

Registration number: 00034603

GLOUCESTER RUGBY LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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GLOUCESTER RUGBY LIMITED
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GLOUCESTER RUGBY LIMITED

COMPANY INFORMATION

Directors	M G St Quinton S Vaughan A Hunt M Fairbrother G Gleave
Company secretary	M Fairbrother
Registered office	Kingsholm Stadium Kingsholm Road Gloucester GL1 3AX
Solicitors	Sherbornes Solicitors Ltd 4 Royal Crescent Cheltenham Gloucestershire GL50 3DA
Bankers	HSBC Bank plc The Cross Gloucester Gloucestershire GL1 2AP
Auditors	Hazlewoods LLP Staverton Court Staverton Cheltenham GL51 0UX

GLOUCESTER RUGBY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their strategic report for the year ended 30 June 2016.

Principal activity

The principal activity of the company is the operation of a professional rugby club, and the provision of sporting and social entertainment

Business review

It has been a mixed year for the club during the 2015/16 season. Following the success in the previous season with winning the European Rugby Challenge Cup, there was a sense of optimism going into the season. Whilst the 8th place finish is below expectation, for a large part of the season the team were in contention for Champion's Cup qualification despite a large number of injuries throughout the squad, especially in the latter stages of the season. The 8th placed finish was achieved with 49 points, from 10 wins, 1 draw and 11 defeats.

In September 2015, the club welcomed the world to Kingsholm through its staging of four Rugby World Cup matches as well as a warm up match between Japan and Georgia. Over 60,000 people attended these events and the tournament, and notably the involvement of the club in hosting these matches has received very strong press both domestically and internationally. During the tournament itself, the club had seven of its players involved competing for five different countries.

The hosting of Rugby World Cup at Kingsholm has had a significant impact on the domestic season, with a later season kick off and no Anglo-Welsh Cup competition being held at the stadium. In addition, due to the usage of the stadium, the club played all pre-season friendlies away from Kingsholm, all of which impacted on ticketing and match day income.

During the year, two concerts were held at Kingsholm, resulting in the stadiums most successful commercial year. Over 32,000 people came over two nights to see Jess Glynne and Lionel Ritchie, with the latter being one of the highest profile concerts held at the stadium. Going forward it is the intention to seek similar calibre acts to appear at the stadium to maximise the commercial opportunity for the club, and also to further develop the reputation of Kingsholm as a stadium venue for top music acts embarking on their UK stadium tours.

Total income for year of £15,281,929 represented a 7.7% increase against the prior year. Following record investment in the playing department and a continued objective of paying to the salary cap, whilst maintaining financial sustainability, the club generated Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of £104,766. To ensure that the club can compete with the best teams in the country, the Board are committed to spending up to the salary cap, whilst still ensuring the club remains financially sustainable through its self-financing business model.

Ownership

In January 2016, Martin St Quinton purchased the controlling interest in the club from the Walkinshaw family. As a result of the transaction Martin St Quinton was appointed Chairman, replacing Ryan Walkinshaw. The transaction also ensured a continuity of management of the club, and ended a period of uncertainty following the announcement in April 2015 of the intention of the directors to look for potential investment in the club from a share sale.

Bank Refinancing

During the year the club entered into discussions with HSBC bank to review its current debt profile and to negotiate more favourable terms. On 1 July 2016 the club refinanced, acquiring a new 8-year term loan of £4,500,000 from HSBC, the proceeds of which were used to fully repay the clubs existing loans and bank overdraft. As the new HSBC term loan only attracts interest at a rate of 0.95% above the Bank of England base rate, it has reduced ongoing annual debt servicing costs and it is anticipated this will yield significant cash and interest savings in future years.

GLOUCESTER RUGBY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

FRS 102

The financial statements for the year ended 30 June 2016 are the club's first financial statements to be prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. As a consequence of adopting FRS 102 there has been a significant change to the presentation of the financial statements, with the inclusion of more extensive notes and disclosures.

On transition to FRS 102 a number of the club's key accounting policies have also now changed, and restatement of comparative balances has been required to comply with FRS 102. The most notable impact of the adoption of FRS 102 for the club has been the recognition of financial instruments at their fair value. The P Shares held by the club in Premier Rugby Limited have now been recognised in the balance sheet at their fair value, with the resulting movement in fair value during 2015 being recognised directly in the profit and loss account. In addition, the interest rate hedge held by the club, is considered under FRS 102 to constitute a derivative financial instrument valued at fair value through the profit and loss account. The current and prior years' accounts have therefore been presented to recognise this instrument at its fair value. This interest rate hedge was repaid in full on 30 June 2016.

