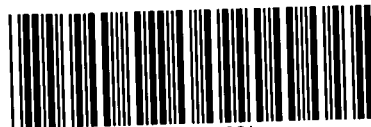


AFC BOURNEMOUTH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 JULY 2016

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AFC BOURNEMOUTH LIMITED

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AFC BOURNEMOUTH LIMITED

COMPANY INFORMATION

Directors

Mr N Blake
Mr J Coppoletta
Mr M Hulsizer
Mr J Mostyn
Mr M Ponomarev
Mr N Rothwell
Mr I Tikhturov
Mr O Tikhturov
Mr R Seitz

Registered number

06632170

Registered office

Vitality Stadium
Dean Court
Kings Park
Bournemouth
Dorset
BH7 7AF

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Savannah House
3 Ocean Way
Southampton
SO14 3TJ

AFC BOURNEMOUTH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JULY 2016

Introduction

The directors present the Strategic Report for AFC Bournemouth Limited (the "company" or the "club") for the year ended 31 July 2016.

Business review

The financial statements for the year ended 31 July 2016 cover the period where the football club competed in the Football Association Premier League for the first time in its history. The club finished in 16th position with 42 points, which was enough to secure Premier League status for the 2016/17 season.

During the financial year, the club's focus was to consolidate its position in the Premier League through targeted expenditure on assets and expertise in the playing squad and supporting infrastructure. Player registration cost additions were £69.8m compared with £13.2m in the previous financial year. This investment in the current and previous year resulted in increased amortisation costs of £13.2m (2015: £3.7m) and contributed to an increase in total wages and salaries to £59.6m (2015: £29.6m).

Turnover was up by £75.0m to £87.9m (2015: £12.9m) almost entirely due to the increased revenue generated centrally from being a Premier League club. However, football player and team management wages, including Premier League retention bonuses, also increased as the club strived to offer competitive remuneration packages to attract and maintain the calibre of playing and team management staff necessary to allow the club to compete in the league, with the aim of maintaining Premier League status. Other non-exceptional operating expenses increased as result of higher costs associated with the club playing in the Premier League such as those relating to player loans, player scouting and other stadium and operating expenditure.

The club recorded an operating profit of £5.0m (2015: operating loss of £38.1m) which included a gain on disposal of intangible fixed assets in respect of player sales of £10.7m (2015: loss on disposal £0.2m).

The directors continue to maintain close control over cash flow and have implemented and maintained policies with the aim of ensuring the club is run in a sustainable and successful manner. As there has been a step change in levels of cash flows, these policies are seen as vital in order to keep control over all expenditure that the club commits to.

The club sees retention of staff as a key ingredient to success. During the year there were no changes to key personnel in first team management or senior executive positions.

The net result of the above has been a profit before taxation of £3.4m (2015: loss £39.4m) mainly as a result of higher turnover and the gain on player sales more than offsetting higher staff and other costs.

The directors consider the financial position of the company to be satisfactory at 31 July 2016.

On 5 November 2015 the parent company A.F.C.B. Enterprises Limited sold 25% of its share of the company to Peak6 Football Holdings LLC. As a result of this, Peak6 brought two additional directors onto the board of directors.

As described in the Accounting Policies, during the year the company adopted FRS 102. Changes that adjust the loss for the financial year ending 31 July 2015, or the total equity at 1 August 2014 and 31 July 2015 are disclosed in note 30 to the financial statements. The company has also changed its accounting policy in respect of players' signing on fees to charge these to the statement of comprehensive income evenly over the length of a players' contractual term rather than recognising the expense in full in the year in which it is paid. See note 30 for further details.

AFC BOURNEMOUTH LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2016**

Principal risks and uncertainties

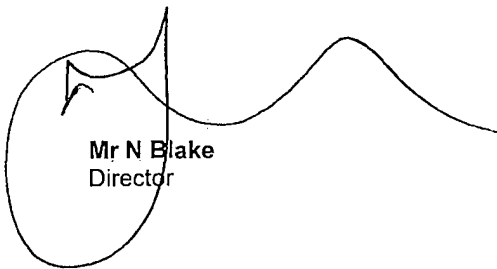
Playing success remains a key risk affecting the club in order to sustain its Premier League status. This year has seen further investment in playing staff through utilising advanced sports science methodologies and more developed training techniques.

The club is also aware of the risk associated with reliance upon finance from its shareholders to fund operations. However, the directors are confident that this risk is minimal based on the ongoing commitment from its investors and recent positive developments within the business, which demonstrate the successful outputs resulting from the investment.

Financial key performance indicators

Given the straight forward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance, cash flow or financial position of the business.

The Strategic report presented above is authorised by the Board on ²²December 2016 and signed on its behalf.



Mr N Blake
Director

AFC BOURNEMOUTH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2016

The directors present their report and the audited financial statements of AFC Bournemouth Limited (the "company" or the "club") for the year ended 31 July 2016.

Results and dividends

The profit for the year, after taxation, amounted to £3,395,000 (2015: loss £38,634,000).

