

Company Registration Number 03197756

QPR Holdings Limited

Financial Statements

31 May 2021

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QPR Holdings Limited

Financial statements

Year ended 31 May 2021

Contents	Pages
Company information	1
Executive Chairman's report	2
Strategic report	3 to 4
Directors' report	5
Independent auditor's report to the shareholders	6 to 8
Consolidated statement of comprehensive expense	9
Consolidated statement of financial position	10
Company statement of financial position	11
Consolidated statement of cash flows	12
Company statement of cash flows	13
Consolidated and Company statement of changes in equity	14
Notes to the financial statements	15 to 29

QPR Holdings Limited

Company information

Year ended 31 May 2021

The board of directors

Mr T Fernandes
Mr A Bhatia
Mr K Meranun
Mr R Gnanalingam

Registered office

Kiyan Prince Foundation Stadium
South Africa Road
London
W12 7PJ

Auditor

BDO LLP
Chartered Accountants
Statutory Auditor
55 Baker Street
London
W1U 7EU

Bankers

The Royal Bank of Scotland PLC
155 Bishopsgate
London
EC2M 3YB

Metro Bank
One Southampton Row
London
WC1B 5HA

QPR Holdings Limited

Executive Chairman's Report

Year ended 31 May 2021

On behalf of the Board of Directors, I present the annual financial statements and reports for the year ended 31 May 2021.

On the Field

The commencement of the 2020/21 season was pushed back until mid-September 2021 due to the delayed completion of the previous pandemic affected season. All clubs were expecting fixtures to be played behind closed doors for only a limited period of time, but as it turned out, we were only allowed to open the gates to a limited capacity for two fixtures against Reading and Stoke City in mid-December. All subsequent fixtures were played behind closed doors.

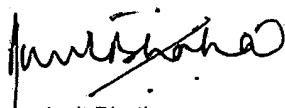
The players were required to report back for pre-season in mid-August, therefore only having a three-week rest period after the end of the previous season. We reinforced the squad with additions to the first team, as we looked to capitalise on the improved finish in the 2019/20 season. Although we started off with a home win, the team struggled for consistency in the first few months and by the end of December were in 19th place after 22 fixtures. Whilst we were sorry to see Bright Osayi-Samuel leave us on a permanent transfer in the January 2021 transfer window and we wish him well, we reinforced the squad with the addition of four loanees, Charlie Austin, Stefan Johansen, Sam Field and Jordy De Wijs, which preceded a good run of form. The improvement was remarkable, as the team gradually progressed up the table with some memorable performances. The only regret was that we were unable to share the experience with our fans in attendance, home or away. Whilst still not able to qualify for the play offs, our final position in 9th was still our highest finish in the Championship since 2013/14.

The performances of the team in the second half of the season have given us encouragement for this 2021/22 season. We have further reinforced the squad by converting the four January 2021 loans into permanent transfers along with other new additions as per Note 23. At the time of writing this report we have started the 2021/22 season well. I hope that with consistent performances, the team will be able to improve on last season's finish.

Training Ground

Pursuant to the end of the 2020/21 season, we received planning application approval for the training ground at Heston. The new training ground will be designed with a number of goals in mind: (i) to facilitate the cohesion and performance of the team; (ii) to enhance the profile and reputation of the Club and play its part in attracting the best footballing talent; and (iii) to assist and promote sporting excellence, providing access to best-in-class facilities. The facilities to be built in the first phase will include three first-team pitches and four academy pitches. The training ground building will house changing rooms, gym space, dining and recreation areas, medical and rehabilitation facilities, performance analysis room and classroom.

The total cost of the development is expected to be approximately £20 million including land acquisition, construction and all fees and contingencies. The £4.5 million acquisition of the freehold title to the Heston Sports Ground and initial phase of development has already been financed by a £10 million bond issued to the spouse of Ruben Gnanalingam. Since then, the Club has raised a further £6.8m from the issuance of retail bonds to supporters and other investors. The balance of funding required will be sourced via further investment from the principal shareholders of the Club.



Amit Bhatia
Chairman

1 February 2022

QPR Holdings Limited

Strategic report

Year ended 31 May 2021

Principal activities

The principal activity of the Company and the Group is that of a professional football club, with related commercial activities.

Business Review

The results for the year are summarised below:

- Group turnover was £14.5m, which is lower than in the previous year (£18.3m). This is a result of almost the entire season being played behind closed doors.
- Total ticketing revenue was £207k which is much lower than in the prior year (£4m) however due to a change in EFL regulations for the season fans could stream the majority of games which resulted in streaming revenue of £1.4m compared to £143k in the prior year.
- Group operating losses decreased to £3.5m after player trading, compared to £15.5m in the prior year.
- At the reporting date the Group had bank reserves of £8.7m, compared to £1.1m in the prior year.
- At the reporting date the Group's deficit position was £36.4m, compared with a £50.2m deficit in the prior year.

Cash flow and treasury

Net cash outflow from operations amounted to £11.5m as compared to £13.6m in the previous year.

The Group incurred a cash cost of £6.7m (2020: £60k) to acquire additional players during the year. The Group received £10.6m (2020: £7.4m) in shareholder financing during the year and completed a bond issue of £10m (2020: £Nil) for the purchase and development of Heston Sports Ground.

Risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's long-term performance. These risks and uncertainties are monitored by the Board on a regular basis and the Board remains confident that the Group has sufficient financial backing to manage these issues.

Football

The Group's income will always be directly affected by the performance of the first team and the Club's league status. The level of attendance may be influenced by factors such as the success of the team, ticket prices, broadcast coverage and the general economic climate.