In addition to the transitional adjustments noted above, the 2015 accounts have also been restated to amend the recognition of compensation of £396,394 received in respect of the Rugby World Cup in the prior year. As the only criteria the club was required to meet in order to receive this compensation was to be a member of the English Premiership league in the 2014/2015 season, the directors considered it appropriate to recognise the income in the year ended 30 June 2015. Upon review of the actual implications of the Rugby World Cup, the directors consider that this income should have been recognised in the current year, on the basis that this was the period in which the detrimental financial impact of hosting the Rugby World Cup was experienced by the club.

Future Developments

Following the record level of investment in the 2015/16 Squad and Support Staff, there has been continued investment to further develop the structure for the 2016/17 season. Players including Motu Matu'u, Salesi Ma'afu, Tom Denton, Andy Symons, Cameron Orr, Josh Hohnneck, and Matt Scott all adding to the strength and experience of the squad.

In July 2016 Premiership Rugby and the Rugby Football Union announced the signing of the new Professional Game Agreement, which underpins the partnership up until July 2024. The ground-breaking agreement for the club and country will see Premiership clubs benefit from the successful financial performance of England Rugby for the first time, as PRL and the RFU have agreed an appropriate share of rugby revenues as a basis for the investment over the life of the deal, with the partnership worth over £200 million. This will enable both the RFU and the clubs to continue to grow together on and off the pitch, and work to make the domestic game and England international teams stronger in the future.

In December 2016 the club announced that discussions have been held with Altrad Participations, the owner of Montpellier Herault Rugby with regards to a potential shareholder interest in the club. At the time of signing these accounts discussions were progressing.

Results

The pre-tax loss for the year amounted to £692,227 (2015 - profit of £2,824,874).

GLOUCESTER RUGBY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

Key Performance indicators

Financial

The company measures its financial performance using the following measures:

- Profitability
- Growth in turnover
- Cashflow performance
- Total receipts per match, and
- Monitoring senior and academy squad costs

Non-financial

The company measures its non-financial performance as follows:

- Aviva Premiership league position;
- Number of wins and points per season;
- Progression of European Cup and Anglo-Welsh Cup; and
- Match attendance

Mission

To be a top 4 club whilst remaining profitable and financially self sustaining. The mission statement is broken into four key areas of focus Profit/Players/Supporters/Partners.

Principal risks and uncertainties

The company generates cash from operations ahead of expenditure, and does not have a liquidity risk other than from repaying loans taken out to develop facilities.

In the event of the club being relegated the company would receive a 'parachute' payment and additional income from central funds. The directors believe that this income, in addition to receipts generated from ongoing activities, would ensure the club has sufficient funding to regain Premiership status in the following season, or enable the company to make alternative contingency plans to manage its liquidity exposure.

Approved by the Board on 30 March 2017 and signed on its behalf by:



S Vaughan
Director

GLOUCESTER RUGBY 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.

Directors of the company

The directors who held office during the year were as follows:

R W J Walkinshaw (resigned 29 January 2016)

M G St Quinton

D Grainger (resigned 26 July 2016)

S Vaughan

A Hunt

H Morgan (resigned 22 February 2016)

M Fairbrother - Company secretary and director

The following director was appointed after the year end:

G Gleave (appointed 4 October 2016)

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Hazlewoods LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 30 March 2017 and signed on its behalf by:



.....
S Vaughan
Director

GLOUCESTER RUGBY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic 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 these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GLOUCESTER RUGBY LIMITED

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Gloucester Rugby Limited for the year ended 30 June 2016, set out on pages 9 to 31. 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 members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (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 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

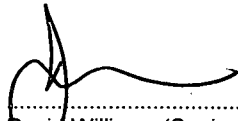
In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GLOUCESTER RUGBY LIMITED
INDEPENDENT AUDITOR'S REPORT

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 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.