The directors do not recommend the payment of a dividend (2015: £nil).

Going concern

The directors consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details underlying the adoption of this basis are given in note 2.2 to the financial statements.

Future developments

Since the year-end the club has continued to invest in its playing staff to help maintain Premier League status. The club continues to have plans for growth and expansion and it is hoped that the playing squad can be developed further to ensure continued playing success.

The club is working to identify a new site for its stadium and it is our ambition that a new stadium would be built in time for the start of the 2020/21 season.

Financial risk management

Credit risk

Credit risk relates primarily to the recoverability of trade debtors from commercial activities and cash held at bank. However, the company monitors this closely and implements effective credit control procedures to reduce exposure to credit risk and monitors the financial stability of its bank and other financial institutions.

Liquidity risk

The company is dependent on the financial support of its shareholders. To develop the company's financial stability, the directors have continued to focus on operational efficiencies and to maximise cash inflow. In addition the club has effective procedures for budgeting and reporting, driving accuracy for decision making. It is also one of the company's key priorities to ensure it meets its obligations to its creditors, through the monitoring of payment days and ensuring negotiated credit terms with suppliers are met.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Disabled employees

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

AFC BOURNEMOUTH LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2016

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr N Blake
Mr J Coppoletta (appointed 18 November 2015)
Mr M Hulsizer (appointed 17 November 2015)
Mr J Mostyn
Mr M Ponomarev
Mr N Rothwell
Mr I Tikhturov
Mr O Tikhturov
Mr J O'Neill (resigned 25 November 2016)
Mr A Panferov (resigned 9 October 2015)
Mr R Seitz (appointed 2 December 2016)

Qualifying third party indemnity provisions

The Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last year and is currently in force.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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.

AFC BOURNEMOUTH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2016**

Disclosure of information to independent auditors

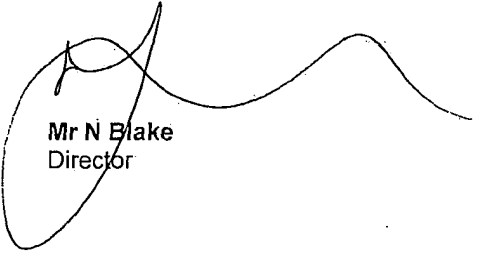
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Independent Auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on 22 December 2016 its behalf.



Mr N Blake
Director

AFC BOURNEMOUTH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFC BOURNEMOUTH LIMITED

Report on the financial statements

Our opinion

In our opinion, AFC Bournemouth Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 July 2016 and of its profit and cash flows 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.
-

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 July 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

AFC BOURNEMOUTH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFC BOURNEMOUTH LIMITED

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

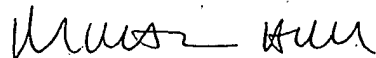
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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.



Matthew Hall (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

Date: 22 December 2016

AFC BOURNEMOUTH LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2016**

		2016 £000	Restated 2015 £000
Turnover	4	87,875	12,867
Other operating income	5	740	132
Profit / (loss) on disposal of players' registrations		10,692	(188)
Staff costs		(59,557)	(29,606)
Depreciation and other amounts written off tangible and intangible fixed assets		(14,223)	(4,231)
Other operating expenses		(20,535)	(7,497)
Exceptional other operating expenses		-	(9,615)
Operating profit/(loss)	7	4,992	(38,138)
Interest receivable and similar income	11	76	47
Interest payable and similar charges	12	(1,673)	(1,320)
Profit/(loss) on ordinary activities before taxation		3,395	(39,411)
Tax on profit/(loss) on ordinary activities	13	-	777
Profit/(loss) for the financial year		3,395	(38,634)
Total comprehensive income/(expense) for the year		3,395	(38,634)

The 2015 comparatives have been restated following a change in policy for the accounting for players' signing on fees. Please see note 30.

The notes on pages 13 to 33 form part of these financial statements.

AFC BOURNEMOUTH LIMITED
REGISTERED NUMBER: 06632170

STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2016

	Note	2016 £000	Restated 2015 £000
Fixed assets			
Intangible assets	14	70,900	16,912
Tangible assets	15	9,182	7,718
		<u>80,082</u>	<u>24,630</u>
Current assets			
Stocks	16	213	174
Debtors	17	14,615	7,529
Cash at bank and in hand	18	33,506	1,363
		<u>48,334</u>	<u>9,066</u>
Creditors: amounts falling due within one year	19	(153,546)	(44,647)
Net current liabilities		<u>(105,212)</u>	<u>(35,581)</u>
Total assets less current liabilities		<u>(25,130)</u>	<u>(10,951)</u>
Creditors: amounts falling due after more than one year	20	(16,427)	(30,754)
Provisions for liabilities			
Other provisions	22	(73)	(103)
Net liabilities		<u>(41,630)</u>	<u>(41,808)</u>
Capital and reserves			
Called up share capital	23	21,110	21,110
Profit and loss account		(62,740)	(62,918)
Total equity		<u>(41,630)</u>	<u>(41,808)</u>

The 2015 comparatives have been restated following a change in policy for the accounting for players' signing on fees. Please see note 30.