The performance of the playing squad, as well as the football management staff, is hugely important to the Group, which maintains its strategy of trying to retain the highest quality playing and management staff. The Group operates in a highly competitive market for talent and the market rates for transfers and wages is, to a varying degree, dictated by competitors and the Group recognises the significance of this in relation to the desire to maintain the strength of the first team.

The Club is regulated by the rules of the various governing bodies and any change to these rules could have an impact on the Group. The Group monitors its compliance with all applicable rules and considers the impact of any changes.

Commercial

The Group derives income from sponsorship and other commercial arrangements. Broadcasting and certain other revenues are derived from contracts that are currently centrally negotiated by the Football League; the Group does not have any influence on the outcome of the relevant contract negotiations.

Post reporting date events

The details of these are included in note 23 of the financial statements.

Future Developments

The short term objective is to be competitive in the Championship and target a play-off place. The Board's primary aim is also to implement the strategic plans to ensure that the Club is self-sustainable in the near future.

Going Concern

The Group's business activities, together with the factors likely to affect its future development and performance are set out above. The financial position of the Group, its cash flows, liquidity position and borrowings are described in these financial statements.

The Group is dependent on the continued support of its significant shareholders, Total Soccer Growth Sdn Bhd and QPR Asia Sdn Bhd, in order to remain a going concern. These shareholders have confirmed under deed that they will continue to provide financial support to the Group for at least a period until 31 March 2023, in order for the Group to be able to meet its liabilities as they fall due. The directors have considered the Group's financial position, forecast cashflow and the availability of financial support from its significant shareholders and consider that it is appropriate to prepare the financial statements on a going concern basis.

QPR Holdings Limited

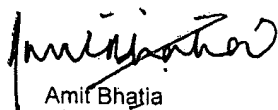
Strategic report continued

Year ended 31 May 2021

Financial risk management objectives and policies

Financial instruments are used for financing purposes only. It is Group policy not to trade in financial instruments. The details of financial risk management are included in note 22 of the financial statements.

The board of directors sets out the financial risk management policies that are implemented by the finance department. The Board considers that financial risks do not pose a major threat to the Company.



Amif Bhatia
Chairman

Approved by the directors on 1 February 2022

QPR Holdings Limited

Directors' report

Year ended 31 May 2021

The directors have pleasure in presenting their report and the audited financial statements of the Group for the year ended 31 May 2021.

Results and dividends

The loss for the year amounted to £4.5m (2020: £16.4m). The directors have not recommended a dividend.

Directors

The directors who served the Company during the year were as follows:

Mr A Bhatia
Mr T Fernandes
Mr K Meranun
Mr R Gnanalingam
Mr J Reuben

Resigned 23 October 2020

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnities

The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors.

Strategic Report

The business review and risk management policy are located in the strategic report on pages 3 to 4.


Auditor

BDO LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Insofar as the directors are aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Signed on behalf of the directors



Amit Bhatia
Chairman

Approved by the directors on 1 February 2022

QPR Holdings Limited

Independent auditor's report to the members of QPR Holdings Ltd

Year ended 31 May 2021

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2021 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of *QPR Holdings Limited* (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise the Consolidated statement of comprehensive expense, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the Consolidated and Company 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

- the information given in the Executive Chairman's report, the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Executive Chairman's report, the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Executive Chairman's report, the strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We also considered potential financial or other pressures, opportunity and motivations for fraud. As part of this discussion we identified the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations and how management monitor these processes. Appropriate procedures included the review and testing of manual journals and key estimates and judgements made by management. We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, drawing on our broad sector experience, and considered the risk of acts by the Group that were contrary to these laws and regulations, including fraud.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, UK tax legislation and equivalent local laws and regulations.

We made enquiries of management with regards to compliance with the above laws and regulations and corroborated any necessary evidence to relevant information, for example, minutes of the Board of Directors meetings and correspondence between the Group or Parent Company and its solicitors. Our tests included agreeing the financial statements disclosures to underlying supporting documentation and enquiries with management.

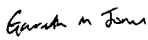
We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls including testing journals and evaluation whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Gareth M Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
1 February 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

QPR Holdings Limited

Consolidated statement of comprehensive expense

Year ended 31 May 2021

	Note	2021 £'000	2020 £'000
Revenue	2	14,520	18,299
Cost of sales		(28,392)	(26,346)
Gross loss		(13,872)	(8,047)
Administration expenses		(7,274)	(9,009)
Operating loss	3	(21,146)	(17,056)
Profit on disposal of plant & equipment	6	-	1
Profit on disposal of player registrations	6	17,648	5,994
Loss on disposal of asset under construction	6	-	(4,462)
		(3,498)	(15,523)
Finance income	7	190	41
Finance costs and similar charges	7	(1,218)	(911)
Loss on ordinary activities before taxation		(4,526)	(16,393)
Tax	8	-	-
Loss for the financial year and total comprehensive expense		(4,526)	(16,393)

All of the activities of the Group are classed as continuing.

