

Registration number: 00034603

GLOUCESTER RUGBY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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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 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 2017

The directors present their strategic report for the year ended 30 June 2017.

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 another mixed year for the club during the 2016/17 season, with some notable highlights and low points experienced during the year. Following the investment into the squad in the previous seasons and during the summer, there was a sense of optimism for the season ahead.

In the league, it was a frustrating season overall, with inconsistency being the key theme for the year. The total points haul of 46 was achieved with 7 wins, 2 draws and 13 defeats, with losing bonus points being achieved in 8 of those games. The team finished 9th in the league. The challenge cup was more positive with a home quarter final victory against Cardiff Blues and away semi-final win over La Rochelle setting up a second final in 2 years, this time against Stade Francais Paris in Murrayfield which unfortunately saw the team fall short on this occasion.

During the year, the club held two concerts at Kingsholm which helped to ensure that it was the stadiums most successful commercial year. Over 30,000 people came over two consecutive nights in June to see Little Mix and Tom Jones, with the former being the largest ever concert held at Kingsholm. The concert itself sold out within six hours of being on general sale. 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 the year of £16,310,944 represented a 6.7% increase against the prior year and another record year of income for the club. Following significant investment in the playing department and the continued objective of paying to the salary cap, the club generated an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) loss of £578,896.

Altrad

As reported in the previous financial statements, during the year the club commenced discussions with Altrad Participations, the owner of Montpellier Herault Rugby with regard to a potential shareholder interest in the club. Following discussion, a proposal was put to the shareholders of Premiership Rugby, however in their board meeting this proposal was voted against and although an alternative was proposed by the other shareholders this was rejected and as such Altrad Participations decided to withdraw from the proposed transaction.

Bank Refinancing

During the previous 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 secured loans and bank overdraft.

Future Developments

Following the record level of investment in the 2016/17 Squad and Support Staff, there has been continued investment to further develop the structure from the 2017/18 season. Johan Ackermann has been appointed as the new Head Coach for the club, joining from the Golden Lions Super Rugby franchise in South Africa. Johan's track record and experience in guiding the Lions from super rugby re-entry in 2014 to runners up in 2016 and again in 2017 was one of the driving forces for the decision to recruit Johan as head coach. In addition to the new head coach a number of new players have been recruited, these include Frasier Balmain, Ruan Ackermann, Gareth Denman, James Hanson, Val Rapava Ruskin, Ed Slater and Owen Williams.

Results

The pre-tax loss for the year amounted to £1,197,771 (2016 - loss of £692,227).

GLOUCESTER RUGBY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

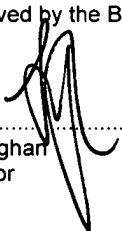
To be a top 4 club whilst remaining profitable and financially self sustaining. The mission statement is broken into four key areas of focus Profit/Players/Supporters/Partners.

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 **23/3/18** and signed on its behalf by:


.....
S Vaughan
Director

GLOUCESTER RUGBY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Directors of the company

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

M G St Quinton

D Grainger (resigned 26 July 2016)

S Vaughan

A Hunt

M Fairbrother - Company secretary and director

G Gleave (appointed 4 October 2016)

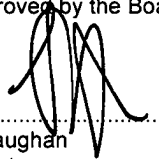
Disclosure of information to the auditors

Each director has taken the 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 **23/3/18** 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 TO THE MEMBERS OF GLOUCESTER RUGBY LIMITED

Opinion

We have audited the financial statements of Gloucester Rugby Limited (the 'company') for the year ended 30 June 2017, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

GLOUCESTER RUGBY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOUCESTER RUGBY LIMITED

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 5], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Staverton Court
Staverton
Cheltenham
GL51 0UX

Date: 28/03/2018

GLOUCESTER RUGBY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Turnover	3	16,310,944	15,281,929
Cost of sales		<u>(13,116,933)</u>	<u>(11,753,219)</u>
Gross profit		3,194,011	3,528,710
Administrative expenses		<u>(4,308,244)</u>	<u>(3,963,510)</u>
Operating loss	4	<u>(1,114,233)</u>	<u>(434,800)</u>
Other interest receivable and similar income	5	-	3
Interest payable and similar charges	6	<u>(83,538)</u>	<u>(257,430)</u>
		<u>(83,538)</u>	<u>(257,427)</u>
Loss before tax		(1,197,771)	(692,227)
Taxation	9	<u>88,520</u>	<u>214,904</u>
Loss for the financial year		<u><u>(1,109,251)</u></u>	<u><u>(477,323)</u></u>

The above results were derived from continuing operations.

