

Stoke City Football Club Limited

REPORT AND FINANCIAL STATEMENTS

31 May 2017



Company Registration No. 00099885

Stoke City Football Club Limited

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Stoke City Football Club Limited

DIRECTORS AND ADVISOR

DIRECTORS

P Coates – Chairman
J Coates – Vice Chairman
A Scholes
R Smith

CHIEF EXECUTIVE

A Scholes

SECRETARY

J Pelling

MANAGER

M Hughes

REGISTERED OFFICE

bet365 Stadium
Stanley Matthews Way
Stoke-on-Trent
Staffordshire
ST4 4EG

AUDITOR

RSM UK Audit LLP
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

Stoke City Football Club Limited

STRATEGIC REPORT

The Directors have pleasure in submitting their Strategic Report for Stoke City Football Club Limited for the year ended 31 May 2017.

BUSINESS/FINANCIAL REVIEW

The year ended 31 May 2017 represented the ninth consecutive season of Premier League football at the bet365 Stadium. A thirteenth place finish at the end of the 2016/17 season ensures the Club will play a tenth consecutive year in the top league during the 2017/18 season.

The Club's Key Performance Indicators are summarised in the table below:-

	2017	2016
Average league attendance	27,434	27,534
Final league position	13 th	9 th
	£000's	£000's
Turnover	135,954	104,169
Operating expenses	(134,798)	(116,566)
Profit/(loss) before player trading/fixed asset disposals	1,156	(12,397)
Player trading/disposal of fixed assets profit	3,748	14,352
Profit before interest and tax	4,904	1,955

The Club has had another year in the top-flight of English football under manager Mark Hughes, and anticipates another successful campaign in the 2017/18 season.

Season 2016/17 represented the first year of the latest Premier League Broadcasting contract. The Club's turnover increase (30.5%) shown above derives principally from this source as further demonstrated in note 2 to the accounts.

The staff costs: turnover ratio has decreased from 79% in 2015/16 to 62% in 2016/17 as the Directors have maintained control over spending.

However, investment in the playing squad during the year continued and was £35.9m (2016: £51.4m), which included the purchases of Joe Allen, Ramadan Sobhi, Lee Grant and Saido Berahino.

Operating expenses increased by £18.2m in the year with one of the main contributors to this increase being the player registration amortisation charge. This cost alone increased by £5.7m reflecting the continuing investment in the playing squad noted above.

Net liabilities have decreased to £18.8m (2016: £22.4m). The principal indebtedness, £75.7m (2016: £59.5m), was to the parent Company, Stoke City Holdings Limited, which charged no interest and has confirmed to the Directors that it will continue to support the Company. The Company is deemed to be a going concern due to the ongoing support of Stoke City Holdings Limited and its ultimate parent company, bet365 Group Limited.

RISKS AND UNCERTAINTIES

The Football Club's main risks and uncertainties centre around the ability to acquire, train and develop players to a sufficient standard to retain and improve its position in the Premier League, together with any rise or fall in the valuation of these players.

Risks are periodically reviewed by the Directors and appropriate processes and procedures are in place to monitor and mitigate them.

Stoke City Football Club Limited

STRATEGIC REPORT

These areas include compliance with football financial regulations and the recruitment and retention of key employees.

FOOTBALL FINANCIAL REGULATIONS

Continued membership of, and finishing position in, the Premier League have a highly significant impact on the Club's revenue streams and cash generation abilities. In common with all Premier League Clubs, the Club is annually assessed by the Premier League and UEFA for its compliance with financial regulations such as Financial Fair Play, Short Term Cost Controls and the Profitability and Sustainability Regulations. The Directors acknowledge these risks and accordingly make prudent budget assumptions with regards to football performance that can impact on revenue generation such as finishing position in the League in addition to Cup runs.

The Directors review the Club's compliance with these financial regulations at the time of setting budgets and regularly throughout the football season.

EMPLOYEES

Variations in the Club's financial results significantly depend on the performance of the Club's first team. The Club has well resourced recruitment and analysis departments to enable it to mitigate this risk and to be successful in this area. The Club operates a system of performance related pay for key personnel to support this strategy and mitigate this risk.