The notes on pages 15 to 29 form part of these financial statements

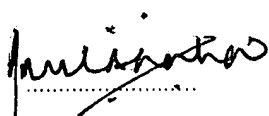
QPR Holdings Limited

Consolidated Statement of financial position

As at 31 May 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	9	6,897	42
Property plant and equipment	10	20,883	16,006
		<u>27,780</u>	<u>16,048</u>
Current assets			
Inventories	12	390	240
Trade and other receivables	13	12,091	5,056
Cash and cash equivalents		8,745	1,130
		<u>21,226</u>	<u>6,426</u>
Current liabilities	14	<u>(64,154)</u>	<u>(63,533)</u>
Net current liabilities		<u>(42,928)</u>	<u>(57,107)</u>
Total assets less current liabilities		<u>(15,148)</u>	<u>(41,059)</u>
Non-current liabilities	15	<u>(21,216)</u>	<u>(9,142)</u>
		<u>(36,364)</u>	<u>(50,201)</u>
Capital and reserves			
Share capital	20	110,565	93,465
Share premium account		160,301	160,301
Convertible bond - equity component		1,263	-
Profit and loss account		<u>(308,493)</u>	<u>(303,967)</u>
Net deficit		<u>(36,364)</u>	<u>(50,201)</u>

These financial statements were approved by the directors and authorised for issue on 1 February 2022, and are signed on their behalf by:



Amit Bhatia
Chairman

The notes on pages 15 to 29 form part of these financial statements

QPR Holdings Limited

Company statement of financial position

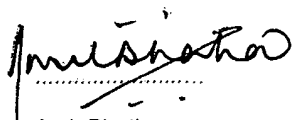
As at 31 May 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Property plant and equipment	10	20,883	16,006
Investments	11	5,520	5,520
		<u>26,403</u>	<u>21,526</u>
Current assets			
Inventories	12	390	240
Trade and other receivables	13	2,505	2,197
Cash and cash equivalents		6,141	808
		<u>9,036</u>	<u>3,245</u>
Current liabilities	14	<u>(54,187)</u>	<u>(66,570)</u>
Net current liabilities		<u>(45,151)</u>	<u>(63,325)</u>
Total assets less current liabilities		<u>(18,748)</u>	<u>(41,799)</u>
Non-current liabilities	15	<u>(9,259)</u>	<u>-</u>
		<u>(28,007)</u>	<u>(41,799)</u>
Capital and reserves			
Share capital	20	110,565	93,465
Share premium account		160,301	160,301
Convertible bond - equity component		1,263	-
Profit and loss account		<u>(300,136)</u>	<u>(295,565)</u>
Net deficit		<u>(28,007)</u>	<u>(41,799)</u>

The Company has taken advantage of section 408 (3) of the Companies Act 2006 not to publish its statement of profit or loss.

The loss dealt with in the financial statements of the parent Company was £4,571,000 (2020: £16,521,000).

These financial statements were approved by the directors and authorised for issue on 1 February 2022, and are signed on their behalf by:



Amit Bhatia
Chairman

Company Registration Number: 03197756

The notes on pages 15 to 29 form part of these financial statements

QPR Holdings Limited**Consolidated Statement of cash flows****Year ended 31 May 2021**

	Note	2021 £'000	2020 £'000
Net cash outflow from operating activities	21	(11,455)	(13,581)
Returns on investments and servicing of finance	21	(56)	(3)
Capital expenditure and financial investment	21	(1,416)	3,784
		<hr/>	<hr/>
Cash outflow before financing		(12,927)	(9,800)
Cash flows from financing activities	21	20,542	7,410
		<hr/>	<hr/>
Net change in cash and cash equivalents		7,615	(2,390)
Cash and cash equivalents at beginning of year		1,130	3,520
		<hr/>	<hr/>
Cash and cash equivalents at end of year		8,745	1,130
		<hr/>	<hr/>

The notes on pages 15 to 29 form part of these financial statements

QPR Holdings Ltd

Company Statement of cash flows

Year ended 31 May 2021

	Note	2021 £'000	2020 £'000
Net cash outflow from operating activities	21	(9,090)	(9,336)
Cash flows from investing activities	21	(58)	(3)
Capital expenditure and financial investment	21	(6,063)	(391)
Cash outflow before financing		(15,209)	(9,730)
Cash flows from financing activities	21	20,542	7,410
Net change in cash and cash equivalents		5,333	(2,320)
Cash and cash equivalents at beginning of year		808	3,128
Cash and cash equivalents at end of year		6,141	808

The notes on pages 15 to 29 form part of these financial statements

QPR Holdings Limited

Statement of changes in equity

Year ended 31 May 2021

Consolidated	Share capital £'000	Share premium £'000	Convertible bond £'000	Profit and loss account £'000	Total £'000
Equity shareholders' funds as at 1 June 2019	93,465	160,301	-	(287,574)	(33,808)
Loss and total comprehensive expense for the year	-	-	-	(16,393)	(16,393)
Equity shareholders' funds as at 31 May 2020	93,465	160,301	-	(303,967)	(50,201)
Convertible bond issue	-	-	1,263	-	1,263
Transactions with owners					
Ordinary Share issue	17,100	-	-	-	17,100
Loss and total comprehensive expense for the year	-	-	-	(4,526)	(4,526)
Equity shareholders' funds as at 31 May 2021	110,565	160,301	1,263	(308,493)	(36,364)

Company	Share capital £'000	Share premium £'000	Convertible bond £'000	Profit and loss account £'000	Total £'000
Equity shareholders' funds as at 1 June 2019	93,465	160,301	-	(279,044)	(25,278)
Loss and total comprehensive expense for the year	-	-	-	(16,521)	(16,521)
Equity shareholders' funds as at 31 May 2020	93,465	160,301	-	(295,565)	(41,799)
Convertible bond issue	-	-	1,263	-	1,263
Transactions with owners					
Ordinary Share issue	17,100	-	-	-	17,100
Loss and total comprehensive expense for the year	-	-	-	(4,571)	(4,571)
Equity shareholders' funds as at 31 May 2021	110,565	160,301	1,263	(300,136)	(28,007)

The notes on pages 15 to 29 form part of these financial statements

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

1. Accounting policies

a) Statement of compliance

QPR Holdings Limited is a private Company limited by shares incorporated in England and Wales, No: 03197756. The Registered Office is Kiyon Prince Foundation Stadium, South Africa Road, London, W12 7PJ.

