

**Company Registration Number 4044254**



**Cardiff City Football Club (Holdings) Limited**

**Annual report**

**31 May 2017**

**Cardiff City Football Club (Holdings) Limited**

**Financial statements**

**Year ended 31 May 2017**

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<b>Content</b>	<b>Pages</b>
Company information	1
Executive Chairman's report	2
Strategic report	3
Directors' report	4 - 5
Independent auditor's report to the shareholders	6 - 7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Company statement of financial position	10
Consolidated statement of cash flows	11
Consolidated and company statement of changes in equity	12
Notes to the financial statements	13 - 34

## **Cardiff City Football Club (Holdings) Limited**

### **Company information**

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#### **The board of directors**

Mr S Borley  
Mr D C S Chin  
Mr M Dalman  
Mr D Rais  
Mr V K Choo  
Mr M R M Caramella

#### **Registered office**

Cardiff City Stadium  
Leckwith Road  
Cardiff  
South Glamorgan  
CF11 8AZ

#### **Auditor**

Moore Stephens LLP  
Chartered Accountants  
Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

#### **Bankers**

Barclays Bank plc  
PO Box 1015  
3rd Floor Windsor Court  
3 Windsor Place  
Cardiff  
CF10 3ZL

## **Cardiff City Football Club (Holdings) Limited**

### **Executive Chairman's Report**

**Year ended 31 May 2017**

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#### **Executive Chairman's statement**

##### **Season 2016/17**

There was much optimism when the 2016/17 season started with a young manager, Paul Trollope, in place who knew the club well. This early season optimism however soon turned into one of disappointment as we found ourselves second from bottom with only two wins from the first eleven games.

After much deliberation the Board took the decision to release the manager and were unanimous in, and had no hesitation in approaching Neil Warnock to be the new manager of the club. The deal was sealed quickly over a coffee and a hand shake. Neil, together with his backroom staff Kevin Blackwell (Assistant Manager) and Ronnie Jepson (First Team Coach) therefore took charge in October 2016. Neil is an experienced manager and knows his way around the league.

He immediately bought on board players that could make the difference and within a short period of time the fight back had started. Neil and his team led the club to safety and we eventually finished the season 12th. While short of our initial pre-season ambition it was a million miles away from the imminent prospect of a season long battle against relegation.

##### **Season 2017/18**

The 2016/17 was not just about survival, it was also the beginning of a new era where the supporters, the team and the club became united.

A manager that we all believed in was the catalyst together with a squad of players who begun to believe in themselves and gave their all for the club. This has been reflected in our Club record start to the Season and has been maintained as the season has progressed.

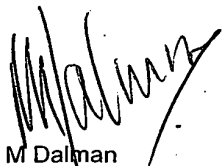
I am enjoying my football and look forward to the next game. Win or lose I know the team has and is giving its all.

Away from the football, the rest of the club is in good hands, with competent professionals doing good work. Under Ken Choo, our Chief Executive, we have a stable and highly motivated management team that work very hard to help us achieve success both on and off the field. While we still have many challenges ahead of us, I am confident that we are well equipped to deal with the tasks ahead.

We have learned a lot from the past. The fans have been fantastic and I, on behalf of the Board and the Club, thank them for their support and loyalty.

I hope you are enjoying the football as much as I am. You all deserve it.

Thank you



M Dalman

Executive Chairman

## Cardiff City Football Club (Holdings) Limited

### Strategic report

Year ended 31 May 2017

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	2017 £'000	2016 £'000
Revenue	28,763	33,199
Player salary costs	22,801	25,419
Profit on sale of player registrations	5,558	2,498

The board consider the key performance indicators for the Group to be revenue, result from player trading and player salary costs.

The results show reduced revenue from that reported in the prior year accounts directly as a result of a reduction in parachute receivables following relegation from the premier league.

Average attendances increased from 16,427 in season 2015/16 to 16,564 in season 2016/17.

The Group is reporting an operating loss for the year ended 31 May 2017 of £18,352,000 increased by £216,400 from £18,136,000 reported for the prior year ended 31 May 2016.