.....
David Williams (Senior Statutory Auditor)
For and on behalf of Hazlewoods LLP, Statutory Auditor

Staverton Court
Staverton
Cheltenham
GL51 0UX

30 March 2017

GLOUCESTER RUGBY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 £	2015 £
Turnover	3	15,281,929	14,185,615
Cost of sales		<u>(11,753,219)</u>	<u>(10,371,299)</u>
Gross profit		3,528,710	3,814,316
Administrative expenses		(3,963,510)	(3,619,667)
Gain in fair value of shares in investment		<u>-</u>	<u>2,885,731</u>
Operating (loss)/profit	4	<u>(434,800)</u>	<u>3,080,380</u>
Other interest receivable and similar income	5	3	43
Interest payable and similar charges	6	<u>(257,430)</u>	<u>(255,549)</u>
		<u>(257,427)</u>	<u>(255,506)</u>
(Loss)/profit before tax		(692,227)	2,824,874
Taxation	9	<u>214,904</u>	<u>(694,185)</u>
(Loss)/profit for the financial year		<u>(477,323)</u>	<u>2,130,689</u>

The above results were derived from continuing operations.

GLOUCESTER RUGBY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 £	2015 £
(Loss)/profit for the year		<u>(477,323)</u>	<u>2,130,689</u>
Total comprehensive income for the year		<u><u>(477,323)</u></u>	<u><u>2,130,689</u></u>

GLOUCESTER RUGBY LIMITED

(REGISTRATION NUMBER: 00034603)

BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	10	40,370	123,646
Tangible assets	11	9,748,757	9,820,662
Investments	12	6,483,082	6,483,082
		<u>16,272,209</u>	<u>16,427,390</u>
Current assets			
Stocks	13	41,840	48,861
Debtors	14	2,150,603	1,866,603
Cash at bank and in hand	15	23,974	66,108
		<u>2,216,417</u>	<u>1,981,572</u>
Creditors: Amounts falling due within one year	16	<u>(9,123,668)</u>	<u>(5,494,220)</u>
Net current liabilities		<u>(6,907,251)</u>	<u>(3,512,648)</u>
Total assets less current liabilities		9,364,958	12,914,742
Creditors: Amounts falling due after more than one year	16	-	(2,857,557)
Provisions for liabilities	9	<u>(833,720)</u>	<u>(1,048,624)</u>
Net assets		<u>8,531,238</u>	<u>9,008,561</u>
Capital and reserves			
Called up share capital	18	7,134,434	7,134,434
Share premium reserve	19	382,655	382,655
Retained earnings	19	<u>1,014,149</u>	<u>1,491,472</u>
Total equity		<u>8,531,238</u>	<u>9,008,561</u>

Approved and authorised by the Board on 30 March 2017 and signed on its behalf by:



M Fairbrother

Company secretary and director

GLOUCESTER RUGBY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 July 2015	7,134,434	382,655	1,491,472	9,008,561
Loss for the year	-	-	(477,323)	(477,323)
Total comprehensive income	-	-	(477,323)	(477,323)
At 30 June 2016	7,134,434	382,655	1,014,149	8,531,238

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 July 2014	7,134,434	382,655	(639,217)	6,877,872
Profit for the year	-	-	2,130,689	2,130,689
Total comprehensive income	-	-	2,130,689	2,130,689
At 30 June 2015	7,134,434	382,655	1,491,472	9,008,561

GLOUCESTER RUGBY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
(Loss)/profit for the year		(477,323)	2,130,689
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	539,566	509,945
Profit on disposal of property plant and equipment		(300)	(889)
Finance income	5	(3)	(43)
Finance costs	6	257,430	255,549
Income tax expense	9	(214,904)	694,185
Movement in fair value of P shares		-	(2,885,731)
		104,466	703,705
Working capital adjustments			
Decrease/(increase) in inventories	13	7,021	(25,191)
Increase in trade and other receivables	14	(284,000)	(214,463)
(Decrease)/increase in trade and other payables	16	(435,252)	789,040
Net cash flow from operating activities		(607,765)	1,253,091
Cash flows from investing activities			
Interest received	5	3	43
Acquisitions of property plant and equipment		(388,085)	(649,025)
Proceeds from sale of property plant and equipment		4,000	-
Acquisition of intangible assets	10	-	(190,882)
Net cash flows from investing activities		(384,082)	(839,864)
Cash flows from financing activities			
Interest paid	6	(257,430)	(255,549)
Repayment of bank borrowing		(546,038)	(550,417)
Proceeds from other borrowing draw downs		1,040,000	-
Payments to finance lease creditors		(20,609)	(26,439)
Net cash flows from financing activities		215,923	(832,405)
Net decrease in cash and cash equivalents		(775,924)	(419,178)
Cash and cash equivalents at 1 July		66,108	485,286
Cash and cash equivalents at 30 June		(709,816)	66,108

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1 General information

The company is a private limited company incorporated and domiciled in England and Wales.