The financial statements on pages 9 to 34 were approved by the Board of Directors on 22 December 2016 and signed on its behalf by:

Mr N Blake
Director

AFC Bournemouth Limited
Company number: 06632170

The notes on pages 13 to 33 form part of these financial statements.

AFC BOURNEMOUTH LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2016**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 August 2014 (restated)	14,960	(26,702)	(11,742)
Comprehensive expense for the year			
Loss for the year (restated)	-	(38,634)	(38,634)
Total comprehensive expense for the year	-	(38,634)	(38,634)
Contributions by and distributions to owners			
Shares issued during the year (note 23)	6,150	-	6,150
Capital contribution on initial recognition of shareholder loans at fair value	-	2,418	2,418
Total transactions with owners	6,150	2,418	8,568
Balance as at 31 July 2015 (restated)	21,110	(62,918)	(41,808)
At 1 August 2015 (restated)	21,110	(62,918)	(41,808)
Comprehensive income for the year			
Profit for the year	-	3,395	3,395
Total comprehensive income for the year	-	3,395	3,395
Contributions by and distributions to owners			
Expense to equity on modification of shareholder loan to nominal book value	-	(3,418)	(3,418)
Capital contribution on initial recognition of shareholder loans at fair value	-	201	201
Total transactions with owners	-	(3,217)	(3,217)
Balance as at 31 July 2016	21,110	(62,740)	(41,630)

Prior to November 2015 the company held an interest free loan owed to its parent company, repayable in full on 13 February 2018. At 1 August 2014 and 1 August 2015 the loan was held at amortised cost having been initially recorded at fair value. Credits to equity of £2,418,000 and £3,417,000 were respectively recorded in financial year 2015 and in previous periods on the initial recognition of amounts lent to the company. Interest expense was charged to the statement of comprehensive income after initial recognition.

In November 2015 the repayment term of these loan amounts was modified to have no fixed repayment date. As a result of this modification, under FRS 102, as the loan is a shareholder held instrument, its value was increased to its cash value with a corresponding charge of £3,418,000 being recorded in equity in financial year 2016. This reversed the previous capital contributions posted to equity on the initial recognition of the loan amounts less the associated interest expense charged to the statement of comprehensive income in the time since the initial recognition.

See note 30 for details of a change in accounting policy resulting in restated prior year amounts.

The notes on pages 13 to 33 form part of these financial statements.

AFC BOURNEMOUTH LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2016**

	2016 £000	2015 £000
Cash flows from operating activities		
Profit/(loss) for the financial year	3,395	(38,634)
Adjustments for:		
Amortisation of intangible assets	13,167	3,722
Depreciation of tangible assets	1,058	509
Loss on disposal of tangible assets	58	188
Interest paid	1,673	1,320
Interest received	(76)	(47)
Taxation charge	-	(777)
(Increase)/decrease in stocks	(39)	52
Decrease/(increase) in debtors	392	(4,118)
Increase in creditors	39,452	21,130
(Decrease) in provisions	(30)	(70)
Corporation tax received	439	-
Remove gain on disposal of intangible fixed assets	(10,692)	-
Net cash generated from/(used in) operating activities	48,797	(16,725)
Cash flows from investing activities		
Purchase of intangible fixed assets	(30,706)	(5,332)
Sale of intangible assets	-	1,504
Purchase of tangible fixed assets	(2,580)	(4,612)
Sale of tangible fixed assets	5,334	-
Interest received	7	10
Net cash used in investing activities	(27,945)	(8,430)
Cash flows from financing activities		
Issue of ordinary shares	-	6,150
Other new loans	19,648	17,000
Repayment of other loans	(8,357)	-
Interest paid	-	(126)
Net cash generated from financing activities	11,291	23,024
Net increase/(decrease) in cash and cash equivalents	32,143	(2,131)
Cash and cash equivalents at beginning of year	1,363	3,494
Cash and cash equivalents at the end of year	33,506	1,363
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	33,506	1,363

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

1. General information

AFC Bournemouth Limited is a private limited company registered and domiciled in England & Wales. The company's principal activity is the operation of a professional football club and related commercial activities.

Its trading and registered office address is Vitality Stadium, Dean Court, Kings Park, Bournemouth, Dorset BH7 7AF. The company registration number is 06632170.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements for the year ended 31 July 2016 have been prepared on a going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 30.

The preparation of financial statements for the year ended 31 July 2016 in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been consistently applied:

2.2 Going concern

The company is dependent on continued financial support from its shareholders, including its ultimate controlling party, in order to remain a going concern. The company's shareholders have committed to provide financial support to the company for at least 12 months from the date of the signing of the company's full financial statements, in order for the company to be able to meet its liabilities as they fall due and to realise the value of its assets. The directors have considered the company's financial position, forecast cash flows and the availability of financial support from its shareholders and consider that it is appropriate to prepare the financial statements on a going concern basis.