FINANCIAL INSTRUMENTS

The significant financial risks and exposures to the Company are in respect of liquidity and pricing and their effect on cashflow.

The board manages these risks in order to minimise any adverse effects on the Company.

Price

The board meets several months prior to the start of the season to consider the pricing levels of season and matchday tickets, which is evaluated considering both the impact on the loyal fan base and requirements of the Club. All other key decisions with regard to significant corporate sponsorships are also considered by the board.

Liquidity

The Company's policy is to have committed facilities from both the bank and its parent Company to satisfy working capital requirements in the near to medium term.

Stoke City Football Club Limited

STRATEGIC REPORT

FINANCIAL INSTRUMENTS (Continued)

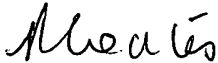
Cash flow

Cash flow levels are continually monitored and reviewed to cover any foreseeable funding requirements with an allowance for unforeseen events.

Credit

Minimal credit is given by the Club, with the majority of sales being on a cash or cash equivalent basis. Season ticket sales with payment terms have been allowed and are offset by the Company to a third party. Any risk of bad debts is mitigated by thorough credit control procedures and close monitoring of the receipts each month. Payment terms are given to other clubs based on contracts and these are closely monitored and managed appropriately by the Club.

By order of the board



P Coates
Director

bet365 Stadium
Stanley Matthews Way
Stoke-on-Trent
Staffordshire
ST4 4EG

12 October 2017

Stoke City Football Club Limited

DIRECTORS' REPORT

The Directors submit their report and the financial statements of Stoke City Football Club Limited for the year ended 31 May 2017.

The Directors have now disclosed the Financial Instruments section of the Directors' Report within the Strategic Report on page 2.

PRINCIPAL ACTIVITIES

The principal activity is that of a professional football club.

RESULTS AND DIVIDENDS

The profit for the year amounted to £3.57m (2016: £2.055m). The Directors do not recommend the payment of preference or ordinary share dividends (2016: £nil).

DIRECTORS

The following Directors have held office since 1 June 2016:

P Coates – Chairman
J Coates – Vice Chairman
A Scholes
R Smith

EMPLOYEES

It is the Company's policy that disabled persons should have the same consideration as others for all job vacancies for which they apply as suitable candidates and, depending entirely on their skills and abilities, they have the same opportunity for training, career development and promotion as other employees. Attention is paid to the training and other needs of persons who become disabled whilst in the Company's employment.

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company. This is achieved through formal team briefings and informal meetings.

POST BALANCE SHEET EVENTS

Details of post balance sheet events have been disclosed in note 19 of the accounts.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Stoke City Football Club Limited

DIRECTORS' REPORT

AUDITOR

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

By order of the board



P Coates
Director

bet365 Stadium
Stanley Matthews Way
Stoke-on-Trent
Staffordshire
ST4 4EG

12 October 2017

Stoke City Football Club Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STOKE CITY FOOTBALL CLUB LIMITED

Opinion on financial statements

We have audited the financial statements on pages 8 to 26. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter 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 and, based on the work undertaken in the course of our audit, 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 any material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, 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 (APB's) Ethical Standards for Auditors.

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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

ANNE LAKIN (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Festival Way
Stoke-on-Trent
Staffordshire
ST1 5BB

16 October

2017

Stoke City Football Club Limited
STATEMENT OF TOTAL INCOME AND RETAINED EARNINGS
For the year ended 31 May 2017