The address of its registered office is:

Kingsholm Stadium

Kingsholm Road

Gloucester

GL1 3AX

These financial statements were authorised for issue by the Board on 30 March 2017.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is UK £, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £.

Prior period errors

During the transition to FRS 102, the directors have identified an error presented in the last financial statements prepared under previous UK GAAP, the details of which are set out in note 24.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and it is probable that future benefits can be reliably measured.

Revenue is recognised in respect of match-day income, including season tickets, match-day tickets, executive boxes, hospitality packages and other match-day income, when the relevant match takes place.

For annual income streams such as central funding and sponsorship arrangements, revenue is recognised in equal instalments across the relevant period.

Sponsorship, rental and service charge income are recognised over the period that services are offered. Hospitality, catering and facilities management services income is recognised at the point that the services are rendered.

Income received relating to future periods is included as deferred income until the appropriate revenue recognition criteria are met.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2 Accounting policies (continued)

Going concern

The directors have considered the basis of preparation of the financial statements of the company on a going concern basis.

The company made a pre tax loss of £692,227 (2015 - profit of £2,824,874) during the period and at the balance sheet date had net assets of £8,531,238 (2015 - £9,008,561). The company has prepared detailed budgets and cash flow forecasts for the period to 30 June 2018. These forecasts show that the company will be able to operate within the level of its current debt facilities and with the continuing support of its bankers and shareholders. The directors therefore believe that the company has sufficient resources to continue its activities for the foreseeable future and as such, consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

No significant judgements have been made by management in preparing these financial statements.

Key sources of estimation uncertainty

Accrued income

The financial statements include £120,000 of accrued income in relation to an ongoing investigation regarding an alleged salary cap breach within the league. At this stage the exact value of the pay out is unknown however the Directors of the company consider the amount accrued as at 30 June 2016 to be a fair estimate of the amount due.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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 taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2 Accounting policies (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold building and ground improvements	2-15% straight line
Motor Vehicles	20% straight line
Fixtures, fittings and equipment	15-33% straight line

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The costs of acquired player registrations are capitalised as intangible assets and amortised over the period of the players' contracts, with appropriate adjustments for any impairments assessed to have taken place.

Investments

Fixed asset investments held by the company are measured at fair value at each balance sheet date with any gains or losses being reported in the Profit and Loss Account. The fair value of the investment in the P shares in Premier Rugby Limited is based on the Net Present Value of the projected P share income for the following 8 years, discounted at a rate of 6%.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2 Accounting policies (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other receivables and payables, loans from related parties and investments in non-puttable ordinary shares.

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account.

Debt instruments like loans and other receivables and payable are initially measured at present value of the future payments 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 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 of financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially and subsequently, at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

2 Accounting policies (continued)

Investments in non-puttable ordinary shares are measured at cost less impairment for all other investments.

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 profit or loss. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying value 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 the 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 recognised 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.

At each reporting date non-financial assets not carried at fair value, such as property, plant and equipment are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less costs to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

Inventories are also assessed for impairment at each reporting date. The carrying amount of each item of inventory, or group of similar items, is compared with its selling price less costs to complete and sell. If an item is found to be impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2016	2015
	£	£
Rendering of services	<u>15,281,929</u>	<u>14,185,615</u>

GLOUCESTER RUGBY LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016****3 Turnover (continued)**

The analysis of the company's revenue for the year by class of business is as follows:

	2016	2015
	£	£
Central income	4,090,617	4,382,324
Ticket income	3,580,084	4,066,185
Hospitality, conferencing and events	2,101,411	2,091,977
Sponsorship and advertising	1,981,019	1,995,070
Community development	168,283	148,718
Commission on catering, bar and shop sales	189,051	185,132
Bar sales	841,696	1,118,900
Rugby World Cup	1,976,682	-
Other mixed income	353,086	197,309
	<u>15,281,929</u>	<u>14,185,615</u>