The notes on pages 13 to 26 form an integral part of these financial statements.

GLOUCESTER RUGBY LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	£	£
Loss for the year	<u>(1,109,251)</u>	<u>(477,323)</u>
Total comprehensive income for the year	<u><u>(1,109,251)</u></u>	<u><u>(477,323)</u></u>

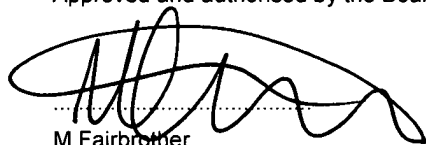
The notes on pages 13 to 26 form an integral part of these financial statements.

GLOUCESTER RUGBY LIMITED

**(REGISTRATION NUMBER: 00034603)
BALANCE SHEET AS AT 30 JUNE 2017**

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	10	144,254	40,370
Tangible assets	11	9,575,883	9,748,757
Investments	12	<u>6,483,082</u>	<u>6,483,082</u>
		<u>16,203,219</u>	<u>16,272,209</u>
Current assets			
Stocks	13	38,722	41,840
Debtors	14	1,884,027	2,150,603
Cash at bank and in hand	15	<u>22,504</u>	<u>23,974</u>
		1,945,253	2,216,417
Creditors: Amounts falling due within one year	16	<u>(5,977,298)</u>	<u>(9,123,668)</u>
Net current liabilities		<u>(4,032,045)</u>	<u>(6,907,251)</u>
Total assets less current liabilities		12,171,174	9,364,958
Creditors: Amounts falling due after more than one year	16	(4,003,987)	-
Provisions for liabilities	9	<u>(745,200)</u>	<u>(833,720)</u>
Net assets		<u>7,421,987</u>	<u>8,531,238</u>
Capital and reserves			
Called up share capital	18, 19	7,134,434	7,134,434
Share premium reserve	19	382,655	382,655
Retained earnings	19	<u>(95,102)</u>	<u>1,014,149</u>
Total equity		<u>7,421,987</u>	<u>8,531,238</u>

Approved and authorised by the Board on 23/3/18 and signed on its behalf by:



M Fairbrother

Company secretary and director

The notes on pages 13 to 26 form an integral part of these financial statements.

GLOUCESTER RUGBY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Share capital £	Share premium £	Profit and loss account £	Total £
At 1 July 2016	7,134,434	382,655	1,014,149	8,531,238
Loss for the year	-	-	(1,109,251)	(1,109,251)
Total comprehensive income	-	-	(1,109,251)	(1,109,251)
At 30 June 2017	7,134,434	382,655	(95,102)	7,421,987

	Share capital £	Share premium £	Profit and loss account £	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

The notes on pages 13 to 26 form an integral part of these financial statements.

GLOUCESTER RUGBY LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Loss for the year		(1,109,251)	(477,323)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	535,337	539,566
Loss/(profit) on disposal of property plant and equipment		1,259	(300)
Finance income	5	-	(3)
Finance costs	6	83,538	257,430
Income tax expense	9	(88,520)	(214,904)
		(577,637)	104,466
Working capital adjustments			
Decrease in inventories	13	3,118	7,021
Decrease/(increase) in trade and other receivables	14	266,576	(284,000)
Increase/(decrease) in trade and other payables	16	731,520	(435,252)
Net cash flow from operating activities		423,577	(607,765)
Cash flows from investing activities			
Interest received	5	-	3
Acquisitions of property plant and equipment		(308,507)	(388,085)
Proceeds from sale of property plant and equipment		1,400	4,000
Acquisition of intangible assets	10	(142,248)	-
Net cash flows from investing activities		(449,355)	(384,082)
Cash flows from financing activities			
Interest paid	6	(83,538)	(257,430)
Proceeds from bank borrowing draw downs		4,500,000	-
Repayment of bank borrowing		(3,064,331)	(546,038)
Proceeds from other borrowing draw downs		-	1,040,000
Repayment of other borrowing		(1,040,000)	-
Payments to finance lease creditors		(15,195)	(20,609)
Net cash flows from financing activities		296,936	215,923
Net increase/(decrease) in cash and cash equivalents		271,158	(775,924)
Cash and cash equivalents at 1 July		(709,816)	66,108
Cash and cash equivalents at 30 June		(438,658)	(709,816)

The notes on pages 13 to 26 form an integral part of these financial statements.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1 General information

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

The address of its registered office is:
Kingsholm
Kingsholm Road
Gloucester
GL1 3AX

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 £.