2.3 Turnover

Turnover represents income receivable net of VAT, from football and related commercial activities. Gate and other match/event day turnover is recognised as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting turnover is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned. Merit awards, including those from The Football League, are accounted for only when known at the end of the financial period. Fees receivable in respect of the loan of players are included in other income and recognised evenly over the period of the loan.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life of 5 years. The company has taken advantage of the transition arrangements of FRS 102 to not restate the opening carrying value or useful economic life of its goodwill.

Other intangible assets

Intangible assets are initially recognised at cost or fair value if the associated consideration is subject to extended payment terms. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The third party costs associated with players' registrations or extending their contracts, including agents' fees and levies payable to the Premier League, are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Where a contract life is renegotiated the unamortised costs, together with the new costs relating to the contract extension, are amortised over the new contract period.

Where the acquisition of a player registration involves a non-cash consideration, such as an exchange for another player registration, the transaction is accounted for using an estimate of the market value for the non-cash consideration.

The single cash generating unit ("CGU") of the company is the operation of the company as a whole. An impairment charge is posted against the company's intangible assets if it is determined that the carrying amount of the CGU is below the highest of its fair value less costs to sell and its value in use. The directors do not consider that it is possible to determine the value in use of an individual football player in isolation as that player, except in the case of sale or insurance recovery, cannot generate cash flows by themselves. While management does not consider any individual player can be separated from the single CGU there may be certain circumstances where a player is excluded from the CGU when it becomes clear that they will not play for the club's first team again, for example following a career threatening injury or on being permanently removed from the first team squad for another reason. If such circumstances arise, the carrying value of the player is assessed against the company's best estimate of the player's fair value less any costs to sell and an impairment charge is recorded in the Statement of Comprehensive Income reflecting any loss arising.

Under the conditions of certain transfer agreements, further fees will be payable to former clubs in the event of the purchased player concerned and/or the club achieving a specified future event. Liabilities that are contingent on outcomes that are wholly determined by the company, such as those dependent on the number of appearances by the player, are accounted for as trade creditors or accruals when the specified event has been achieved and capitalised to player registration costs. Other liabilities contingent on future events are provided for and capitalised to player registration costs when it becomes probable that the future event will occur.

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.4 Intangible assets (continued)

Profits or losses on the sale of players represent the transfer fee receivable, net of any transaction costs, less the unamortised cost of the player's registration, signing on fees, termination fees and any other amounts due to the player under contractual terms. Consideration that is dependent on future events is only recognised when its receipt is virtually certain.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings leasehold improvements	- Between 5% and 10% per annum
Plant and machinery	- Between 15% and 33% per annum
Fixtures and fittings	- Between 15% and 20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to sell, after making due allowance for obsolete and slow-moving stocks. Any impairment loss is recognised immediately in the statement of comprehensive income.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

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

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into the functional currency at the rate ruling on the date of the transaction. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within other operating income or operating expense.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Multi-employer pension plan

The company participates, along with other football clubs, in the Football League Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the company's estimated share of the actuarial technical deficit of this scheme, as notified by the Football League Pension and Life Assurance Scheme.

Under the provisions of FRS 102 'Retirement Benefits' the Scheme is treated as a defined benefit multi-employer scheme as the Scheme's actuary has advised the participating employers that their share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and, accordingly, no further disclosures are made under the provisions of FRS 102.

2.15 Interest income

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

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

2. Accounting policies (continued)

2.17 Contingencies

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

2.18 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Exceptional items

Significant non-recurring items of income and expense are disclosed in the underlying operating profit reconciliation as exceptional items. The separate reporting of exceptional items helps provide an indication of the company's underlying business performance.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

2. Accounting policies (continued)

2.20 Player remuneration

Remuneration of players is charged in accordance with the terms of the applicable contractual agreements and any discretionary bonus is recorded when there is a legal or contractual obligation.

Player signing-on fees represent a normal part of the employment cost of the player and as such are recorded in prepayments and charged to the Statement of Comprehensive Income evenly over the term of the contract, except in the circumstances of a player disposal. In that case, any remaining signing on fees due are allocated in full against the profit on disposal of the player's registration in the year in which the player disposal is made. This is a change of accounting policy and has been made retrospectively to comparative periods. The details and impact of this change has been fully disclosed in Note 30.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

The directors consider that the critical judgements in applying the company's accounting policies are:

(i) Determination of a single cash generating unit ("CGU")

As described in note 2.4 the single cash generating unit ("CGU") of the company is the operation of the company as a whole. With respect to intangible asset player registrations it is not considered possible to determine the value in use of an individual football player in isolation, other than in the exceptional circumstances described in note 2.4.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

(iii) Assumptions in calculating the fair value of long term monetary assets and liabilities

During the year the company had an interest free fixed term loan and both trade debtors and creditors with extended payment terms. These are initially measured at the present value of their future cash flows and subsequently at amortised cost over the period of repayment. While the periods of repayment are determinable, an estimate of the interest rate to be used has to be made based on current market rates. In November 2015, the terms of the long term fixed term were changed to be no fixed repayment date.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

(b) Critical accounting estimates and assumptions

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

(i) Carrying value of tangible assets and intangible assets – player registrations and goodwill

There is an estimation involved in assessing the carrying value of the company's tangible and intangible fixed assets, which are part of the total company cash generating unit. The carrying value of the company as a whole is assessed as the highest of fair value less costs to sell or value in use.