The total turnover of the company has been derived from activities wholly undertaken in the United Kingdom.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

4 Operating profit

Arrived at after charging/(crediting)

	2016	2015
	£	£
Depreciation expense	456,290	442,709
Amortisation expense	83,276	67,236
Operating lease expense - property	180,000	180,000
Operating lease expense - other	16,774	14,802
Profit on disposal of property, plant and equipment	(300)	(889)
Change in fair value of investments	<u>-</u>	<u>(2,885,731)</u>

5 Other interest receivable and similar income

	2016	2015
	£	£
Interest income on bank deposits	<u>3</u>	<u>43</u>

6 Interest payable and similar charges

	2016	2015
	£	£
Interest on bank overdrafts and borrowings	255,774	251,256
Interest on obligations under finance leases and hire purchase contracts	1,656	4,293
	<u>257,430</u>	<u>255,549</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016	2015
	£	£
Wages and salaries	8,501,943	7,537,195
Social security costs	831,777	773,672
Pension costs, defined contribution scheme	37,651	43,342
	<u>9,371,371</u>	<u>8,354,209</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2016	2015
	No.	No.
Administration and support	261	214
Players	<u>74</u>	<u>70</u>
	<u>335</u>	<u>284</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016	2015
	£	£
Remuneration	<u>260,342</u>	<u>267,959</u>

In respect of the highest paid director:

	2016	2015
	£	£
Remuneration	<u>150,155</u>	<u>153,513</u>

9 Income tax

Tax charged/(credited) in the income statement

	2016	2015
	£	£
Deferred taxation		
Arising from origination and reversal of timing differences	(38,699)	694,185
Arising from changes in tax rates and laws	(96,934)	-
Adjustments in respect of prior periods	<u>(79,271)</u>	<u>-</u>
Total deferred taxation	<u>(214,904)</u>	<u>694,185</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - the same as the standard rate of corporation tax in the UK) of 20% (2015 - 20.75%).

The differences are reconciled below:

	2016	2015
	£	£
(Loss)/profit before tax	<u>(692,227)</u>	<u>2,824,874</u>
Corporation tax at standard rate	(138,445)	586,164
Effect of revenues exempt from taxation	(1,296,616)	(598,791)
Effect of expense not deductible in determining taxable profit (tax loss)	892	8,300
Deferred tax expense (credit) relating to changes in tax rates or laws	(92,636)	(4,004)
Chargeable gains/(losses)	-	577,146
Effect of adjustment in prior periods on deferred tax	(79,271)	82,252
Tax increase (decrease) from effect of capital allowances and depreciation	41,095	41,429
Other permanent differences	1,950	1,651
Timing differences not recognised in the computation	42,017	-
CT rate difference between 20% and 20.75% on interest rate swap	-	(371)
Adjustments to brought forward values	1,306,519	-
Deferred tax not recognised	<u>(409)</u>	<u>409</u>
Total tax (credit)/charge	<u>(214,904)</u>	<u>694,185</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

9 Income tax (continued)

Deferred tax

Deferred tax assets and liabilities

2016	£
Accelerated tax depreciation	570,709
Short term timing differences	(3,626)
Tax losses available	(900,318)
Chargeable gains/(losses)	1,166,955
	<u>833,720</u>

2015	£
Accelerated tax depreciation	577,308
Short term timing differences	(45,059)
Tax losses available	(780,241)
Chargeable gains/(losses)	1,296,616
	<u>1,048,624</u>

10 Intangible assets

	Player registrations £
Cost or valuation	
At 1 July 2015	<u>190,882</u>
At 30 June 2016	<u>190,882</u>
Amortisation	
At 1 July 2015	67,236
Amortisation charge	<u>83,276</u>
At 30 June 2016	<u>150,512</u>
Carrying amount	
At 30 June 2016	<u>40,370</u>
At 30 June 2015	<u>123,646</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