b) Basis of accounting

The consolidated financial statements have been prepared in accordance with Financial Reporting Standard 102 as issued by the Financial Reporting Council. The financial statements have been prepared on the historical cost basis except for player registration fees greater than one year which are recorded at amortised cost. The principal accounting policies that have been applied consistently by all Group companies to all periods presented in these consolidated financial statements are set out below. The financial statements are prepared in sterling, rounded to the nearest thousand, which is the functional currency of the entity.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies selected for use by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

c) Going concern

In assessing the appropriateness of the going concern assumption, the Directors have produced detailed cashflow projections. These cash flow projections show a significant net operating and investing cash outflow for the going concern review period. Having made appropriate enquiries, the financial statements have been prepared on the going concern basis on the grounds that the Group's main shareholders have confirmed under deed of support to provide loan facilities of up to £27.2m to the period ending 31 March 2023. The deed of support also provides that loans will not be recalled during the commitment period unless there is a material deviation from the cash flow projections or the Group enters into debt restructuring exercise with the agreement of its creditors.

The financial statements make no provision for any adjustment should the going concern basis not be appropriate.

d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. These are adjusted, where appropriate, to conform to Group accounting policies.

e) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business. Revenue represents match receipts, sponsorship and other income associated with the continuing principal activity of running a professional football club and excludes Value Added Tax.

Match day revenue is recognised over the period of the football season as games are played. League income is spread over the financial year in which they relate. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. Facility fees for live television coverage of games are recognised when the match is played.

f) Player costs and transactions

(i) Initial capitalisation

The costs associated with the acquisition of player registrations are capitalised as intangible fixed assets. Any intangible assets acquired on deferred terms are recorded at the fair value at the date of acquisition. The fair value represents the net present value of the costs of acquiring player registrations.

(ii) Amortisation

These costs are fully amortised on a straight-line basis in equal annual instalments over the period of the respective contracts.

(iii) Contingent consideration

Under the conditions of certain transfer agreements, further fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances. Liabilities in respect of these additional transfers are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur.

1. Accounting policies (*continued*)

(iv) *Impairment*

The Group will perform an impairment review on the intangible assets if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The Group compares the carrying amount of the asset with its recoverable amount. The Group does not consider that it is possible to determine the value in use of an individual football player in isolation as that player (unless via a sale or insurance recovery) cannot generate cash flows on his own. Furthermore, the Group also considers that all of the players are unable to generate cash flows even when considered together. Accordingly the Group considers the smallest cash-generating unit to contain all the other First Team players, the Stadium and the training facilities.

The Group calculates the value in use of this cash-generating unit by discounting estimated expected future cash flows (being the pre-player trading cash flows generated by the Group's existing operations and any future capital expenditure on the ground and First Team squad). The Group compares this with its assessment of the fair value less costs to sell off all of the First Team players and the higher of these two numbers is deemed to be the recoverable amount.

In certain rare instances there may be an individual player whom the Group does not consider to be part of the First Team squad and who will therefore not contribute to the future cash flows earned by the cash-generating unit. This is normally due to a permanent career-threatening injury/condition or due to a serious and permanent fall out with the Group's senior football management and Directors which, as a consequence means the Group consider it highly unlikely he will ever play for the First Team again. In this situation, the carrying value of the player is removed from the carrying value of players assessed as part of the cash-generating unit referred to above and instead this player will be assessed for impairment in isolation by considering his carrying value with the Group's best estimate of his fair value less costs to sell. The Group estimate this using one of the following sources:

- in the case of a player who has permanently fallen out with the Group's senior football management and directors, either the agreed selling price in the event the player has been transferred subsequent to the year-end; or
- If there have not been any bids for the player, management's best estimation of the disposal proceeds (less costs) of the player on an arm's length basis. This is determined by the Group's senior football management in conjunction with the Directors who will use the outcome of recent player disposals (by both the Group and other football clubs) as a basis for their estimation. Any costs to sell, such as agency costs are deducted from the fair value; or
- in the case of a player who has suffered a career-threatening injury/condition, the value attributed to the player by the Group's insurers.

(v) *Disposals*

Profits or losses on the disposal of these registrations represent the fair value of the consideration receivable, net of any transaction costs, less the unamortised cost of the original registration.

(vi) *Remuneration*

Remuneration of players is charged in accordance with the terms of the applicable contractual agreements and any discretionary bonus when there is a legal or contractual obligation. Liabilities in respect of player loyalty fees are provided for, as part of operating expenses, when payment becomes probable as the player is contracted to the football club and the loyalty fee is payable prior to the next transfer window at the date the accounts are signed.

g) *Fixed assets*

All fixed assets are initially recorded at cost net of any capital contribution, with the exception of the stadium which has been included at a valuation of the replacement cost of the new stadium.

h) *Depreciation*

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Buildings	- 10 to 50 years straight line
Plant & machinery	- 5 years straight line
Fixtures & fittings	- 5 years straight line

Land and assets under construction are not depreciated.

i) *Inventories*

Inventories are valued at the lower of cost and net realisable value using the first in first out method, after making due allowance for obsolete and slow moving items.

1. Accounting policies (continued)

j) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

k) Foreign exchange

Transactions denominated in foreign currencies are translated into Sterling and recorded at the rates of exchange ruling at the date of the transactions. Translation differences are dealt with in the consolidated statement of comprehensive expense.

l) Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the reporting date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered.

m) Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial assets

The Group's financial-assets relate to trade and other receivables and cash and cash equivalents. Trade and other receivables are classified as loans and receivables and are measured initially at fair value plus transaction costs and are carried subsequently at amortised cost under the effective interest method, less provision for any impairment. Any change in their value through impairment or reversal of impairment is recognised in the consolidated statement of profit or loss. There are no financial assets classified as fair value through profit or loss or as held to maturity or available for sale. All financial assets are assessed for indicators of impairment at each consolidated statement of financial position date. Financial assets are impaired where there is evidence that a loss has occurred and that estimated future cash flows of the financial asset have been impacted. Objective evidence of impairment for a portfolio of receivables could include a Group's past experience of collecting payments, an increase in the delayed number of payments in the portfolio and the average credit period, as well as observed changes in the national or local economic conditions that correlate with default on receivables.

