company has entered into the sale and purchase of players with net transactions amounting to £6,081,000 receivable (2015: £2,834,000) payable.

Since the Statement of Financial Position date, the Company has incorporated a wholly-owned subsidiary, Southampton Football Club (North America) Inc. in the USA.

30. Ultimate parent company and parent undertaking of larger group

The company is a subsidiary of St Mary's Football Group Limited which is the ultimate parent company incorporated in Great Britain. The ultimate controlling party is K Liebherr.

The largest and 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 are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. No other group accounts include the results of the company.

Southampton Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2016 (continued)

31. First time adoption of FRS 102

	As previously stated 1 July 2014 £000	Effect of transition 1 July 2014 £000	FRS 102 (as restated) 1 July 2014 £000	As previously stated 30 June 2015 £000	Effect of transition 30 June 2015 £000	FRS 102 (as restated) 30 June 2015 £000
Fixed assets	45,142	(2,090)	43,052	78,713	(3,884)	74,829
Current assets	81,423	(2,863)	78,560	88,355	(2,183)	86,172
Creditors: amounts falling due within one year	(87,994)	525	(87,469)	(77,550)	705	(76,845)
Net current (liabilities)/assets	(6,571)	(2,338)	(8,909)	10,805	(1,478)	9,327
Total assets less current liabilities						
Creditors: amounts falling due after more than one year	(19,597)	493	(19,104)	(52,357)	1,532	(50,825)
Provisions for liabilities	(655)	-	(655)	(6,690)	-	(6,690)
Net assets	18,319	(3,935)	14,384	30,471	(3,830)	26,641
Capital and reserves	18,319	(3,935)	14,384	30,471	(3,830)	26,641

Southampton Football Club Limited

Notes to the Financial Statements (continued) For the Year Ended 30 June 2016

31. First time adoption of FRS 102 (continued)

	As previously stated 30 June 2015 £000	Effect of transition 30 June £000	FRS 102 (as restated) 30 June 2015 £000
Turnover	110,619	-	110,619
Cost of sales	(132,564)	1,680	(130,884)
Gross loss	(21,945)	1,680	(20,265)
Administrative expenses	(4,315)	-	(4,315)
Other operating income	44,099	(3,056)	41,043
Operating profit	17,839	(1,376)	16,463
Interest receivable and similar income	118	4,285	4,403
Interest payable and similar charges	(2,721)	(2,804)	(5,525)
Taxation	(3,084)	-	(3,084)
Profit on ordinary activities after taxation and for the financial year	12,152	105	12,257

Explanation of changes to previously reported profit and equity:

The FRS 102 transition adjustments relate to the recognition of transfer fees payable and receivable at present value, based on the prevailing market rate at the transaction date, where there are deferred payment terms and no interest is charged. Accordingly, the fair value of intangible assets and relevant amortisation are adjusted accordingly.

Interest payable and receivable is respectively imputed from the transaction date to the point that the fee is settled.