	Note	Operations excluding player trading £000	2017 Player trading (note 6) £000	Total £000	2016 £000
TURNOVER	2	135,954	-	135,954	104,169
Operating expenses		(111,140)	(23,658)	(134,798)	(116,566)
		<u>24,814</u>	<u>(23,658)</u>	<u>1,156</u>	<u>(12,397)</u>
Profit on disposal of players' registrations	6	-	3,728	3,728	14,333
Profit on disposal of fixed assets		20	-	20	19
		<u>24,834</u>	<u>(19,930)</u>	<u>4,904</u>	<u>1,955</u>
OPERATING PROFIT	4	24,834	(19,930)	4,904	1,955
Interest receivable and similar income	3	41	-	41	100
		<u>24,875</u>	<u>(19,930)</u>	<u>4,945</u>	<u>2,055</u>
PROFIT BEFORE TAXATION	2-6	24,875	(19,930)	4,945	2,055
Taxation	7	(1,371)	-	(1,371)	-
		<u>23,504</u>	<u>(19,930)</u>	<u>3,574</u>	<u>2,055</u>
PROFIT AFTER TAX AND PROFIT FOR THE FINANCIAL YEAR					
RETAINED EARNINGS AT 1 JUNE				(58,787)	(60,842)
RETAINED EARNINGS AT 31 MAY				(55,213)	(58,787)

Stoke City Football Club Limited
STATEMENT OF FINANCIAL POSITION
At 31 May 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Intangible assets	8	58,482	46,371
Tangible assets	9	671	688
		<u>59,153</u>	<u>47,059</u>
CURRENT ASSETS			
Stocks	10	553	388
Debtors	11	37,327	33,429
Cash at bank and in hand		12,449	12,779
		<u>50,329</u>	<u>46,596</u>
CREDITORS: Amounts falling due within one year	12	<u>(128,149)</u>	<u>(115,869)</u>
NET CURRENT LIABILITIES		<u>(77,820)</u>	<u>(69,273)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(18,667)</u>	<u>(22,214)</u>
CREDITORS: Amounts falling due after more than one year	13	(1)	(1)
PROVISIONS FOR LIABILITIES	14	(124)	(151)
NET LIABILITIES		<u>(18,792)</u>	<u>(22,366)</u>
CAPITAL AND RESERVES			
Called up share capital	15	35,842	35,842
Share premium account		579	579
Profit and loss reserve		(55,213)	(58,787)
TOTAL EQUITY		<u>(18,792)</u>	<u>(22,366)</u>

The financial statements on pages 8 to 26 were approved by the board of Directors and authorised for issue on 12 October 2017 and are signed on its behalf by:



P Coates
Director

Company Registration No.00099885

Stoke City Football Club Limited

STATEMENT OF CASH FLOWS

For the year ended 31 May 2017

	Note	2017 £'000	2016 £'000
OPERATING ACTIVITIES			
Cash generated from operations	16	15,121	22,331
Income taxes paid		(770)	-
NET CASH FROM OPERATING ACTIVITIES		14,351	22,331
INVESTING ACTIVITIES			
Interest received		41	100
Purchase of intangible fixed assets		(34,537)	(51,388)
Proceeds from disposal of intangible fixed assets		3,896	15,842
Purchase of tangible fixed assets		(323)	(330)
Proceeds from disposal of tangible fixed assets		42	19
NET CASH USED IN INVESTING ACTIVITIES		(30,881)	(35,757)
FINANCING ACTIVITIES			
Group loans received		16,200	-
NET CASH FROM OPERATING ACTIVITIES		16,200	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		(330)	(13,426)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		12,779	26,205
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,449	12,779

Stoke City Football Club Limited

ACCOUNTING POLICIES

GENERAL INFORMATION

Stoke City Football Club Limited ("the Company") is a private company limited by shares and is registered and domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is bet365 Stadium, Stanley Matthews Way, Stoke-on-Trent, Staffordshire, ST4 4EG.

The Company's principal activity and nature of its operations is that of a professional football club.

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000.

REDUCED DISCLOSURES

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements:

- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts of financial instrument held at amortised cost or cost.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Company are consolidated in the financial statements of bet365 Group Limited. Details of where these accounts are available have been disclosed in note 21.

GOING CONCERN

The Company prepares detailed forecasts each financial year taking into account the risks and uncertainties as detailed in the Strategic Report. These forecasts a requirement for the need of Group support for the short to medium term.

The financial statements therefore have been prepared on a going concern basis as bet365 Group Limited and Stoke City Holdings Limited have agreed to continue to support the Company's funding requirements to enable the Company to meet its obligations as they fall due for 12 months from the date of signing these financial statements. As a result of this undertaking, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The financial statements are presented in sterling which is also the functional currency of the Company.