Impairment of financial assets

All financial assets are assessed for indicators of impairment at each reporting date.

Financial liabilities

Financial liabilities which include bank loans, overdrafts and trade and other payables are measured initially at fair value net of transaction costs under the effective interest method and thereafter at amortised cost. Finance charges are accounted for on an accruals basis in the consolidated statement of comprehensive expense using the effective interest method.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or they expire.

n) Finance costs

Finance costs of borrowings are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the borrowings.

Any non-current assets acquired on deferred terms are recorded at the discounted present value at the date of acquisition. The associated payable is then increased to the settlement value over the period of deferral, with this value being charged as a notional finance cost to profit or loss.

Similarly, any intangible asset disposed of on deferred terms will be initially recorded at the discounted present value of future receipts and the receivable is then increased to the settlement value over the period of deferral with this value being charged as notional finance income to profit or loss.

o) Pension costs

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to profit or loss.

1. Accounting policies (continued)**p) Leases**

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases, hire purchase agreements), the assets are treated as if they have been purchased outright. The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments. If there is reasonable certainty of obtaining ownership the asset is depreciated over its useful life, if not it is depreciated over the lease term if this is shorter.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of the capital repayments outstanding. The capital element reduces the amounts payable to the lessor.

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

q) Investments

Investments in subsidiaries are stated at cost less impairment. Impairment reviews are carried out as required.

r) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks including deposits with an original maturity of three months or less. Cash and cash equivalents are measured at fair value.

s) Critical accounting judgements and estimates

In the application of the Group's accounting policies, which are described herein, the directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The 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. The principal balances in the financial statements where changes in estimates and assumptions may have a material impact are:

(i) Contingent liabilities

Current liabilities and provisions contain contingent bonuses payable to employees, players and football clubs and are based on the best information available to management at the reporting date. However, the future costs assumed are inevitably only estimates, which may differ from those ultimately incurred.

(ii) Recoverable amount of non-current assets

All non-current assets, including property, plant and equipment and intangible assets, are reviewed for potential impairment using estimates of the future economic benefits attributable to them. Such estimates involve assumptions in relation to future ticket income, media and sponsorship revenue and on pitch performance. Any estimates of future economic benefits made in relation to non-current assets may differ from the benefits that ultimately arise, and materially affect, the recoverable value of the asset.

2. Revenue

The revenue and loss before tax are attributable to the one principal activity of the Group and are derived from activities wholly within the United Kingdom.

Revenue may be analysed as follows:

	2021 £'000	2020 £'000
Gate receipts	207	4,036
Broadcasting rights	8,560	8,427
Sponsorship, advertising	1,509	1,842
Commercial income	1,970	1,868
Sales of inventories	886	902
Other income	1,388	1,224
	<u>14,520</u>	<u>18,299</u>

Included within other income is £515,000 (2020: £305,000) of UK Government Furlough payments.

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

3. Operating loss

This is stated after charging the following:

	2021 £'000	2020 £'000
Amortisation of intangible assets	1,432	598
Depreciation of owned fixed assets	1,496	1,411
Inventory impairment	16	136
Operating lease rentals		
- land & buildings	531	627
Auditor's remuneration		
- as auditor	27	27
- accountancy	13	5
- tax advice	4	9
	<u> </u>	<u> </u>

4. Particulars of employees

The average number of staff, including executive directors, employed by the Group during the financial year can be analysed as follows:

	2021 No.	2020 No.
Number of football support staff	15	13
Players, managers and coaches	113	99
Administrative staff	18	18
Commercial, marketing and retail staff	17	18
Stadium and maintenance staff	8	5
	<u> </u>	<u> </u>
	171	153
	<u> </u>	<u> </u>

The aggregate payroll costs of the above were:

	2021 £'000	2020 £'000
Wages and salaries	21,231	17,621
Social security costs	2,687	2,195
Other pension costs	223	194
	<u> </u>	<u> </u>
	24,141	20,010
	<u> </u>	<u> </u>

Key management compensation:

	2021 £'000	2020 £'000
Wages and salaries	1,396	1,340
Other pension costs	28	25
	<u> </u>	<u> </u>
	1,424	1,365
	<u> </u>	<u> </u>

5. Directors remuneration

No remuneration or benefits were paid to directors during the year (2020: £Nil)

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

6. Profit/(loss) on disposal of non-current assets

	2021 £'000	2020 £'000
Profit on disposal of plant & equipment	-	1
Profit on disposal of players' registrations	17,648	5,994
Loss on disposal of asset under construction	-	(4,462)
	<u>-</u>	<u>(4,462)</u>

7. Finance income and costs

	2021 £'000	2020 £'000
Finance income		
- Bank interest	-	3
- Amortised cost credit - EFL loans	187	38
- Amortised cost credit - Football creditor greater than one year	3	-
	<u>190</u>	<u>41</u>
Finance costs and similar charges		
- Interest on deferred payments due to HMRC	(39)	(6)
- Amortised cost charge - EFL loans	(24)	-
- Amortised cost charge - FFP settlement	(795)	(904)
- Other interest	-	(1)
- Bond interest	(343)	-
- Finance lease	(17)	-
	<u>(1,218)</u>	<u>(911)</u>

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2021 £'000	2020 £'000
Current tax:		
UK Corporation tax based on the results for the year (note 8(b))	-	-
	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK, the differences are explained below:

	2021 £'000	2020 £'000
Loss on ordinary activities before taxation	(4,526)	(16,393)
Loss on ordinary activities multiplied by standard rate of tax of 19% (2020 - 19%)	(860)	(3,115)
Expenses not deductible for tax	97	876
Unrecognised deferred tax	763	2,239
	<u>-</u>	<u>-</u>
Total current tax (note 8(a))	-	-

A potential deferred tax asset exists at the reporting date in respect of tax losses carried forward. This has not been recognised in the accounts as there is insufficient evidence that the asset will be recoverable.

