

Company Registration No. 03199030 (England and Wales)

CARDIFF BLUES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

CARDIFF BLUES LIMITED

COMPANY INFORMATION

Directors	Alun Jones (Chairman)	(Appointed 1 December 2018)
	Simon Down	
	Richard Holland	
	Chris Nott	
	Martyn Ryan	
	Chris Sutton	
	Peter Thomas CBE	
	Simon Webber	
	Hayley Parsons OBE	(Appointed 18 July 2019)
	Andrew Williams	(Appointed 18 July 2019)
Secretary	Martyn Ryan	
Company number	03199030	
Registered office	Cardiff Arms Park Westgate Street Cardiff South Glamorgan UK CF10 1JA	
Auditor	Baldwins Audit Services Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff UK CF23 8AB	

CARDIFF BLUES LIMITED

CONTENTS

	Page
Chairman's statement	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Strategic report	6 - 7
Independent auditor's report	8 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 20

CARDIFF BLUES LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

I am pleased to write this annual report in my first year as the chairman of the board of directors of Cardiff Blues Limited.

As you are aware, I am a lifelong supporter of this team and I am under no illusions as to how important the continued success of Cardiff Blues is to all of us. To this extent, might I begin by giving my heartfelt appreciation for the welcome and support given to me by our directors, shareholders, staff, supporters and sponsors.

During this period a significant portion of my time has been focused on the restructure and governance of the Cardiff Blues board. We will always be extremely grateful for Peter Thomas' support during his tenure as chairman and it is no exaggeration to say we would not be here if it were not for his unwavering commitment. I am delighted that Peter remains a director and Life President of Cardiff Blues.

I am also very grateful for the support of Sir Gareth Edwards and Paul Bailey, who this year decided to step down as directors of the company. Both have contributed enormously to the cause over so many years and will remain with us as Life Patrons.

I was delighted to secure the appointments of Hayley Parsons OBE and Andrew Williams and welcome them both to the board as directors and to the Cardiff Blues family.

Hayley, from founding GoCompare, brings a wealth of expertise, particularly in terms of the commercial outlook, marketing and social media. While Andrew, a lifelong supporter of Cardiff RFC and Cardiff Blues, brings enormous business acumen from his role as CEO of FTSE 100 business, Halma PLC.

We continued to restructure the board with the addition of Sam Warburton OBE and Martyn Williams MBE as advisory members. As former Cardiff Blues, Wales internationals and British & Irish Lions, they know what it takes to succeed on and off the field, are proven leaders and they are already making a contribution through their invaluable experience.

As part of the restructuring Peter Thomas and Martyn Ryan have also kindly agreed to compromise their debts, with Peter converting part of his loan into a non voting class of shares.

At the time of writing, the legal documents are being drawn up to formalise this process ahead of our general meeting and I would like to personally thank our friends and colleagues at Cardiff Athletic Club for their support in this.

With a healthier balance sheet we can now focus on the future and we will imminently share a new long-term strategy, which I have been working on with chief executive Richard Holland and his team. This will clearly and concisely present our strategy for the forthcoming years and detail exactly how we will achieve our ambitions.

As you will conclude, we are determined to develop/invest to support our challenge for further honours.

Work also continues with the Professional Rugby Board (PRB) and my colleagues at the Welsh Rugby Union and the other regions. As has been widely reported, there has been significant focus on a potential third party investment into the PRO14.

This is an exciting time for Cardiff Blues, and I would invite you to feel enthused about what the future holds with the potential third party investment combined with the steps we have taken ourselves to formulate a clear strategy.

Dialogue continues with Cardiff Athletic Club (CAC) over a new lease at Cardiff Arms Park. Cardiff Blues enjoys a very good relationship with CAC through their directors and their chairman, Keith Morgan. All of our discussions point towards a shared ambition to deliver a new, long-term lease at Cardiff Arms Park beyond 2022.

I am confident the company and team are in safe hands with Richard Holland as CEO and John Mulvihill as head coach. I have been very impressed by the organisation, structure and dedication displayed by what is a relatively small but hugely passionate workforce.

CARDIFF BLUES LIMITED

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

It is truly a privilege to play my part in the future of the company and rest assured that the entire board of directors is resolved and fully committed to ensuring that Cardiff Blues is both sustainable and successful on a long-term basis. I will work tirelessly with our board, our executive team and my colleagues at the PRB to deliver this success and to make each and every one of us proud to be associated with Cardiff Blues.

Thank you for your ongoing support.

Alun Jones
Chairman

CARDIFF BLUES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their annual report and financial statements for the year ended 30 June 2019.

Principal activities

The principal activity of the Company continued to be that of professional rugby together with related activities.