11 Tangible assets

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 July 2015	11,541,050	1,311,839	73,119	12,926,008
Additions	241,040	141,887	5,158	388,085
Disposals	-	(11,053)	-	(11,053)
At 30 June 2016	<u>11,782,090</u>	<u>1,442,673</u>	<u>78,277</u>	<u>13,303,040</u>
Depreciation				
At 1 July 2015	2,295,944	743,178	66,224	3,105,346
Charge for the year	321,943	131,261	3,086	456,290
Eliminated on disposal	-	(7,353)	-	(7,353)
At 30 June 2016	<u>2,617,887</u>	<u>867,086</u>	<u>69,310</u>	<u>3,554,283</u>
Carrying amount				
At 30 June 2016	<u>9,164,203</u>	<u>575,587</u>	<u>8,967</u>	<u>9,748,757</u>
At 30 June 2015	<u>9,245,106</u>	<u>568,661</u>	<u>6,895</u>	<u>9,820,662</u>

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2016 £	2015 £
Fixtures and fittings	<u>41,569</u>	<u>47,621</u>

Included in land and buildings is freehold land at a cost of £842,000 (2015 - £842,000) which is not depreciated.

The cost of the freehold land and buildings include capitalised finance costs of £404,766 of which an amount of £nil was capitalised during the year.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

12 Fixed asset investments

	2016	2015
	£	£
Fixed asset investments	<u>6,483,082</u>	<u>6,483,082</u>
Fixed asset investments		£
Fair value		
At 1 July 2015 and 30 June 2016		<u>6,483,082</u>
Carrying amount		
At 30 June 2016 and 30 June 2015		<u>6,483,082</u>

The investment above relates to an investment in Premier Rugby Limited.

13 Stocks

	2016	2015
	£	£
Bar stock	<u>41,840</u>	<u>48,861</u>

The cost of stocks recognised as an expense in the year amounted to £429,741 (2015 - £536,405).

14 Debtors

	2016	2015
	£	£
Trade debtors	1,598,760	1,022,111
Other receivables	<u>551,843</u>	<u>844,492</u>
Total current trade and other receivables	<u>2,150,603</u>	<u>1,866,603</u>

15 Cash and cash equivalents

	2016	2015
	£	£
Cash on hand	23,974	27,308
Cash at bank	<u>-</u>	<u>38,800</u>
	23,974	66,108
Bank overdrafts	<u>(733,790)</u>	<u>-</u>
Cash and cash equivalents in statement of cash flows	<u>(709,816)</u>	<u>66,108</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

16 Creditors

	Note	2016 £	2015 £
Due within one year			
Loans and borrowings	17	4,614,261	639,722
Trade creditors		1,511,449	1,037,779
Social security and other taxes		1,010,889	995,128
Outstanding defined contribution pension costs		39,141	27,960
Other payables		19,273	220,745
Accrued expenses		<u>1,928,655</u>	<u>2,572,886</u>
		<u>9,123,668</u>	<u>5,494,220</u>
Due after one year			
Loans and borrowings	17	-	2,767,396
Accruals and deferred income		<u>-</u>	<u>90,161</u>
		<u>-</u>	<u>2,857,557</u>

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

Details of the security over the bank loans and overdraft are disclosed in note 17 to the financial statements.

17 Loans and borrowings

	2016 £	2015 £
Non-current loans and borrowings		
Bank borrowings	-	2,754,028
Finance lease liabilities	<u>-</u>	<u>13,368</u>
	<u>-</u>	<u>2,767,396</u>
Current loans and borrowings		
Bank borrowings	2,831,391	623,401
Bank overdrafts	733,790	-
Finance lease liabilities	9,080	16,321
Directors loan account	<u>1,040,000</u>	<u>-</u>
	<u>4,614,261</u>	<u>639,722</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

17 Loans and borrowings (continued)

Bank borrowings of £2,831,391 (2015 - £3,377,429) include the following:

* A bank loan of £1,362,463 (2015 - £1,738,627) which is secured by way of a legal charge over the freehold property of the company, a first ranking fixed charge over the P shares and a deed of priority to ensure that the security ranks as a first priority security interest over the P shares. This loan is denominated in GBP and bears interest at a rate of 7.8%.

* A bank loan of £1,468,928 (2015 - £1,638,802) which is secured by way of a charge over distribution rights and a second fixed charge over the freehold property of the company. This loan is denominated in GBP and attracts interest at a rate of 1.625% above the Bank of England base rate.

The bank overdraft is secured by way of a fixed charge over the freehold property of the company and certain assets subject to finance leases.