Tax losses carried forward at the reporting date were £372m (2020: £369m) relating to trading losses and £4m (2020: £4m) relating to capital losses

QPR Holdings Limited
Notes to the financial statements
Year ended 31 May 2021

9. Intangible fixed assets

Group	Player registrations £'000
Cost	
At 1 June 2020	55
Additions	8,287
At 31 May 2021	8,342
Amortisation	
At 1 June 2020	13
Charge for the year	1,432
At 31 May 2021	1,445
Net book value	
At 31 May 2021	6,897
At 31 May 2020	42

The Group has chosen not to disclose carrying amounts for individual players, the average remaining amortisation period for the current players is 32 months.

Amortisation charges are included within the statement of comprehensive income under cost of sales.

10. Tangible fixed assets

Group and Company

	Freehold land and buildings £'000	Assets under construction £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Total £'000
Cost or valuation					
At 1 June 2020	21,335	399	5,763	1,008	28,505
Additions	5,118	810	445	-	6,373
Reallocation	885	(908)	23	-	-
At 31 May 2021	27,338	301	6,231	1,008	34,878
Depreciation					
At 1 June 2020	6,308	-	5,208	983	12,499
Charge for the year	1,117	-	370	9	1,496
At 31 May 2021	7,425	-	5,578	992	13,995
Net book value					
At 31 May 2021	19,913	301	653	16	20,883
At 31 May 2020	15,027	399	555	25	16,006

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

11. Investments

Company	2021 £'000	2020 £'000
Net book value at 1 June and 31 May	<u>5,520</u>	<u>5,520</u>

The investment represents a 100% holding in Queens Park Rangers Football & Athletic Club Limited, a professional football club, incorporated in England and Wales. The registered office of the subsidiary is the same as QPR Holdings Limited, noted on page 1. Queens Park Rangers Football & Athletic Club Limited is included in this set of consolidated financial statements. The Directors have assessed the carrying value of the investment and are of the opinion that it is supported by the underlying membership to the English Football League.

12. Inventories

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Goods held for resale.	<u>390</u>	<u>240</u>	<u>390</u>	<u>240</u>

13. Trade and other receivables

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Trade receivables	1,378	1,530	1,378	1,530
Player registration transfer receivables	9,120	2,788	-	-
VAT	799	140	799	140
Other receivables	127	50	126	50
Prepayments and accrued income	667	548	202	477
	<u>12,091</u>	<u>5,056</u>	<u>2,505</u>	<u>2,197</u>

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

14. Current liabilities

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade payables	575	213	575	213
Player registration transfer payables	1,845	552	-	-
Amounts owed to Group undertakings	-	-	3,006	9,023
Convertible shareholder loans	46,345	52,845	46,345	52,845
Taxation and social security	2,337	3,487	1,269	1,400
Other creditors	22	198	22	197
EFL loans	3,048	195	-	-
FFP settlement	3,400	1,700	-	-
Accruals and deferred income	6,508	4,343	2,896	2,892
Obligations under finance lease and hire purchase contracts	74	-	74	-
	64,154	63,533	54,187	66,570

The shareholder loans relate to loans repayable to QPR Asia Sdn Bhd and Total Soccer Growth Sdn Bhd. The loans and amounts owed to Group undertakings are unsecured, interest free and repayable on demand. Shareholder loan drawdowns for the year were £10,600,000 (2020: £7,410,000). During the period the company capitalised £17,100,000 of shareholder loans, further detail on this are shown under note 20.

15. Non-current liabilities

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Player registration transfer payables	322	-	-	-
EFL loans	3,749	351	-	-
FFP settlement	7,886	8,791	-	-
Convertible bond – liability component	9,080	-	9,080	-
Obligations under finance lease and hire purchase contracts	179	-	179	-
	21,216	9,142	9,259	-

The FFP settlement is shown at an amortised cost basis, discounted from a £13,600,000 full value (2020: £13,600,000), £3,400,000 falls due within one year and is shown within note 14, the remainder is payable over a set number of years as agreed with the English Football League (EFL).

The EFL loans are shown at an amortised cost basis, discounted from a £6,998,000 full value (2020: £584,000), £3,048,000 falls due within one year and is shown within note 14. The loans are unsecured, carry no interest and are due to be fully settled by April 2024.

The convertible bond represents the present value of the financial liability of a bond issue undertaken in November 2020 to raise funds for the purchase and development of Heston Sports Ground, the site will become the training ground for the First Team, Under 23s and Academy. The £10,000,000 bond issued to the spouse of Ruban Gnanalingham has an initial term of five years, is unsecured and carries a fixed rate of interest of 6% per annum.

The £9,080,000 carrying value includes accrued interest of £343,000 which falls due in June 2022.

The financial liability has been calculated by comparing it to similar debt with no conversion option, the residual amount of £1,263,000 has been allocated to equity.