(ii) Recognition of liabilities for contingent payments to players and players' former clubs

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees are payable to former clubs in the event of the purchased player concerned and the club achieving a specified future event. Liabilities contingent on outcomes that are wholly determined by the company, such as those dependent the number of appearances by the player, are accounted for as trade creditors or accruals when the specified event has been achieved. Other liabilities contingent on future events are accounted for, as provisions, when it becomes probable that the future event will occur. There are similar contingent contractual compensation arrangements with players and agents at the time of initial transfer or on subsequent contract renegotiation.

4. Turnover

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

	2016 £000	2015 £000
Match and season ticket income	5,417	4,088
English Football League income	617	4,652
Premier League income	74,562	-
Sponsorship and advertising	3,781	1,158
Hospitality and events	1,261	1,291
Shop merchandise	1,312	734
Other income	925	944
	<u>87,875</u>	<u>12,867</u>

All turnover arose within the United Kingdom.

5. Other operating income

	2016 £000	2015 £000
Other operating income	<u>740</u>	<u>132</u>

Other operating income relates to player loan fees received.

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

6. Exceptional operating charges

	2016	2015
	£000	£000
Financial fair play penalty payable to the Football League	-	7,615
Payment to former shareholders	-	2,000
	<u>-</u>	<u>9,615</u>

In 2015 the company incurred an exceptional charge to accrue for a penalty of £7,615,000 in accordance with the financial fair play rules of the Football League. The company also incurred a charge in respect of a payment of £2,000,000 in respect of an agreement with former shareholders on the club achieving promotion to the Premier League.

7. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2016	2015
	£000	£000
Depreciation of tangible fixed assets	1,058	509
Amortisation of intangibles, including goodwill	13,167	3,722
(Profit)/loss on disposal of players' registrations	(10,692)	188
Impairment of trade debtors	-	6
Exchange differences	323	-
Operating lease rentals	715	678
	<u>715</u>	<u>678</u>

The profit or loss on the disposal of players' registrations is the difference between the book value of the player's registration at the time of disposal and the consideration received at the time. Consideration that is contingent on future events is only recognised when its receipt is virtually certain.

8. Auditors' remuneration

	2016	2015
	£000	£000
Fees payable to the company's auditors for the audit of the company's annual financial statements	54	30
Fees payable to the company's auditors in respect of:		
Audit-related assurance services	11	10
Taxation compliance services	5	4
Other services relating to taxation	23	21
All other services	6	17

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

9. Staff costs

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

	2016 £000	2015 £000
Wages and salaries	51,829	25,818
Social security costs	6,964	3,513
Other pension costs	764	275
	<u>59,557</u>	<u>29,606</u>

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

	2016 No.	2015 No.
Playing staff and administration	132	112
School of excellence	50	45
Match day staff	344	294
	<u>526</u>	<u>451</u>

10. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	1,194	843
Company contributions to defined contribution pension schemes	24	8
	<u>1,218</u>	<u>851</u>

During the year retirement benefits were accruing to 1 director (2015: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,074,000 (2015: £517,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,000 (2015: £8,000).

The directors consider key management to be the statutory directors of the company.

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

11. Interest receivable and similar income

	2016 £000	2015 £000
Bank interest	7	11
Implied interest on trade debtors with extended terms	69	36
	<u>76</u>	<u>47</u>

12. Interest payable and similar charges

	2016 £000	2015 £000
Implied interest on shareholder loans	753	1,105
Implied interest on trade creditors with extended payment terms	920	89
Paid interest on loans from group undertakings	-	126
	<u>1,673</u>	<u>1,320</u>

13. Tax on profit/(loss) on ordinary activities

	2016 £000	2015 £000
Corporation tax		
Current tax on profit/(loss) for the year	-	(777)
Total current tax	<u>-</u>	<u>(777)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.7%). The differences are explained below:

	2016 £000	2015 £000
Profit/(loss) on ordinary activities before tax	<u>3,395</u>	<u>(39,411)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.7%)	679	(8,158)
Effects of:		
Expenses not deductible for tax purposes	335	2,238
Non-taxable income	(14)	(8)
Tax losses utilised not previously recognised	<u>(1,000)</u>	<u>5,151</u>
Total tax credit for the year	<u>-</u>	<u>(777)</u>

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

13. Tax on profit/(loss) on ordinary activities (continued)

Factors that may affect future tax charges

The main rate of corporation tax will reduce to 19% from 1 April 2017 and to 17% from 1 April 2020.