FOREIGN CURRENCIES

Transactions in currencies other than the functional currency are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to the profit and loss.

Stoke City Football Club Limited

ACCOUNTING POLICIES

TURNOVER

Turnover, exclusive of value added tax, comprises net match receipts and Premier League receipts and other income arising from the Club's activities. Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled. Revenue received from the Premier League is recognised in full in the financial statements in the relevant season. This is in accordance with the Premier League guidelines on income recognition. Performance related rewards are not recognised until achieved by the Club, as the income cannot be assumed with certainty.

OTHER INCOME

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

INTANGIBLE FIXED ASSETS

The third party costs associated with the acquisition of the players' registrations and coaching staff are capitalised and amortised on a straight line basis over the period of their respective contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such event will occur. Provision for the impairment of registrations is made when it becomes clear that any diminution in value is permanent. No amounts are included for players developed within the Club.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision from impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Short leasehold land and buildings	-	6.7 – 20% per annum straight line
Plant and equipment	-	8 – 33% per annum straight line
Motor vehicles	-	25% per annum straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal for the asset as if it were at the age and in the condition expected at the end of its useful life.

DEFERRED INCOME

Deferred income consists of season tickets, sponsorship and other elements of income which have been received prior to the year end in respect of future football seasons. Deferred income is released to profit or loss account over the period to which the income relates.

STOCKS

Stocks are valued at the lower of cost and estimated selling price less costs to sell. Cost is determined using the first in, first out cost basis.

At each reporting date, the Company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

SIGNING ON FEES AND LOYALTY BONUSES

The board consider that signing on fees represent a normal part of the employment cost of the player and as such should be charged to the profit and loss account evenly over the period of the player's contract. At the time of a player disposal any excess signing on fees accrued or paid but not recognised are allocated in full against the profit on disposal of players' registrations in the year in which the player disposal is made.

Loyalty bonuses are recognised as an expense when all the conditions relating to the loyalty bonus are met.

Stoke City Football Club Limited

ACCOUNTING POLICIES

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

LEASES

All leases are operating leases and the annual rentals are charged to profit or loss on a straight line basis over the lease term.

COMPENSATED ABSENCES

Accumulated compensated absences accrual arises when employees render services that give rise to their entitlement to future compensated absences that have not been taken at the period end. The cost accrued is the amount that would be expected to be paid as a result of the unused entitlement.

RETIREMENT BENEFITS

Certain employees of the Club participate in the Football League Limited Pension and Life Assurance Scheme and the Football League Limited Players' Benefit Scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League. The Club makes contributions to the schemes in accordance with the recommendations of the actuaries to the schemes.

The Club is one of a number of participating employers in the schemes and it is not possible to allocate part of any actuarial rights or deficit owing to the Club's employees only their share of contributions payable to the scheme. Consequently, contributions paid in the period and any movement in the club's share of contributions, net of payments made are charged to the profit or loss. The differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Club's share of future contributions to be paid to the scheme, as advised by the actuary, is recognised as a provision in the financial statements.

Contributions are also paid to individuals' money purchase pension schemes. The contributions are charged to the profit or loss in the period in which they become payable. The assets of all the pension schemes are held separately from those of the Club in independently administered funds.

Stoke City Football Club Limited

ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors, group balances and other debtors

Trade debtors, group and other debtors which are receivable within one year are initially measured at the transaction price. The debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtor, group and other debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Debtors are stated net of a provision of £801,000 (2016: £418,000).

Financial liabilities or equity instruments

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

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Preference shares

Dividends on preference shares classified as liabilities are presented within interest payable and similar charges.

Trade creditors, group balances and other creditors

Trade, group and other creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

RESERVES

Share Premium

Consideration for shares issued above their nominal value net of transaction costs.

Profit and loss account

Cumulative profit and loss net of distribution to owners.