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

15. Non-current liabilities continued

The Group's FFP settlement, EFL loans and Player registration transfer payables at the reporting date which have been discounted at the Group's cost of capital and which do not include interest payments are detailed as follows:-

	2021			2020		
	Full value	Discounting	Carrying	Full value	Discounting	Carrying
	£'000	adjustment	value	£'000	adjustment	value
	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year						
FFP settlement	3,400	-	3,400	1,700	-	1,700
EFL loans	3,048	-	3,048	195	-	195
Player registration transfer payables	1,845	-	1,845	-	-	-
Greater than 1 year						
FFP settlement	10,200	(2,314)	7,886	11,900	(3,109)	8,791
EFL loans	3,950	(201)	3,749	389	(38)	351
Player registration transfer payables	325	(3)	322	-	-	-
Total	22,768	(2,518)	20,250	14,184	(3,147)	11,037

16. Payables - capital instruments

The maturity profile of the Group's total borrowings at the reporting date which are carried at amortised cost are as follows:

	Principal	2021	Total	Principal	2020	Total
	£'000	Interest	£'000	£'000	Interest	£'000
	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less or on demand	52,022	771	52,793	53,945	795	54,740
In more than one year but not more than five years	9,110	1,640	10,750	5,154	2,035	7,189
In more than five years	3,296	104	3,400	4,783	317	5,100
	64,428	2,515	66,943	63,882	3,147	67,029

17. Commitments under operating leases

The Group is committed to paying a non-cancellable operating lease in relation to land & buildings which does expire within the next five years.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Not later than 1 year	523	53	523	53
Later than 1 year and not later than 5 years	44	-	44	-
	567	53	567	53

QPR Holdings Limited

Notes to the financial statements

Year ended 31 May 2021

18. Related parties

During the period, loans were provided to the Group by to QPR Asia Sdn Bhd and Total Soccer Growth Sdn Bhd a shareholder of the Group. Details of these loans are shown in note 14.

During the period the Group pledged £70,000 (2020: £115,000) to QPR in the Community Trust.

During the year the Group spent £100,221 (2020: £100,452) on behalf of Rangers Developments Limited, an entity under common control, £53,852.64 (2020: £29,201) is still owed to the Group at the reporting date and is included within other receivables in note 13.

In accordance with the exemption permitted by Financial Reporting Standard 102, Section 33 "Related Party Disclosures", transactions with other Group undertakings have not been disclosed in these financial statements.

19. Ultimate Controlling Party

The Company is incorporated in England and Wales. The address of the Company's registered address is Kiyan Prince Foundation Stadium, South Africa Road, London, W12 7PJ. The Company is a subsidiary of Total Soccer Growth Holdings Ltd which is the ultimate holding Company incorporated in Malaysia. The smallest and largest Group in which results of the Company are consolidated is that headed by Total Soccer Growth Holdings Ltd which is the holding Company of Total Soccer Growth Sdn Bhd. The consolidated accounts of this Company are available to the public and may be obtained from the Company registrar.

The current ownership of QPR Holdings Limited is as follows:

- 51.02% Total Soccer Growth Sdn Bhd, the ultimate owner of which is Ruben Gnanalingam
- 46.14% QPR Asia Sdn. Bhd., the ultimate owners of which are Tony Fernandes, Kamarudin Meranun
- 2.66% Sea Dream Ltd., the ultimate owners of which are the L.N.Mittal Family
- 0.17% variety of minority shareholders

20. Share capital and reserves

Authorised share capital:

	2021 £'000	2020 £'000
10,307,899,029 Ordinary shares of £0.01 each	103,079	85,979
7,486,367,000 Ordinary B shares of £0.001 each	7,486	7,486
	<u>110,565</u>	<u>93,465</u>

Allotted and called up:

	No	2021 £'000	No	2020 £'000
Ordinary shares of £0.01 each	10,307,899,029	103,079	8,597,399,029	85,979
Ordinary B shares of £0.001 each	7,486,367,000	7,486	7,486,367,000	7,486
		<u>110,565</u>		<u>93,465</u>

The ordinary B shares have a different par value but carry the same voting rights.

During the period the company capitalised £17.1m of shareholder loans into 1,710,000,000 ordinary shares of £0.01. 873,990,400 have been allotted to Total Soccer Growth Sdn Bhd, the balance of 836,009,600 has been allotted to QPR Asia Sdn Bhd

Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

21. Notes to the cash flow statement

Group

Reconciliation of operating loss to net cash outflow from operating activities

	2021 £'000	2020 £'000
Operating loss	(21,146)	(17,056)
Amortisation	1,432	598
Depreciation	1,496	1,411
Change in stocks	(150)	66
Change in debtors	(703)	2,405
Change in creditors	7,616	(1,005)
Net cash outflow from operating activities	<u>(11,455)</u>	<u>(13,581)</u>

Returns on investments and servicing of finance

	2021 £'000	2020 £'000
Interest received	-	3
Interest paid	(56)	(6)
Net cash outflow from returns on investments and servicing of finance	<u>(56)</u>	<u>(3)</u>

Capital expenditure

	2021 £'000	2020 £'000
Payments to acquire player registrations	(6,672)	(60)
Payments to acquire tangible fixed assets	(6,063)	(393)
Receipts from sale of player registrations	11,319	4,235
Receipts from sale of tangible fixed assets	-	2
Net cash (outflow)/inflow from capital expenditure	<u>(1,416)</u>	<u>3,784</u>

Financing

	2021 £'000	2020 £'000
Convertible shareholder loans	10,600	7,410
Bond proceeds	10,000	-
Finance lease – reduction in liability	(58)	-
Net cash inflow from financing	<u>20,542</u>	<u>7,410</u>

Net cash is defined as cash and cash equivalents.