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 £1,197,771 (2016 - £692,227) during the period and at the balance sheet date had net assets of £7,421,987 (2016 - £8,531,238). The company has prepared detailed budgets and cash flow forecasts for the period to 30 June 2022. 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.

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 company'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 2017

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.

Key sources of estimation uncertainty

These financial statements do not include any significant estimation uncertainty.

Judgements

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

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge 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 are 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.

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%.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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. All trade debtors are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. 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 debtors.

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 all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

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.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

Classification

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.

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

Recognition and measurement

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.

Impairment

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.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 Revenue

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

	2017	2016
	£	£
Rendering of services	<u>16,310,944</u>	<u>15,281,929</u>

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

	2017	2016
	£	£
Central income	5,246,607	4,090,617
Ticket income	4,005,074	3,580,084
Hospitality, conferencing and events	2,637,747	2,101,411
Sponsorship and advertising	2,308,137	1,981,019
Community development	235,321	168,283
Commission on catering, bar and shop sales	110,788	189,051
Bar sales	974,249	841,696
Rugby World Cup	-	1,976,682
Other mixed income	<u>793,021</u>	<u>353,086</u>
	<u>16,310,944</u>	<u>15,281,929</u>

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

4 Operating profit

Arrived at after charging/(crediting)

	2017	2016
	£	£
Depreciation expense	496,973	456,290
Amortisation expense	38,364	83,276
Operating lease expense - property	180,000	180,000
Operating lease expense - other	15,071	21,612
Loss/(profit) on disposal of property, plant and equipment	1,259	(300)
Auditors remuneration - Audit of the financial statements	<u>12,000</u>	<u>12,000</u>

5 Other interest receivable and similar income

	2017	2016
	£	£
Interest income on bank deposits	<u>-</u>	<u>3</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

6 Interest payable and similar expenses

	2017	2016
	£	£
Interest on bank overdrafts and borrowings	82,299	255,774
Interest on obligations under finance leases and hire purchase contracts	1,239	1,656
	<u>83,538</u>	<u>257,430</u>

7 Staff costs

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

	2017	2016
	£	£
Wages and salaries	9,688,227	8,501,944
Social security costs	985,394	831,776
Pension costs, defined contribution scheme	20,100	37,651
	<u>10,693,721</u>	<u>9,371,371</u>

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

	2017	2016
	No.	No.
Administration and support	249	261
Players	70	74
	<u>319</u>	<u>335</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017	2016
	£	£
Remuneration	<u>250,365</u>	<u>260,342</u>

In respect of the highest paid director:

	2017	2016
	£	£
Remuneration	<u>162,069</u>	<u>150,155</u>

9 Taxation

Tax charged/(credited) in the income statement

	2017	2016
	£	£
Deferred taxation		
Arising from origination and reversal of timing differences	(42,202)	(38,699)
Arising from changes in tax rates and laws	(46,318)	(96,934)
Adjustments in respect of prior periods	-	(79,271)
Total deferred taxation	<u>(88,520)</u>	<u>(214,904)</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - the same as the standard rate of corporation tax in the UK) of 19.75% (2016 - 20%).

The differences are reconciled below:

	2017 £	2016 £
Loss before tax	<u>(1,197,771)</u>	<u>(692,227)</u>
Corporation tax at standard rate	(236,568)	(138,445)
Effect of revenues exempt from taxation	-	(1,296,616)
Effect of expenses not deductible in determining taxable profit (tax loss)	3,065	892
Deferred tax expense (credit) relating to changes in tax rates or laws	(19,818)	(92,636)
Effect of adjustment in prior periods on deferred tax	-	(79,271)
Tax increase (decrease) from effect of capital allowances and depreciation	43,225	41,095
Other permanent differences	-	1,950
Timing differences not recognised in the computation	-	42,017
Adjustments to brought forward values	-	1,306,519
Deferred tax not recognised	<u>121,576</u>	<u>(409)</u>
Total tax credit	<u>(88,520)</u>	<u>(214,904)</u>