Directors

Chris Nott, Chris Sutton and Simon Down are appointed by Cardiff Athletic Club, who hold 750,000 Heritage shares of £1 and 500,000 Ordinary shares of £1.

Alun Jones (Chairman)	(Appointed 1 December 2018)
Paul Bailey	(Resigned 30 January 2019)
Simon Down	
Sir Gareth Edwards CBE	(Resigned 31 December 2018)
Richard Holland	
Chris Nott	
Martyn Ryan	
Chris Sutton	
Peter Thomas CBE	
Simon Webber	
Hayley Parsons OBE	(Appointed 18 July 2019)
Andrew Williams	(Appointed 18 July 2019)

Auditor

On 14 May 2019 as a result of a recent merger, MHA Broomfield Alexander resigned as auditors in accordance with Section 516 of the Companies Act 2006 and re-engaged its services as Baldwins Audit Services. In accordance with the company's articles, a resolution proposing that Baldwins Audit Services be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts.

Employment Policy

It is the Company's policy to treat all its employees fairly and ensure equal opportunity for all regardless of gender, ethnic origin, age, disability or religion.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

CARDIFF BLUES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

On behalf of the board

Alun Jones (Chairman)
Director

Richard Holland
Director

28 October 2019

CARDIFF BLUES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- 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.

CARDIFF BLUES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present the strategic report for the year ended 30 June 2019.

On the pitch

It was a season of mixed fortunes for Cardiff Blues as we narrowly missed out on a place in the Guinness PRO14 play-offs and subsequently the Heineken Champions Cup but saw promise in the performances of a number of the players and coaching staff. John Mulvihill, who joined Cardiff Blues this season as head coach, can reflect on a number of areas of encouragement as the Region continues to build.

We made a slow start to the 2018/19 season, losing the three opening games by a single score in the dying moments. Nonetheless, the season saw us win the majority of matches at Cardiff Arms Park and secure a number of encouraging away wins at Parc-y-Scarlets, Rodney Parade, and an impressive 21-30 victory against Lyon OU at the Matmut Stade de Gerland.

The season saw a number of talismanic figures including Sam Warburton, Gethin Jenkins and Matthew Rees retiring, while Gareth Anscombe and Rhys Carré were among those to move on. Sam, Gethin and Matthew have been peerless ambassadors for the Blues and we are delighted that Gethin remains at the club in a coaching role with the academy and Sam has taken up an advisory role at the Region.

Cardiff Blues continue to demonstrate the success of their age-grade programmes, typified most recently by current Cardiff Blues players and academy graduates Tomos Williams, Josh Navidi and Dillon Lewis being named in the Wales World Cup Squad and a strong representation continuing at Wales age group levels. These three join Josh Adams and Hallam Amos, as Wales look to capitalise on their Six Nations winning form in Japan.

In order to enhance rugby development and local engagement the Cardiff Blues Community Foundation was established as a Charitable Incorporated Organisation (Charity no. 1179205) on the 16th July 2018. This new vehicle complements our existing "Blues Benevolent Fund" (formerly Stay Strong for Ows) that supports players and administrators throughout the Region and provides the broadest based third sector involvement of any Region. We thank the Trustees who have freely given their time to make these initiatives such a success.

We are also deeply indebted to those members of staff and volunteers that cultivate the grassroot Mini, Junior and Schools rugby. This remains an essential part of the Blues future and we anticipate many years of continued success for those whose rugby development we support across the Region.

Steve Law and the Cardiff RFC team enjoyed success in WRU National Cup, ending a 22 year wait, whilst finishing only six points adrift of eventual Premiership winners Merthyr. In a hugely positive campaign, inside centre Ben Thomas also contributed to a great year for the club by being named Principality Premiership newcomer of the season and has now graduated to the Cardiff Blues senior squad.

CARDIFF BLUES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Finance

The results for the year are set out in the financial statements. The loss before exceptional items and taxation has fallen from £1,972,000 during the year to 30 June 2018 to £527,000 in the current financial year.

Turnover for the year of just over £13.0 million represented an increase of £3.4 million or 35.9% against the prior year. The majority of the increased income came as a result of "Project Reset" with an additional £1.9 million coming from the central governing body, the WRU. Commercial revenue grew to £4.5 million with an additional £0.5 million from sponsorship and hospitality and a further £0.6 million of food and beverages sales as a result of terminating the outsourcing arrangements and taking the facilities in house from February 2018.

Expenditure increased to £13.4 million from £11 million. Approximately, an additional £1.5 million was spent on increased squad costs and investment in coaching, academy and infrastructure. The balance resulted from the costs of providing food and beverages after the end of the outsourcing contract.