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates, Judgements and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Directors consider there are estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year have been considered below:

Player impairment

Player impairment is considered annually by the Directors. The Directors consider it inappropriate to determine a value in use by an individual player, but to consider the first team squad players as a whole, considering the operations as a cash generating unit. In certain circumstances there may be an individual player deemed to not be part of the first team squad. These are assessed individually based on factors such as expected future sales value, using management's best estimate.

2 TURNOVER

Turnover, all of which arises from the Company's principal activity and derived solely from the United Kingdom, can be analysed into its main components as follows:

	2017 £000	2016 £000
Gate receipts	7,162	8,420
Sponsorship and advertising	11,014	8,874
Television and media	108,717	79,471
Conferencing and hospitality	3,317	3,584
Other operating income	5,744	3,820
	<hr/>	<hr/>
	135,954	104,169
	<hr/>	<hr/>

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £000	2016 £000
Bank interest	41	100
	<hr/>	<hr/>

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

4 PROFIT BEFORE TAXATION

	2017 £000	2016 £000
Profit before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets:		
Charge for the year:		
Owned assets	318	280
Amortisation of intangible fixed assets	23,277	17,578
Impairment of player registrations	381	138
Operating lease rentals:		
Land and buildings	2,042	1,146
Exchange losses	2,092	519
Profit on disposal of fixed assets	(20)	(19)
Stock:		
- Amounts expensed to operating expenses	1,554	947
- Reversal of stock impairment provision	-	(91)
	<hr/>	<hr/>
Audit services:		
Statutory audit	19	20
Audit-related assurance services	8	8
Other services:		
Taxation compliance services	3	4
Taxation advisory services	5	5
All other non-audit services	1	2
	<hr/>	<hr/>
	36	39
	<hr/>	<hr/>

5 EMPLOYEES

	2017 Number	2016 Number
The average monthly number of persons (including Directors) employed by the Company during the year was:		
Full time playing staff and scholars	68	67
Other	224	223
	<hr/>	<hr/>
	292	290
	<hr/>	<hr/>

In addition to the above the Company employed an average of 65 (2016: 71) match-day staff during the year.

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

5 EMPLOYEES (continued)

	2017 £000	2016 £000
Staff costs for the above persons:		
Wages and salaries	74,241	72,149
Social security costs	10,401	9,900
Other pension costs	244	244
	<u>84,886</u>	<u>82,293</u>

DIRECTORS' REMUNERATION AND HIGHEST PAID DIRECTOR	2017 £000	2016 £000
Emoluments	792	865
Pension fund contributions	14	69
	<u>806</u>	<u>934</u>

The number of Directors to whom relevant benefits are accruing under money purchase pension schemes was 1 (2016: 1).

The remuneration of the other Directors is paid by Hillside (Shared Services) Limited and bet365 Group Limited and is disclosed in the financial statements of those Companies.

6 PLAYER TRADING

	2017 £000	2016 £000
Amortisation and impairment of intangible fixed assets	(23,658)	(17,716)
Profit on disposal of players' registrations	3,728	14,333
	<u>(19,930)</u>	<u>(3,383)</u>

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

7 TAXATION

	2017 £000	2016 £000
Current tax:		
UK corporation tax on profits of the period	1,076	-
	<u>1,076</u>	<u>-</u>
Deferred taxation:		
Origination and reversal of timing differences	(114)	715
Adjustments in respect of previous periods	409	(715)
	<u>295</u>	<u>-</u>
Tax on profit of ordinary activities	<u>1,371</u>	<u>-</u>
Factors affecting tax charge for the year:	2017 £000	2016 £000
The tax assessed for the year is higher (2016: lower) than the standard rate of corporation tax in the UK 20% (2016: 20%). The differences are explained below:		
Profit before taxation	4,945	2,055
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 20% (2016: 20%)	989	411
Effects of:		
Expenses not deductible for tax purposes	3	8
Non-taxable income	(41)	(44)
Rate differences on deferred tax	11	-
Losses group relieved	-	360
Unprovided deferred tax	-	(20)
Adjustments in respect of prior periods	409	(715)
Total tax charge for the year	<u>1,371</u>	<u>-</u>

In the prior year deferred tax assets of £0.05m relating to tax losses, £0.10m relating to fixed asset timing differences and £0.03m relating to other timing differences were not recognised as a result of uncertainty over future levels of profitability.