Deferred tax

Deferred tax assets and liabilities

2017

	£
Accelerated tax depreciation	(546,349)
Short term timing differences	2,955
Tax losses available	900,318
Chargeable gains/(losses)	<u>(1,102,124)</u>
	<u>(745,200)</u>

2016

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

The company has not recognised a further deferred tax asset of £121,576 at 30 June 2017 as it is unclear when the tax losses associated with this asset will be utilised.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

10 Intangible assets

	Player registrations £	Computer software £	Total £
Cost or valuation			
At 1 July 2016	190,882	-	190,882
Additions acquired separately	-	142,248	142,248
At 30 June 2017	190,882	142,248	333,130
Amortisation			
At 1 July 2016	150,512	-	150,512
Amortisation charge	21,510	16,854	38,364
At 30 June 2017	172,022	16,854	188,876
Carrying amount			
At 30 June 2017	18,860	125,394	144,254
At 30 June 2016	40,370	-	40,370

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11 Tangible assets

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At 1 July 2016	11,782,090	1,442,673	78,277	13,303,040
Additions	124,775	201,982	-	326,757
Disposals	-	(9,449)	-	(9,449)
At 30 June 2017	<u>11,906,865</u>	<u>1,635,206</u>	<u>78,277</u>	<u>13,620,348</u>
Depreciation				
At 1 July 2016	2,617,887	867,086	69,310	3,554,283
Charge for the year	340,390	154,151	2,432	496,973
Eliminated on disposal	-	(6,791)	-	(6,791)
At 30 June 2017	<u>2,958,277</u>	<u>1,014,446</u>	<u>71,742</u>	<u>4,044,465</u>
Carrying amount				
At 30 June 2017	<u>8,948,588</u>	<u>620,760</u>	<u>6,535</u>	<u>9,575,883</u>
At 30 June 2016	<u>9,164,203</u>	<u>575,587</u>	<u>8,967</u>	<u>9,748,757</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:

	2017 £	2016 £
Fixtures and fittings	<u>18,250</u>	<u>41,569</u>

Included in land and buildings is freehold land at a cost of £842,000 (2016 - £842,000) which is not subject to depreciation.

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.

12 Fixed asset investments

	2017 £	2016 £
Fixed asset investments	<u>6,483,082</u>	<u>6,483,082</u>
Fixed asset investments		£
Fair value		
At 1 July 2016 and 30 June 2017		<u>6,483,082</u>
Carrying amount		
At 30 June 2017 and 30 June 2016		<u>6,483,082</u>

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

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13 Stocks

	2017	2016
	£	£
Bar stock	<u>38,722</u>	<u>41,840</u>

The cost of stocks recognised as an expense in the year amounted to £531,730 (2016 - £429,741).

14 Debtors

	2017	2016
	£	£
Trade debtors	1,101,644	1,598,760
Other debtors	112,426	12,459
Prepayments	321,899	245,648
Accrued income	<u>348,058</u>	<u>293,736</u>
Total current trade and other debtors	<u>1,884,027</u>	<u>2,150,603</u>

15 Cash and cash equivalents

	2017	2016
	£	£
Cash on hand	22,504	23,974
Bank overdrafts	<u>(461,162)</u>	<u>(733,790)</u>
Cash and cash equivalents in statement of cash flows	<u>(438,658)</u>	<u>(709,816)</u>

16 Creditors

	Note	2017	2016
		£	£
Due within one year			
Loans and borrowings	17	894,524	4,614,261
Trade creditors		1,763,487	1,511,449
Social security and other taxes		1,174,574	1,010,889
Outstanding defined contribution pension costs		7,700	39,141
Other payables		10,880	19,273
Accrued expenses		463,637	479,074
Deferred income		<u>1,662,496</u>	<u>1,449,581</u>
		<u>5,977,298</u>	<u>9,123,668</u>
Due after one year			
Loans and borrowings	17	3,845,833	-
Deferred income		<u>158,154</u>	<u>-</u>
		<u>4,003,987</u>	<u>-</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.