While the Group has significant net liabilities, the principal indebtedness at the year end was to the controlling shareholder who during the year, converted £8m of the interest bearing shareholder loan due by the Group into equity

#### Principle risks and uncertainties

The principle risks are associated with the performance of the team and the league in which the football club operates, as revenues, particularly those from broadcasting, are substantially lower when the football club is in the lower leagues. The Group manages the impact of that risk through close control of its direct costs, relative to its forecast income.

As explained in note 1 to the accounts, the Group has the support of its controlling shareholder and consequently, liquidity risk is no longer a significant factor for the Group.

Credit risk relates primarily to trade debtors from its commercial activities. The Group monitors credit risk closely and its exposure to rate risk is minimal given any borrowings are financed by ultimate owner loans.

#### Outlook

Our aim remains to attain promotion back to the English Premier League at the earliest possible time.

This report was approved by the board of directors on 21 February 2018 and signed on behalf of the board by:

  
S. Borley  
Director

## **Cardiff City Football Club (Holdings) Limited**

### **Directors' report**

#### **Year ended 31 May 2017**

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The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 May 2017.

#### **Principal activities**

The principal activity of the group is that of a professional football league club incorporating the operation of a multi-use stadium, whilst the principal activity of the company is that of a holding company.

#### **Players registration**

As stated in the accounting policy in note 1, the cost of acquired players is reflected in the accounts in order to comply with IAS 38 Intangible assets.

#### **Policy on payment of creditors**

The company values its relationship with its many suppliers. As part of meeting its obligations under each purchase transaction, the group's policy is to pay amounts due for settlement in accordance with the negotiated terms of trade.

#### **Professional indemnity**

The group maintains Directors and Officers liability insurance, which gives appropriate cover against any legal action that may be brought against them.

#### **Internal controls and risk management**

The directors are responsible for the group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

In carrying out their responsibilities the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

The Board, subject to delegated authority, reviews capital investment, player transactions, additional borrowing facilities, guarantees and insurance arrangements.

A review of the business and summary of risks and uncertainties is included in the Strategic Report.

#### **Results and dividends**

The loss for the year amounted to £21,115,000 (2016: £8,743,000 loss). The directors have not recommended a dividend.

#### **Directors**

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

Mr S Borley  
Mr D C S Chin  
Mr M Dalman  
Mr D Rais  
Mr V K Choo  
Mr M Isaac (resigned 22 July 2016)  
Mr M K Lim (resigned 31 May 2017)  
Mr D E S Lye (resigned 17 September 2016)  
Mr M R M Caramella (appointed 7 February 2018)

#### **Subsequent events**

On the 13 June 2017 the principal shareholder converted £12,679,213 of his loan into equity. The company issued 80,810,791 Ordinary shares of £0.10 each at a price of 15.69 pence per share in exchange for a corresponding reduction in the loan due to the principal shareholder. The related premium on the issue of the shares being transferred to the share premium account.

## **Cardiff City Football Club (Holdings) Limited**

### **Directors' report (continued)**

#### **Year ended 31 May 2017**

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##### **Going concern**

During the year and since the year end, the principal shareholder has continued to make further funds available in order to provide the group with additional working capital.

In addition, whilst his funding is not guaranteed, the principal shareholder has indicated that providing the business develops as planned, he will continue to support the group in the foreseeable future and provide additional finance in order that it can settle its liabilities.

##### **Statement of directors' responsibilities**

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 International Financial Reporting Standards (IFRS) 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;
- 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's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

##### **Auditor**

A resolution to re-appoint Moore Stephens LLP as auditor will be proposed at the forthcoming Annual General Meeting.

The financial statements are available to the public. Please write to the registered office which can be found on page 1.