Unrecognised deferred tax asset

The company has an unrecognised deferred tax asset of £9,240,000 (2015: £10,283,000). This deferred tax asset is made up of taxable losses of £9,240,000 (2015: £10,262,000) and other timing differences of £nil (2015: £20,000). The company's deferred tax asset has not been recognised at 31 July 2016 and 31 July 2015 as the company does not have a history of making taxable profits.

14. Intangible assets

	Player registration costs £000	Goodwill £000	Total £000
Cost			
At 1 August 2015	22,683	1,633	24,316
Additions	69,813	-	69,813
Disposals	(5,264)	-	(5,264)
At 31 July 2016	87,232	1,633	88,865
Accumulated amortisation			
At 1 August 2015	6,055	1,349	7,404
Charge for the year	13,086	81	13,167
On disposals	(2,606)	-	(2,606)
At 31 July 2016	16,535	1,430	17,965
Net book value			
At 31 July 2016	70,697	203	70,900
At 31 July 2015	16,628	284	16,912

The figures for the cost of player registrations is the fair value of purchase consideration for purchased players only. Accordingly, the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take into any account the value of players developed through the youth system.

The directors consider the net realisable value of player registration costs to be greater than their book value.

Player registrations have a carrying amount of £70,697,000 (2015: £16,628,000) and have a remaining amortisation period of up to 4 years (2015: 4 years). There are no other individually material intangible assets.

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

15. Tangible fixed assets

	Land and buildings leasehold improvements £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 1 August 2015	7,287	232	1,370	8,889
Additions	2,287	42	250	2,579
Disposals	-	-	(77)	(77)
At 31 July 2016	<u>9,574</u>	<u>274</u>	<u>1,543</u>	<u>11,391</u>
Accumulated depreciation				
At 1 August 2015	401	128	642	1,171
Charge for the year	816	41	201	1,058
Disposals	-	-	(20)	(20)
At 31 July 2016	<u>1,217</u>	<u>169</u>	<u>823</u>	<u>2,209</u>
Net book value				
At 31 July 2016	<u>8,357</u>	<u>105</u>	<u>720</u>	<u>9,182</u>
At 31 July 2015	<u>6,886</u>	<u>104</u>	<u>728</u>	<u>7,718</u>

16. Stocks

	2016 £000	2015 £000
Finished goods and goods for resale	<u>213</u>	<u>174</u>

Stock recognised in cost of sales during the year as an expense was £681,000 (2015: £339,000).

The difference between purchase price of stocks and their replacement cost is not material.

There is no stock provision (2015: £nil).

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

17. Debtors

	2016 £000	Restated 2015 £000
Trade debtors	8,591	1,693
Other debtors	381	1,871
Prepayments and accrued income	5,306	3,188
Corporation tax repayable	337	777
	<u>14,615</u>	<u>7,529</u>

The 2015 comparative for prepayments has been restated following a change in policy for the accounting for signing on fees. Please see note 30.

Included in trade debtors are amounts in respect of football transfer fees due from former clubs and loan fees due from other football clubs. The undiscounted value of these is £7,619,000 (2015: £42,000). Included in prepayments are amounts paid in advance in respect of football loan fees of £550,000 (2015: £21,000).

There is no bad debt provision (2015: £nil).

Included within trade debtors is £3,795,000 (2015: £nil) due for payment in more than one year. No amounts are due in more than five years.

18. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	<u>33,506</u>	<u>1,363</u>

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

19. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Other loans	53,280	7,269
Trade creditors	26,747	10,767
Other taxation and social security	9,399	1,514
Other creditors	108	327
Accruals	22,734	17,094
Deferred income	41,278	7,676
	<u>153,546</u>	<u>44,647</u>

Included in trade creditors are amounts due in respect of football transfer fees payable to former clubs and loan fees due to other football clubs. The undiscounted value of these due within one year is £23,903,000 (2015: £6,625,000).

At 31 July 2016 other loans are interest free amounts owed to the company's shareholders. There is no fixed repayment date for these loans which are secured over the assets of the company. The company has received assurances from shareholders that they will not request repayment of these loans from the Company during at least the 12 months from the date of the signing of these financial statements. At 31 July 2015 other loans are unsecured interest free amounts owed to the company's then sole shareholder. These were repayable on 1 September 2015. Further details are in note 28 Related party transactions.

20. Creditors: Amounts falling due after more than one year

	2016 £000	2015 £000
Other loans	-	30,754
Trade creditors	16,427	-
	<u>16,427</u>	<u>30,754</u>

Other loans at 31 July 2015 were interest free unsecured amounts owed to the company's then sole shareholder. These amounts were originally repayable on 13 February 2018, but in November 2015 the terms of the loan were amended so that there was no longer a fixed repayment date. As a result the loan has been reclassified to creditors falling due within one year.

Included in trade creditors are amounts due in respect of football compensation and loan fees due to other football clubs. The undiscounted value of these due after more than one year is £17,821,000 (2015: £2,000,000).