Analysis of changes in net debt

	At 1 June 2020 £'000	Cash flows £'000	Non cash changes £'000	At 31 May 2021 £'000
Cash:				
Cash in hand and at bank	<u>1,130</u>	<u>7,615</u>	<u>-</u>	<u>8,745</u>
Debt:				
Debt due within one year	(52,845)	(10,600)	17,026	(46,419)
Debt due after one year	-	(10,000)	(179)	(10,179)
	<u>(52,845)</u>	<u>(20,600)</u>	<u>16,847</u>	<u>(56,598)</u>
Net debt	<u>(51,715)</u>	<u>(12,985)</u>	<u>16,847</u>	<u>(47,853)</u>

21. Notes to the cash flow statement (*continued*)

Company

Reconciliation of operating loss to net cash outflow from operating activities

	2021 £'000	2020 £'000
Operating loss	(4,172)	(12,057)
Depreciation	1,496	1,411
Change in stocks	(150)	66
Change in debtors	(310)	(228)
Change in creditors	(5,954)	1,472
Net cash outflow from operating activities	<u>(9,090)</u>	<u>(9,336)</u>

Returns on investments and servicing of finance

	2021 £'000	2020 £'000
Interest received	-	3
Interest paid	(56)	(6)
Net cash outflow from returns on investments and servicing of finance	<u>(56)</u>	<u>(3)</u>

Capital expenditure

	2021 £'000	2020 £'000
Payments to acquire tangible fixed assets	(6,063)	(393)
Receipts from sale of tangible fixed assets	-	2
Net cash outflow from capital expenditure	<u>(6,063)</u>	<u>(391)</u>

Financing

	2021 £'000	2020 £'000
Convertible shareholder loans	10,600	7,410
Bond proceeds	10,000	-
Finance lease – reduction in liability	(58)	-
Net cash inflow from financing	<u>20,542</u>	<u>7,410</u>

Analysis of changes in net debt

	At 1 June 2020 £'000	Cash flows £'000	Non cash changes £'000	At 31 May 2021 £'000
Cash:				
Cash in hand and at bank	<u>808</u>	<u>5,333</u>	<u>-</u>	<u>6,141</u>
Debt:				
Debt due within 1 year	(52,845)	(10,600)	17,026	(46,419)
Debt due after one year	-	(10,000)	(179)	(10,179)
	<u>(52,845)</u>	<u>(20,600)</u>	<u>16,847</u>	<u>(56,598)</u>
Net debt	<u>(52,037)</u>	<u>(15,267)</u>	<u>16,847</u>	<u>(50,457)</u>

22. Financial instruments**Capital risk management**

The Group manages its capital to ensure that the Group will be able to continue as a going concern through the optimisation of the debt and equity balance. The capital structure of the Group consist of debt, which includes borrowings disclosed in notes 14, cash and cash equivalents and equity attributable to equity holders, comprising issued share capital, share premium and the profit and loss account.

The main purpose of financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

Categories of financial instruments

	2021 £'000	2020 £'000
Financial Assets		
- Cash and cash equivalent	8,745	1,130
- Trade and other receivables	10,625	4,368
	<u>19,370</u>	<u>5,498</u>
Financial Liabilities		
- Trade and transfer related creditors	2,764	963
- FFP	11,286	10,491
- EFL loan	6,797	546
- Borrowings – shareholder loans	52,845	52,845
- Convertible bond – liability element	9,080	-
- Finance lease	253	-
	<u>83,025</u>	<u>64,845</u>

The above financial assets and financial liabilities do not include prepayments and accruals respectively.

Financial risk management objectives and policies

Management monitor and manage the financial risks relating to the operations of the Group through internal controls. These risks include currency risk, credit risk and liquidity risk.

Credit risk

The Group's principal financial assets are bank balances, cash and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement financial position are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Directors. The Directors use management information tools including budgets and cash flow forecasts to be able to constantly monitor and manage current and future liquidity.

The funding of the Group is through loans from the principal shareholder as disclosed in note 14.

23. Post reporting date events

During the 2021 summer transfer window we secured Andre Dozzell, Jimmy Dunne and Stefan Johansen, on permanent transfers, the latter of which had been on loan to us since during the 20/21 season. These player registrations were acquired at a cost of £2,867,565 (2020: £7,003,000) of which £342,300 (2020: 1,165,500) is contingent on one or more future events. Charlie Austin who had also spent the 20/21 season with us on loan joined permanently on a free transfer.

In addition, Liam Kelly transferred to Motherwell FC and Todd Kane to Coventry City FC. Joe Lumley, Tom Carroll, Aramide Oteh and Paul Smyth departed due to their contracts expiring.

As at the date of these financial statements, thus far in the January 2021 transfer window, we secured David Marshall until the end of the season on a free transfer.

Planning permission for the new training ground at Heston was approved in mid-September 2021. The total cost of the first phase of development is expected to be approximately £20 million including land acquisition, construction and all fees and contingencies. The £4.5 million acquisition of the freehold title to the Heston Sports Ground and initial phase of development has already been financed by a £10 million bond issued to the spouse of Ruben Gnanalingam. Since then, the Club has raised a further £6.8m from the issuance of retail bonds to supporters and other investors. The bond issue was launched in October 2021. The balance of funding required will be sourced via further investment from the principal shareholders of the Club.

Since the start of the 2021/22 season, the Club has been allowed to host fans for all our home fixtures so far. Encouragingly, the attendance to date has seen a marked improvement compared to the 2019/20 season. The vibrant atmosphere in the stadium for all our home fixtures has reminded all concerned that the most important facet of the Club is our fantastic fan base.

24. Commitments

As at 31 May 2021, the Club was committed to paying signing on fees in respect of players of £50,000 (2020: £300,000).