In July 2016 the company re-financed, which included the settlement of the loans outstanding at 30 June 2016, the bank overdraft, the remaining balance outstanding on the hire purchase and finance lease commitment, the companies interest rate swap agreement and the directors current account. These were replaced by an 8 year term loan of £4,500,000 which is repayable in monthly instalments of £49,769. This loan is denominated in GBP and bears interest at a rate of 0.95% above the Bank of England base rate. This loan is secured by way of legal charge over the freehold property of the company and a fixed and floating charge over all other assets held by the company.

18 Share capital

Allotted, called up and fully paid shares

	No.	2016 £	No.	2015 £
Ordinary shares of £1 each	5,467,767	5,467,767	5,467,767	5,467,767
Preference shares of £1 each	1,666,667	1,666,667	1,666,667	1,666,667
	<u>7,134,434</u>	<u>7,134,434</u>	<u>7,134,434</u>	<u>7,134,434</u>

19 Reserves

Called up share capital

This represents the nominal value of the issued share capital of the company.

Share premium reserve

This reserve contains the premium arising on the issue of the share capital. Any transaction costs associated with the issuing of shares are deducted from the share premium.

Retained earnings

This reserve includes all current and prior period retained profits and losses, net of dividends paid and other adjustments.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

20 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Not later than one year	9,080	16,321
Later than one year and not later than five years	-	13,368
	<u>9,080</u>	<u>29,689</u>

Operating leases

The total of future minimum lease payments is as follows:

	2016	2015
	£	£
Not later than one year	209,583	196,774
Later than one year and not later than five years	738,941	734,662
Later than five years	-	180,000
	<u>948,524</u>	<u>1,111,436</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £201,612 (2015 - £194,807).

21 Related party transactions

Key management personnel

The directors who have the authority and responsibility for planning, directing and controlling the activities of the company are considered to be the key management personnel. Compensation in respect of these individuals is disclosed in note 8.

Summary of transactions with other related parties

Gloucester Rugby Community Foundation CIC

(a company limited by guarantee in which S Vaughan and M Fairbrother are directors)

During the year the company made sales to Gloucester Rugby Community Foundation CIC of £60,000 (2015 - £122,118) and purchases of £10,600 (£38,769). At the balance sheet date the amount due to Gloucester Rugby Community Foundation CIC was £10,625 (2015 - £18,875) and the amount due from Gloucester Rugby Community Foundation CIC was £30,450 (£37,210).

C52 Limited

(a company in which H Morgan is a director)

During the year the company made purchases from C52 Limited of £8,390 (2015 - £10,000). At the balance sheet date the amount owed by C52 Limited was £nil (2015 - £833).

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

22 Financial instruments

Categorisation of financial instruments

	2016 £	2015 £
Financial assets measured at fair value through profit or loss	6,483,082	6,483,082
Financial liabilities measured at fair value through profit or loss	-	(210,084)
Financial liabilities measured at amortised cost	<u>(2,840,471)</u>	<u>(3,407,118)</u>
	<u>3,642,611</u>	<u>2,865,880</u>

Financial assets measured at fair value

Fixed asset investments

Fixed asset investments held by the company are measured at fair value at each balance sheet date with any gains or losses being reported in the Profit and Loss Account. The fair value of the investment in the P shares in Premier Rugby Limited is based on the Net Present Value of the projected P share income for the following 8 years, discounted at a rate of 6%.

The fair value is £6,483,082 (2015 - £6,483,082) and the change in value included in profit or loss is £Nil (2015 - £2,885,731).

Financial liabilities measured at fair value

Interest swap contract

Interest swap contracts are valued using quoted interest rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value is £Nil (2015 - £210,084) and the change in value included in profit or loss is £210,084 (2015 - £49,511).

Items of income, expense, gains or losses

	Income £	Expense £	Net gains £	Net losses £
2016				
Financial liabilities measured at fair value through profit or loss	-	-	210,084	-
Financial liabilities measured at amortised cost	-	230,235	-	-
	<u>-</u>	<u>230,235</u>	<u>210,084</u>	<u>-</u>
2015				
Financial assets measured at fair value through profit or loss	-	-	2,885,731	-
Financial liabilities measured at fair value through profit or loss	-	-	49,511	-
Financial liabilities measured at amortised cost	-	203,986	-	-
	<u>-</u>	<u>203,986</u>	<u>2,935,242</u>	<u>-</u>

23 Parent and ultimate parent undertaking

The directors regard Martin St Quinton to be the ultimate controlling party.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24 Transition to FRS 102

The company's effective date of transition to FRS 102 was 1 July 2014. The latest period presented under previous UK GAAP was the financial statements for the year ended 30 June 2015.