No amounts have a specified repayment date falling due after more than five years.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016

21. Financial instruments

	2016 £000	2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>8,972</u>	<u>3,564</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(119,296)</u>	<u>(66,211)</u>

Financial assets measured at amortised cost comprise of trade and other debtors.

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

22 Provisions

	Pension obligations £000
At 1 August 2015	103
Utilised in year	<u>(30)</u>
At 31 July 2016	<u>73</u>

The club is advised of its share of the deficit in the defined benefit section of The Football League Pension and Life Assurance Scheme ("the Scheme"). The most recent valuation of the whole Scheme was as at 31 August 2014 and this reported a deficit for the whole Scheme of £21.8m. The club's share of this deficit at 31 July 2016 is £73,000 (2015: £103,000). The schedule of annual contributions agreed for the year and for each year until August 2018 is £30,000.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

23. Called up share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
20,860 (2015: 20,860) Preference shares of £1,000 each	20,860	20,860
125,002 (2015: 125,002) Ordinary A shares of £1 each	125	125
125,002 (2015: 125,002) Ordinary B shares of £1 each	125	125
	<u>21,110</u>	<u>21,110</u>

The Ordinary A shares and Ordinary B shares rank pari passu in all respects.

The Preference shares entitle the holders to receive notice of all general meetings but do not entitle the holders to attend or vote at any general meeting or to participation in the profits or assets of the company. On winding up or repayment of capital, holders of the Preference shares shall be entitled to repayment of the capital paid up in those shares. This payment will be made in priority to holders of Ordinary A shares or Ordinary B shares.

During the prior year the company issued 6,150 preference shares of £1,000 each. Consideration was settled in cash.

24. Contingent liabilities

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees are payable to former clubs in the event of the purchased player concerned and the club achieving a specified future event. Liabilities contingent on outcomes that are wholly determined by the company, such as those dependent on the number of appearances by the player, are accounted for as trade creditors or accruals when the specified event has been achieved. Other liabilities contingent on future events are accounted for, as provisions, when it becomes probable that the future event will occur. There are similar contingent contractual compensation arrangements with players and agents at the time of initial transfer or on subsequent contract renegotiation. The company's contingent liability for these matters at 31 July 2016 is estimated to be £20,685,000 (2015: £12,491,000) of which £8,786,000 (2015: £1,092,000) are in respect of compensation and loan agreements with other football clubs and £11,899,000 (2015: £11,399,000) are in respect of compensation to players and agents.

25. Capital commitments

At 31 July 2016 the company had capital commitments as follows:

	2016 £000	2015 £000
Contracted for but not provided in these financial statements	<u>38</u>	<u>438</u>

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

26. Pension commitments

The company participates in a number of defined contribution pension schemes on behalf of certain employees. The assets of these schemes are held separately from those of the company in independently administered funds. The charge for the year for schemes accounted for as defined contribution schemes was £765,000 (2015: £275,000).

27. Commitments under operating leases

At 31 July 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	766	582
Later than 1 year and not later than 5 years	2,232	1,844
Later than 5 years	4,693	3,828
	<u>7,691</u>	<u>6,254</u>

28. Related party transactions

As at 31 July 2016 the company owed its parent company A.F.C.B. Enterprises Limited, a company registered in The British Virgin Islands, a non-interest bearing loan with a book and fair value of £33,632,000. The loan is secured over the assets of the company. The 2015 book value of the loan was £34,689,000 and its fair value was £30,754,000. At 31 July 2015 the loan was repayable on 13 February 2018 but since 5 November 2015 it has had no fixed repayment date.

At 31 July 2015 the company also owed its parent company £7,269,000 which was repaid in full during the current financial year.

As at 31 July 2016 the company owed its minority shareholder Peak6 Football Holdings LLC, a company incorporated in the United States of America, a non-interest bearing loan of £19,648,000 (2015: £nil). The loan is secured over the assets of the company. The loan has no fixed repayment date.

At 31 July 2016 the company owed £nil (2015: £24,000) to Veyron Bespoke Limited, a company incorporated in Great Britain, with the same ultimate controlling party. During the year purchases from Veyron Bespoke Limited with a value of £18,000 (2015: £44,000) were made by the company.

At 31 July 2016 the company was owed £6,000 (2015: £6,000) from its ultimate controlling party.

At 31 July 2016 the company was owed £nil (2015: £22,000) by certain directors of the company under advanced salary arrangements.

At 31 July 2016 Wintel Petrochemicals Limited and Veyron Bespoke Limited, two fellow group companies with the same ultimate controlling party, owed £291,000 (2015: £714,000) and £46,000 (2015: £63,000) respectively for UK corporation tax group relief. During the year the two companies settled £421,000 and £17,000 respectively in relation to these debts.

The company received £nil (2015: £200,000) in respect of team shirt and other sponsorship from Energy Consulting, a company incorporated in Russia and which has the same ultimate controlling party.