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

8	INTANGIBLE FIXED ASSETS	Players' registrations £000
	<i>Cost</i>	
	At beginning of year	104,505
	Additions	35,937
	Disposals	(7,082)
	At end of year	133,360
	<i>Amortisation</i>	
	At beginning of year	58,134
	Charge for year	23,277
	Impairment	381
	Disposals	(6,914)
	At end of year	74,878
	<i>Carrying amount</i>	
	At 31 May 2017	58,482
	At 31 May 2016	46,371

The amortisation charge for the year is recognised within operating expenses.

The carrying amount of £58,482,000 (2016: £46,371,000) has a remaining amortisation period of up to 5 years (2016: up to 5 years).

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

9	TANGIBLE FIXED ASSETS			
		Short leasehold land and buildings £000	Plant, equipment and motor vehicles £000	Total £000
	<i>Cost</i>			
	At beginning of year	1,030	1,663	2,693
	Additions	28	295	323
	Disposals	-	(138)	(138)
	At end of year	1,058	1,820	2,878
	<i>Depreciation</i>			
	At beginning of year	800	1,205	2,005
	Charge for year	29	289	318
	On disposals	-	(116)	(116)
	At end of year	829	1,378	2,207
	<i>Carrying amount</i>			
	At 31 May 2017	229	442	671
	At 31 May 2016	230	458	688
10	STOCKS			
			2017 £000	2016 £000
	Goods for resale		553	388

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

11 DEBTORS

	2017	2016
	£000	£000
<i>Due within one year:</i>		
Trade debtors	4,401	9,604
Other debtors	210	71
Prepayments and accrued income	9,781	8,081
Amounts owed by Group undertakings	22,935	15,673
	<u>37,327</u>	<u>33,429</u>

Although repayable on demand the Company has confirmed it will only request repayment of the amounts owed by group undertakings when the undertaking has resources to repay the debt.

12 CREDITORS: Amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	20,087	19,040
Amounts owed to Group undertakings	75,658	59,478
Corporation tax	306	-
Other taxation and social security costs	6,807	8,286
Other creditors	15	5
Accruals and deferred income	24,981	29,060
	<u>128,149</u>	<u>115,869</u>

13 CREDITORS: Amounts falling due after more than one year

	2017	2016
	£000	£000
Preference shares of £1 each (see note 15)	1	1
	<u>1</u>	<u>1</u>

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

14 PROVISIONS FOR LIABILITIES

	Deferred taxation £000	Pension obligations £000	Total £000
Balance at beginning of year	-	151	151
Paid in the year	-	(27)	(27)
Charged to profit and loss	295	-	295
Balance at end of year	295	124	419

Pension obligations

Certain staff of the Company are members of either the Football League Limited Retirement Income Scheme, a defined benefit scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme.

There is insufficient information to account for the scheme as a defined benefit plan, so it is accounted for as a defined contributions plan.

At 1 September 2014, a Minimum Funding Requirement ("MFR") deficit was identified in the scheme, of which a proportion was allocated to Stoke City Football Club Limited. Contributions have continued to be paid during the year, as advised by the actuary, resulting in a provision relating to the Club's share of the MFR deficit of £124,000 at the year end (2016: £151,000). The Company expects to make contributions of £27,000 in the next accounting period.

In addition to the above the Company also contributes to a defined contribution scheme and makes contributions to employees' personal pension plan.

Contributions to all pension schemes totalling £244,000 (2016: £244,000) were paid to the various schemes in the year. At the year end £nil (2016: £nil) relating to unpaid contributions were included in accruals and deferred income.