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17 Loans and borrowings

	2017 £	2016 £
Current loans and borrowings		
Bank borrowings	427,240	2,831,391
Bank overdrafts	461,162	733,790
Finance lease liabilities	6,122	9,080
Directors loan account	-	1,040,000
	<u>894,524</u>	<u>4,614,261</u>
	2017 £	2016 £
Non-current loans and borrowings		
Bank borrowings	3,839,820	-
Finance lease liabilities	6,013	-
	<u>3,845,833</u>	<u>-</u>

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 agreements and the directors current account. These were replaced by a 10 year term loan of £4,500,000 which is repayable in monthly instalments of £27,835 for the first 12 months followed by monthly instalments of £41,667 for the duration of the loan. A final bullet payment will be made for the remaining balance at the end of the loan term. 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.

Bank borrowings of £2,831,391 in the prior year include the following:

* A bank loan of £1,362,463 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 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.

Included in the loans and borrowings are the following amounts due after more than five years:

	2017 £	2016 £
After more than five years by instalments	<u>2,010,276</u>	<u>-</u>
	<u>2,010,276</u>	<u>-</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary shares of £1 each	7,134,434	7,134,434	5,467,767	5,467,767
Preference shares of £1 each	-	-	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>

On 20 September 2016 1,666,667 preference shares with a nominal value of £1 each were redesignated to ordinary shares with a nominal value of £1.

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.

20 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

	2017	2016
	£	£
Not later than one year	6,122	9,080
Later than one year and not later than five years	<u>6,013</u>	<u>-</u>
	<u>12,135</u>	<u>9,080</u>

Operating leases

The total of future minimum lease payments is as follows:

	2017	2016
	£	£
Not later than one year	198,943	209,583
Later than one year and not later than five years	<u>540,000</u>	<u>738,941</u>
	<u>738,943</u>	<u>948,524</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £195,071 (2016 - £201,612).

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £20,100 (2016 - £37,651).

Contributions totalling £7,700 (2016 - £39,141) were payable to the scheme at the end of the year and are included in creditors.

22 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 £10,000 (2016 - £60,000) and purchases of £nil (2016 - £10,600). At the balance sheet date the amount due to Gloucester Rugby Community Foundation CIC was £nil (2016 - £10,625) and the amount due from Gloucester Rugby Community Foundation CIC was £nil (2016 - £30,450).

F3Group Limited

(a company in which M St Quinton and G Gleave are directors and in which G Gleave is a shareholder)

During the year the company made sales of £50,000 (2016 - £nil) to F3Group Limited in respect of sponsorship for the 2016/17 season. At the balance sheet date the amount due from F3Group Limited was £40,000 in respect of sponsorship invoiced in advance for the 2017/18 season (2016 - £nil).

Gloucester Rugby Community Charity

(a charity in which the directors M Fairbrother and S Vaughan are registered trustees)

During the year the company recharged costs of £177,572 (2016 - £nil) and income of £33,748 (2016 - £nil) to Gloucester Rugby Community Charity. At the balance sheet date the amount due from Gloucester Community Charity was £83,821 (2016 - £nil).

23 Financial instruments

Categorisation of financial instruments

	2017	2016
	£	£
Financial assets measured at fair value through profit or loss	6,483,082	6,483,082
Financial assets that are debt instruments measured at amortised cost	1,562,128	1,904,955
Financial liabilities measured at amortised cost	<u>(6,966,226)</u>	<u>(6,614,977)</u>

GLOUCESTER RUGBY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 (2016 - £6,483,082) and the change in value included in profit or loss is £Nil (2016 - £Nil).

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 (2016 - £Nil) and the change in value included in profit or loss is £Nil (2016 - £210,084).

Items of income, expense, gains or losses

	Income £	Expense £	Net gains £	Net losses £
2017				
Financial liabilities measured at amortised cost	-	82,299	-	-
	<u>-</u>	<u>82,299</u>	<u>-</u>	<u>-</u>
2016				
Financial liabilities measured at fair value through profit or loss	-	237,278	210,084	-
Financial liabilities measured at amortised cost	-	228,579	-	-
	<u>-</u>	<u>465,857</u>	<u>210,084</u>	<u>-</u>

The total interest expense for financial liabilities not measured at fair value through profit or loss is £83,538 (2016 - £230,235).

24 Parent and ultimate parent undertaking

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