AFC BOURNEMOUTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2016

29. Controlling party

The immediate parent company of the company is A.F.C.B. Enterprises Limited, a company registered in The British Virgin Islands. The ultimate parent company is Fortina Enterprises Limited, a company registered in The British Virgin Islands.

The ultimate controlling party is Mr M Demin.

30. First time adoption of FRS 102 and other changes in accounting policies

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 August 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 1 August 2014

	£000
Equity at 1 August 2014 as previously reported	(15,103)
Signing on fees on accruals basis rather than expensed when paid	757
	<hr/>
Equity at 1 August 2014 under previous UK GAAP as restated	(14,346)
Capital contribution on initial recognition of shareholder loans	3,417
Interest expense on loans recognised at amortised cost	(764)
Recognition of long term receivables at fair value then amortised cost	(36)
Recognition of long term payables at fair value then amortised cost	(13)
	<hr/>
Equity shareholders' deficit at 1 August 2014 under FRS 102	<u>(11,742)</u>

Reconciliation of equity at 31 July 2015

	£000
Equity at 31 July 2015 as previously reported	(47,281)
Signing on fees on accruals basis rather than expensed when paid	1,589
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Equity at 31 July 2015 under previous UK GAAP as restated	(45,692)
Capital contribution on initial recognition of shareholder loans	5,835
Interest expense on loans recognised at amortised cost	(1,869)
Recognition of long term payables at fair value then amortised cost	(82)
	<hr/>
Equity shareholders' deficit at 31 July 2015 under FRS 102	<u>(41,808)</u>

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

30. First time adoption of FRS 102 and other changes in accounting policies (continued)

Reconciliation of loss for the year ended 31 July 2015

	£000
Loss for the financial year as previously reported	(38,328)
Signing on fees recognised evenly over the life of players' contracts	832
	<hr/>
Loss for the financial year under previous UK GAAP as restated	(37,496)
Interest expense on loans recognised at amortised cost	(1,105)
Interest expense on trade creditors recognised at amortised cost	(89)
Interest income on trade debtors recognised at amortised cost	36
Reverse amortisation arising on initial recognition of intangibles at present value	20
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Loss for the year ended 31 July 2015 under FRS 102	(38,634)
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The following were changes in accounting policies arising from the transition to FRS 102 and a change in the accounting policy for signing on fees:

First time adoption of FRS 102

- 1 Previously under UK GAAP interest free loans with a fixed principal repayment date were recognised at the face value of the loan. Under FRS 102 these loans are recognised initially at fair value and subsequently at amortised cost using an effective rate of interest. The difference between the face value of the shareholder loan and fair value is recognised as a capital contribution within equity with subsequent postings to interest charges in the statement of comprehensive income.

At 31 July 2015 the impact is to reduce the carrying value of long term and short term loans by £3,966,000 being £3,935,000 and £31,000 respectively (2014: total £2,653,000) with a capital contribution from shareholders of £5,835,000 (2014: £3,417,000) being recognised directly in equity. Interest during the year ending 31 July 2015 has been charged to the statement of comprehensive income of £1,105,000 (2014: £764,000) under the effective interest rate method.

AFC BOURNEMOUTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2016**

30. First time adoption of FRS 102 and other changes in accounting policies (continued)

2 Under previously extant UK GAAP trade creditors and trade debtors were held at the nominal value of the transaction. Under FRS 102 where creditors and debtor terms are beyond normal payment terms these must be considered and treated as basic financial assets and liabilities. As a result for amounts payable and receivable for player transfers with extended terms, the financial asset or liability has initially been recorded at the discounted present value, using a market rate of interest, then subsequently at amortised cost.

FRS 102 also prescribes that where amounts discounted relate to intangibles, such as the cost of player registrations, the amount capitalised should be the discounted cash price and the difference recognised as interest expense.

To restate long term receivables the impact as at 31 July 2015 is to reduce the carrying value of receivables by £nil (2014: £36,000) and interest income during the year has been recognised of £36,000 in the statement of comprehensive income.

To restate long term payables in relation to player registrations the impact as at 31 July 2015 is to reduce the carrying value of payables by £216,000 (2014: £34,000) and reduce the carrying value of intangibles assets by £298,000 (2014: £47,000), therefore resulting in a net decrease in equity as at 31 July 2015 of £82,000 (2014: £13,000). Amortisation previously charged of £20,000 has been reversed through the 2015 statement of comprehensive income. Interest of £89,000 has been charged to the statement of comprehensive income.

Change in accounting policy - accounting for player signing on fees

3 Management have reviewed the company's accounting policy for signing on fees due to players on joining the club or renewing a contract. Previously, such signing on fees were expensed in full in the year in which they were paid in accordance with the players' contracts. The company's new accounting policy is to expense signing on fees evenly over the players' contracts as described in note 2.20. The impact has been to increase prepayments at 31 July 2016 by £2,044,000 and profit for that financial year by £455,000. Prepayments increased at 31 July 2015 by £1,589,000 and profit for that financial year increased by £832,000. The shareholders' deficit at 1 August 2014 decreased by £757,000.