This report was approved by the board of directors on 21 February 2018 and signed on behalf of the board by:

S Borley  
Director

21 February 2018

## **Cardiff City Football Club (Holdings) Limited**

### **Independent auditor's report to the members of Cardiff City Football Club (Holdings) Limited**

**Year ended 31 May 2017**

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We have audited the financial statements of Cardiff City Football Club (Holdings) Limited for the year ended 31 May 2017 which are set out on pages 8 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Cardiff City Football Club (Holdings) Limited**

**Independent auditor's report to the members of Cardiff City Football Club (Holdings) Limited  
(continued)**

**Year ended 31 May 2017**

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**Matters on which we are required to report by exception**

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

*Moore Stephens LLP*

Gareth Jones FCA, Senior Statutory Auditor  
For and on behalf of Moore Stephens LLP, Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

Date: 27 February 2018

**Cardiff City Football Club (Holdings) Limited**

**Consolidated statement of comprehensive income**

**Year ended 31 May 2017**

	Note	2017 £'000	2016 £'000
<b>Revenue</b>	2	<b>28,763</b>	33,199
Cost of sales		(30,145)	(30,511)
Gross (loss) / profit		(1,382)	2,688
Administration expenses		(16,970)	(20,824)
<b>Operating loss</b>	3	<b>(18,352)</b>	(18,136)
Exceptional income	3	-	8,252
Operating loss after exceptional items		(18,352)	(9,884)
Profit on disposal of non-current assets	6	5,558	2,504
Finance income	7	2	814
Finance costs	7	(8,323)	(2,177)
Loss before tax		(21,115)	(8,743)
Tax	8	-	-
Loss for the year and total comprehensive expense		(21,115)	(8,743)

There were no other gains or losses in either the current or prior year.

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

The notes on pages 13 to 34 are an integral part of these consolidated financial statements.

**Cardiff City Football Club (Holdings) Limited**

**Consolidated statement of financial position**

**As at 31 May 2017**

	Note	2017 £'000	2016 £'000
<b>Non- current assets</b>			
Intangible assets	9	3,447	4,787
Property plant and equipment	10	51,841	54,828
		<u>55,288</u>	<u>59,615</u>
<b>Current assets</b>			
Inventories	12	182	318
Trade and other receivables	13	6,413	6,822
Cash and cash equivalents		9,274	1,618
		<u>15,869</u>	<u>8,758</u>
<b>Current liabilities</b>	14	<u>(36,140)</u>	<u>(34,208)</u>
<b>Net current liabilities</b>		<u>(20,271)</u>	<u>(25,450)</u>
<b>Total assets less current liabilities</b>		<u>35,017</u>	<u>34,165</u>
<b>Non-current liabilities</b>	15	<u>(115,788)</u>	<u>(101,821)</u>
<b>Net liabilities</b>		<u><u>(80,771)</u></u>	<u><u>(67,656)</u></u>
<b>Capital and reserves</b>			
Share capital	20	20,114	15,015
Share premium account		11,113	8,212
Capital redemption reserve		3,600	3,600
Revaluation reserve		23,564	23,564
Accumulated losses		<u>(139,162)</u>	<u>(118,047)</u>
<b>Net deficit</b>		<u><u>(80,771)</u></u>	<u><u>(67,656)</u></u>

These financial statements were approved by the directors, authorised for issue on 21 February 2018, and are signed on their behalf by:

.....  
S Borley  
Director

The notes on pages 13 to 34 are an integral part of these consolidated financial statements.

**Cardiff City Football Club (Holdings) Limited****Company statement of financial position****As at 31 May 2017**

	Note	2017 £'000	2016 £'000
<b>Non- current assets</b>			
Investments	11	685	685
<b>Current assets</b>			
Trade and other receivables	13	30,491	22,491
		30,491	22,491
<b>Current liabilities</b>	14	-	-
<b>Net current assets</b>		30,491	22,491
<b>Total assets less current liabilities</b>		31,176	23,176
<b>Capital and reserves</b>			
Share capital	20	20,114	15,015
Share premium account		11,113	8,212
Capital redemption reserve		3,600	3,600
Accumulated losses		(3,651)	(3,651)
<b>Net reserves</b>		31,176	23,176

The Company has elected to take exemption under section 408 of the Companies Act 2006 from presenting the Company statement of comprehensive income. The profit for the Company for the year ended 31 May 2017 was £Nil (2016: £Nil).