As a consequence of adopting FRS 102, accounting policies have changed to comply with that standard. The tables below reconcile equity from that reported under previous UK GAAP at 1 July 2014 and 30 June 2015 and profit for the financial year ended 30 June 2015 from that reported under previous UK GAAP.

Reconciliation of equity:

	Note	At 1 July 2014 £	At 30 June 2015 £
Equity reported under previous UK GAAP		4,207,667	4,386,557
<i>Adjustments to equity on transition to FRS 102:</i>			
Recognition of P Shares in Premier Rugby Limited	1	3,597,351	6,483,082
Deferred tax arising on movement in fair value of P shares	2	(719,470)	(1,296,616)
Recognition of derivative financial instruments at fair value	3	(259,595)	(210,084)
Deferred tax arising on derivative financial instruments	3	51,919	42,016
Total adjustments to equity on transition to FRS 102		2,670,205	5,018,398
<i>Error corrections:</i>			
Adjustment to recognition of Rugby World Cup compensation	4	-	(396,394)
Total of error corrections		-	(396,394)
Equity reported under FRS 102		6,877,872	9,008,561

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24 Transition to FRS 102 (continued)

Reconciliation of profit for the financial year ended 30 June 2015:

	Note	£
As reported under previous UK GAAP		178,890
<i>Adjustments on transition to FRS 102:</i>		
Movement in fair value of investment in P shares	1	2,885,731
Deferred tax arising on movement in fair value of P shares	2	(577,146)
Movement in fair value of derivative financial instruments	3	49,511
Deferred tax arising on movement in fair value of derivative financial instruments	3	(9,903)
Total adjustments on transition to FRS 102		<u>2,348,193</u>
<i>Error corrections:</i>		
Adjustment to recognition of Rugby World Cup compensation	4	(396,394)
Total of error corrections		<u>(396,394)</u>
Profit for the financial year reported under FRS 102		<u><u>2,130,689</u></u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

24 Transition to FRS 102 (continued)

Note 1

Under FRS 102 the investment in the P shares of Premier Rugby Limited are classified as financial instruments and are required to be included in the balance sheet at fair value. The previous UK GAAP applied by the company did not require such fair values to be included in the financial statements. At 1 July 2014 the fair value of the investment in the P shares of Premier Rugby Limited amounted to £3,597,351, increasing to £6,483,082 by 30 June 2015. The fair value gain of £2,885,731 has therefore been recognised in the profit and loss account for the year ended 30 June 2015.

Note 2

The fair value movements on the P shares have given rise to deferred tax adjustments, which have been calculated at 20% of the fair value movement in each year.

Note 3

Under FRS 102 the interest rate swap contracts that the company has entered into to mitigate risks arising from the movement in interest rates are classified as derivative financial instruments and are required to be included in the balance sheet at fair value. The previous UK GAAP applied by the company did not require such fair values to be included in the financial statements.

At 1 July 2014 the fair value of the derivative financial instruments amounted to a liability of £259,595 with a liability arising at 30 June 2015 of £210,084, giving rise to a gain in the profit and loss account for the year ended 30 June 2015 of £49,511. The movement in fair value of these derivative financial instruments has also given rise to deferred tax assets of £51,919 and £42,016 at 1 July 2014 and 30 June 2015 respectively, with the movement of £9,903 being recognised in the profit and loss account for the year ended 30 June 2015.

Note 4

During the year ended 30 June 2015 the company received £396,394 compensation for disruption caused by the Rugby World Cup. The only criteria that the company had to meet in order to receive the compensation was to be a member of the English Premiership league in the 2014/2015 season. Due to this, the directors considered it appropriate to recognise the income in the year ended 30 June 2015, as it was received. The directors have reviewed the information during the year regarding the compensation and consider the income should have been recognised in the current year on the basis this is the period the World Cup was held and a detrimental financial impact on the company was incurred. This amount has been treated as an error correction as the directors consider there was sufficient information available at the previous year end regarding the World Cup compensation.