The results for 2019 also benefit from a significant reduction in interest resulting from the reductions in debt as described in more detail in the 2018 Annual Report and Financial Statements and also include £0.5 million of Research and Development Tax Credits, made up of a current year claim and two retrospective claims for 2017 and 2018. These credits have been invested in the year and lead to a small profit for the financial year for the Company. This is a significant achievement and reflects the growing financial stability of the professional game in Wales. The club continues to invest into its Research and Development programmes and in particular evaluating and seeking to reduce the risk of concussion and other common injuries to players.

The business continues to address the strength of the balance sheet and has made significant progress in structure, this focus will continue. Following the substantial capital restructuring in 2018 it was unfortunately still necessary to rely on medium term support from benefactors. We continue to be grateful for this support.

Off the pitch

The collaborative work undertaken by the Cardiff Blues, other regions and the Welsh Rugby Union to support the operational foundations of rugby in Wales, under the new collaborative Professional Rugby Board (PRB), continues to progress, as can be evidenced by a clear stabilisation in the Blues financial position and performance.

During the year, we have been delighted to welcome Alun Jones, Managing Partner of Hugh James Solicitors, as Chair of Cardiff Blues. Alun brings a wealth of professional experience to the Region and continues to provide valuable oversight on PRB matters.

In my role as Chief Executive, I continue to work with the Board to support, develop and strengthen the senior management team within the Region and we look to reinforce the organisation with a number of key appointments during the forthcoming months. We remain grateful to all of our staff for their efforts and are encouraged by the clear, positive progress in evidence during the last financial year.

On behalf of the board

Richard Holland
Chief Executive Officer
28 October 2019

CARDIFF BLUES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIFF BLUES LIMITED

Opinion

We have audited the financial statements of Cardiff Blues Limited (the 'company') for the year ended 30 June 2019 which comprise the profit and loss account, the balance sheet 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

CARDIFF BLUES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CARDIFF BLUES LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Thomas BSc FCA DChA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services
Accountants
Statutory Auditor

28 October 2019

Ty Derw
Lime Tree Court
Cardiff Gate Business Park
Cardiff
UK
CF23 8AB

CARDIFF BLUES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 £
Turnover		13,019,553	9,578,670
Expenditure		(13,425,647)	(10,983,624)
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Operating loss before interest, tax, depreciation - EBITDA		(278,351)	(1,298,540)
Depreciation		(127,743)	(106,414)
Interest payable and similar expenses		(120,446)	(566,778)
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Loss before exceptional income & taxation		(526,540)	(1,971,732)
Exceptional income	2	-	4,266,928
(Loss)/profit before taxation		(526,540)	2,295,196
Tax on (loss)/profit	5	529,688	-
Profit for the financial year		3,148	2,295,196
		<hr/>	<hr/>

CARDIFF BLUES LIMITED

BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	6		445,813		347,578
Current assets					
Stocks		54,635		10,000	
Debtors	7	1,315,746		307,925	
Cash at bank and in hand		191,741		45,711	
		<u>1,562,122</u>		<u>363,636</u>	
Creditors: amounts falling due within one year	8	<u>(4,191,825)</u>		<u>(3,588,312)</u>	
Net current liabilities			<u>(2,629,703)</u>		<u>(3,224,676)</u>
Total assets less current liabilities			<u>(2,183,890)</u>		<u>(2,877,098)</u>
Creditors: amounts falling due after more than one year	9		<u>(1,979,560)</u>		<u>(1,289,500)</u>
Net liabilities			<u><u>(4,163,450)</u></u>		<u><u>(4,166,598)</u></u>
Capital and reserves					
Called up share capital	10		5,035,202		5,035,202
Capital contribution reserve			9,288,101		9,288,101
Profit and loss reserves			<u>(18,486,753)</u>		<u>(18,489,901)</u>
Total equity			<u><u>(4,163,450)</u></u>		<u><u>(4,166,598)</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 October 2019 and are signed on its behalf by:

Mr Alun Jones
Director

Mr Richard Holland
Director

Company Registration No. 03199030

CARDIFF BLUES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Capital contribution reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 July 2017	5,035,202	-	(20,785,097)	(15,749,895)
Year ended 30 June 2018:				
Profit and total comprehensive income for the year	-	-	2,295,196	2,295,196
Transfers	-	9,288,101	-	9,288,101
Balance at 30 June 2018	5,035,202	9,288,101	(18,489,901)	(4,166,598)
Year ended 30 June 2019:				
Profit and total comprehensive income for the year	-	-	3,148	3,148
Balance at 30 June 2019	5,035,202	9,288,101	(18,486,753)	(4,163,450)

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

Cardiff Blues Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cardiff Arms Park, Westgate Street, Cardiff, South Glamorgan, UK, CF10 1JA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

During the year the company has reported a profit of £3,148 and the balance sheet has net current liabilities of £2,629,703 and net liabilities of £4,163,450.