These financial statements were approved by the directors, authorised for issue on 21 February 2018, and are signed on their behalf by:



S Borley  
Director

Company Registration Number: 4044254

The notes on pages 13 to 34 are an integral part of these consolidated financial statements.

**Cardiff City Football Club (Holdings) Limited****Consolidated statement of cash flows****Year ended 31 May 2017**

	Note	2017 £'000	2016 £'000
Net cash outflow from operating activities	21	(10,879)	(10,628)
Cash flows from investing activities	21	2,048	468
Cash outflow before financing		(8,831)	(10,160)
Cash flows from financing activities	21	16,487	10,552
Net change in cash and cash equivalents		7,656	392
Cash and cash equivalents at beginning of year		1,618	1,226
Cash and cash equivalents at end of year		9,274	1,618

The notes on pages 13 to 34 are an integral part of these consolidated financial statements.

**Cardiff City Football Club (Holdings) Limited**

**Statement of changes in equity**

**Year ended 31 May 2017**

<b>Consolidated</b>	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Capital Redemption £'000</b>	<b>Revaluation reserve £'000</b>	<b>Accumulated losses £'000</b>	<b>Total £'000</b>
Equity shareholders' funds as at 1 June 2015	15,015	8,212	3,600	23,564	(109,304)	(58,913)
Loss and total comprehensive expense for the year	-	-	-	-	(8,743)	(8,743)
Equity shareholders' funds as at 1 June 2016	15,015	8,212	3,600	23,564	(118,047)	(67,656)
Loss and total comprehensive expense for the year	-	-	-	-	(21,115)	(21,115)
Ordinary share issue	5,099	2,901	-	-	-	8,000
	<u>20,114</u>	<u>11,113</u>	<u>3,600</u>	<u>23,564</u>	<u>(139,162)</u>	<u>(80,771)</u>
<b>Company</b>	<b>Share capital £'000</b>	<b>Share capital £'000</b>	<b>Share premium £'000</b>	<b>Revaluation reserve £'000</b>	<b>Accumulated losses £'000</b>	<b>Total £'000</b>
Equity shareholders' funds as at 1 June 2015	15,015	8,212	3,600	-	(3,651)	23,176
Profit and total comprehensive income for the year	-	-	-	-	-	-
Equity shareholders' funds as at 1 June 2016	15,015	8,212	3,600	-	(3,651)	23,176
Profit and total comprehensive income for the year	-	-	-	-	-	-
Ordinary share issue	5,099	2,901	-	-	-	8,000
	<u>20,114</u>	<u>11,113</u>	<u>3,600</u>	<u>-</u>	<u>(3,651)</u>	<u>31,176</u>

The notes on pages 13 to 34 are an integral part of these financial statements.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

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#### 1. Accounting policies

##### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The group and company financial statements have been prepared in accordance with those parts of the Companies Act 2006 that are applicable to companies adopting IFRS.

The company is registered and incorporated in the United Kingdom.

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis, except for the valuations of The Cardiff City Football Stadium and certain shareholder loans which are recorded at amortised cost. They are presented in Sterling to the nearest thousand (£'000).

The principal shareholder has made further funds available during the course of the year in order to provide the group with additional support for working capital requirements and the restructuring of the playing squad. Whilst long term funding is not guaranteed, the principal shareholder has indicated that providing the business develops as planned, he will continue to support the group in the foreseeable future and provide additional finance in order that it can settle its liabilities.

##### b) 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. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over ten years from the year of acquisition. The results of companies acquired or disposed of are included in the statement of comprehensive income after or up to the date that control passes respectively. As a consolidated statement of comprehensive income is published, a separate statement of comprehensive income for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

##### c) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in the normal course of business, net of discounts, VAT and other sales related tax.

Gate receipts and other matchday revenue are recognised as the games are played. Prize money in respect of cup competitions is recognised when received. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees received for live coverage or highlights are taken when earned. Merit awards are accounted for only when known at the end of the football season.

Merchandising revenue is recognised when goods are delivered and title has passed.