Deferred taxation

The elements of deferred liability and amounts not provided are as follows:

	2017		2016	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Fixed asset timing differences	316	-	-	(95)
Other timing differences	(21)	-	-	(27)
Tax losses	-	-	-	(20)
	295	-	-	(142)

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

15 SHARE CAPITAL

	2017 £000	2016 £000
<i>Allotted and called up:</i>		
35,690,321 Ordinary shares of £1 each	35,690	35,690
64,000 Ordinary I shares of £1 each	64	64
88,023 Ordinary Y shares of £1 each	88	88
1 Ordinary W shares of £1 each	-	-
	<hr/>	<hr/>
Equity shareholders	35,842	35,842
	<hr/>	<hr/>
Non-Equity: preference shares of £1 each	1	1
Cumulative preference A Shares of £1 each	-	-
Cumulative preference B shares of £1 each	-	-
	<hr/>	<hr/>
	1	1
	<hr/>	<hr/>

The I, Y and W ordinary shares attach various voting rights, in all other respects the shares rank pari passu.

The preference shares are non-redeemable and carry no interest coupon.

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

16 RECONCILIATION OF PROFIT AFTER TAX TO NET CASH GENERATED FROM OPERATIONS

	2017 £000	2016 £000
Profit after tax	3,574	2,055
<i>Adjustments for:</i>		
Profit on disposal of player registrations	(3,728)	(14,333)
Profit on disposal of fixed assets	(20)	(19)
Interest receivable and similar income	(41)	(100)
Impairment and amortisation of intangible assets	23,658	17,716
Depreciation of tangible assets	318	280
Decrease in provisions	(27)	(78)
Taxation	1,371	-
Operating cash flow before movements in working capital	25,105	5,521
Increase in stock	(165)	(256)
Increase in debtors	(3,898)	(7,959)
(Decrease)/increase in creditors	(5,921)	25,025
Cash generated from operations	15,121	22,331
CASH AND CASH EQUIVALENTS	2017	2016
	£	£
Cash and cash equivalents represent:-		
Cash at bank	12,449	12,779

17 COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017 £000	2016 £000
Amounts due:		
In less than one year	97	91
In one to five years	-	2
	97	93

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

18 CONTINGENT LIABILITIES AND ASSETS

In accordance with the Company's accounting policies for Intangible fixed assets, transfer fees linked to player contracts and other contracts in place, any additional fees under these agreements are accounted for in the year that it becomes probable that the condition is fulfilled.

Additional fees under these contracts that may therefore be payable or receivable if certain conditions are met in the future, such as retention in the Premier League and activities of other football clubs, have been estimated by the Directors at the year end date as a net liability of £7,120,000 (2016: £3,155,000).

19 POST BALANCE SHEET EVENTS

Subsequent to the year end, the Company has acquired player registrations at an initial cost of £28,140,000. The Company has also disposed of player registrations, with initial proceeds on these being £30,033,000 and whose net book value at the year end was £5,655,000.

20 RELATED PARTY TRANSACTIONS

During the financial year the Company had the following transactions with related parties:

<i>Description of relationship</i>	<i>Description of transactions</i>	<i>2017 Aggregate value for financial year £000</i>	<i>Net amount owed to / (by) the company £000</i>	<i>2016 Aggregate value for financial year £000</i>	<i>Net amount owed to / (by) the company £000</i>
Fellow subsidiaries	Purchases and other charges	(6,723)	22,935	(5,187)	15,673
	Loans provided	13,009	-	5,974	-
	Sales and other income	4,032	-	2,010	-
Holding company	Loans received	16,200	(75,658)	(82)	(59,458)
Common ownership	Sales and other income	540	(308)	533	(90)
	Purchases and other charges	(1,086)	-	(1,057)	-

Stoke City Football Club Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2017

21 ULTIMATE PARENT COMPANY AND CONTROLLING INTEREST

The ultimate parent company of Stoke City Football Club Limited is bet365 Group Limited, a Company incorporated and registered in the UK. Stoke City Holdings Limited is the immediate parent company.

The largest and smallest group in which the results of the Company are consolidated is that headed by bet365 Group Limited. bet365 Group Limited is under the control of Denise Coates CBE and her family. The consolidated financial statements of this Group are available to the public and may be obtained from:

Registrar of Companies
Crown Way
CARDIFF
CF14 3UZ