The company's cash flow forecasts and projections prepared for a period of 12 months from the date of approval of the financial statements show that the company should be able to operate within the level of its current facilities. After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1.3 Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services. Ticket income, hospitality income and income from competitions are recognised as revenue when the respective event takes place. Revenue from commercial contracts - including broadcasting revenue, sponsorship and the lease of hospitality boxes is recognised based on the terms of the contract.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	6 - 10 years
Plant and machinery	4 - 6 years
Fixtures, fittings & equipment	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies (Continued)

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies (Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors and loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences that have originated but not reversed at the balance sheet date.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies (Continued)

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.14 Transfer fees

Fees payable to and receivable from other rugby football clubs on the transfer of a player's registration, together with associated costs, are dealt with through the profit and loss account in the accounting year in which the transfer of the player's registration takes place.

1.15 Player's contracts

No value has been attributed to player's contracts in the balance sheet.

2 Exceptional income

	2019 £	2018 £
Balance sheet restructure	-	(4,266,928)

As part of the planned restructure of Cardiff Blues Limited in the prior year, the following directors formally agreed to write off the following amounts owed to them through their respective loan accounts:

Mr P Thomas has agreed to write off £3,333,220 owed to him or his business interests.

Mr M Ryan has agreed to write off £933,708 owed to him.

3 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	8,350	8,100

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was 187 (2018 - 132).

5 Taxation

	2019 £	2018 £
Current tax		
Research and Development Tax Credits	(529,688)	-

6 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 July 2018	2,187,736	1,243,448	3,431,184
Additions	-	225,978	225,978
Disposals	(124,795)	-	(124,795)
At 30 June 2019	2,062,941	1,469,426	3,532,367
Depreciation and impairment			
At 1 July 2018	1,870,634	1,212,972	3,083,606
Depreciation charged in the year	64,861	62,882	127,743
Eliminated in respect of disposals	(124,795)	-	(124,795)
At 30 June 2019	1,810,700	1,275,854	3,086,554
Carrying amount			
At 30 June 2019	252,241	193,572	445,813
At 30 June 2018	317,102	30,476	347,578

7 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	309,221	163,027
Other debtors	1,006,525	144,898
	1,315,746	307,925

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

8 Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans and overdrafts	246,607	690,522
Trade creditors	1,264,528	942,060
Other taxation and social security	851,168	774,217
Other creditors	1,116,700	1,126,513
Other loans (note 12)	712,822	55,000
	<u>4,191,825</u>	<u>3,588,312</u>

9 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Other loans (note 12)	1,262,292	502,000
Other creditors	717,268	787,500
	<u>1,979,560</u>	<u>1,289,500</u>

10 Called up share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
4,285,202 Ordinary shares of £1 each	4,285,202	4,285,202
750,000 Heritage shares of £1 each	750,000	750,000
	<u>5,035,202</u>	<u>5,035,202</u>

The Heritage shares rank equally with Ordinary shares except for the right to appoint two directors to the Board and to remove any person so appointed from time to time. Also the approval of the holders of the Heritage shares must be obtained before the company can, inter alia, alter its articles of association, dispose of its rugby activities, substantially alter the nature of the business, change the club's colours or move the home ground outside of Cardiff.

CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

11 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2019 £	2018 £
Cardiff Arms Park	298,473	412,661
Vale of Glamorgan	-	1,696,979
Other	15,631	30,002
	<hr/>	<hr/>
	314,104	2,139,642
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CARDIFF BLUES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchases		Sales	
	2019	2018	2019	2018
	£	£	£	£
Other related parties	330,730	356,820	61,639	79,363

Amounts owed to related parties	2019	2018
	£	£
Key management personnel- Other Loans (see below)	1,975,314	557,000
Other related parties- Trade Creditors	153,670	39,818

Key Management Personnel - Other loans

1) A Director's loan account of £173,314 (2018 - £10,000) was due to Peter Thomas.

2) A loan totalling £1,000,000 (2018 - Nil) was due to Atlantic Properties Developments PLC, a company under the control of Peter Thomas. The balance has been included in both short term and long term creditors in line with the terms of the agreements.

3) A loan of £502,000 (2018: £517,000) is due to Paul Bailey. The balance has been included in both short term and long term creditors in line with the terms of the agreements.

4) The non-executive directors did not receive any remuneration.

Amounts owed by related parties	2019	2018
	Balance	Balance
	£	£
Other related parties	275	20,204

Advances and guarantees

Personal guarantees have been provided by Peter Thomas and Martyn Ryan, of £300,000 each, in respect of the bank overdraft held by the Company. A guarantee of £675,000 has also been provided by Martyn Ryan in respect of a loan received by the Company.

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