##### d) 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 players.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

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#### 1. Accounting policies (*continued*)

##### (ii) **Amortisation**

These costs are fully amortised on a straight-line basis over their useful economic lives, in equal annual instalments over the period of the respective contracts. Where a contract life is renegotiated, the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract.

##### (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 or on the occurrence of certain other specified future events. Liabilities in respect of these additional transfers are accounted for as they arise and are taken directly to the statement of comprehensive income.

##### (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. Impairment losses are recognised in profit or loss during the period and are included within administrative expenses in the statement of comprehensive income.

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.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

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#### 1. Accounting policies (*continued*)

##### (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 signing on or loyalty fees are capitalised and then amortised over the term of the contract.

Discretionary bonuses e.g. appearance fees, win/draw bonuses are provided for, as part of operating expenses, when payment becomes probable or due contractually.

##### e) **Fixed assets**

All fixed assets are initially recorded at cost net of any capital contribution, with the exception of the Cardiff City Football Stadium which has been included within the statement of financial position at a valuation of the replacement cost basis, based on the stadium build contract and related professional fees.

##### f) **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:

Fixtures & equipment	- 10%-25% straight line
Motor vehicles	- 25% straight line
Training ground improvements	- 10% straight line
Cardiff City Stadium	- 2% straight line

##### g) **Investment property**

Investment properties are revalued annually at their fair value. Acquisitions and disposals are recognised on exchange. Any gain or loss arising from a change in fair value is recognised in the consolidated statement of comprehensive income. A revaluation reserve is maintained in the statement of financial position representing accumulated unrealised gains by means of transfers with retained earnings.

No depreciation is provided on investment properties, which is a departure from the requirements of the Companies Act 2006. In the opinion of the directors these properties are held primarily for their investment potential and so their current value is of more significance than any measure of consumption. If this departure from the Companies Act 2006 had not been made, the loss for the year would have been increased by depreciation. However, the amount of depreciation cannot reasonably be quantified. The departure for the provisions of the Act is required in order to give a true and fair view.

##### h) **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.

##### i) **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. Monetary assets and liabilities denominated in a foreign currency are translated into sterling at the exchange rates ruling on the reporting dates. Translation differences are dealt with in the statement of comprehensive income.

##### j) **Deferred taxation**

Deferred tax is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the reporting date, except as required by IAS 12 Deferred tax.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

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#### 1. Accounting policies (*continued*)

##### k) Adoption of new and revised Standards

In the current year, the following new and revised Standards and interpretations have been adopted with no material impact on the amounts reported in these financial statements:

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 27 Separate Financial Statements
- IAS 38 Intangible Assets
- IFRS 7 Financial Instruments: Disclosures
- IFRS 10 Consolidated Financial Statements
- IFRS 12 Disclosure of Interests in Other Entities

Standards, Amendments to published Standards and Interpretations issued but not yet effective:

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 June 2016 or later periods, but which the company has not early adopted.

As of 31 May 2017, the following standards and interpretations are in issue but not yet adopted by the EU:

- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2018)
- Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)
- Amendments to IAS 12 Income Taxes (effective 1 January 2017)
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective 1 January 2018)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)

Where relevant, the group is evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements. The impact on the statements cannot yet be reliably measured.

##### l) 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.

###### **Non-derivative financial assets**

The group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of the ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group's non-derivative financial assets comprise loans and receivables.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

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#### 1. Accounting policies (*continued*)

##### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in the fair value. These are initially and subsequently recorded at fair value.

##### Non derivative financial liabilities

The group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire.

The group classifies non derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transactions costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

#### m) Finance costs

Finance costs of borrowings are recognised in the statement of comprehensive income 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.

In accordance with IAS 39 'Financial Instruments: recognition and measurement', 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 through the statement of comprehensive income.

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 through the statement of comprehensive income.

In respect of intangible asset acquisitions, the differing rate at which the finance cost and amortisation are recognised in the statement of comprehensive income produces a deferred tax credit. In respect of intangible asset disposals, the finance income recognised produces a deferred tax asset. The adjustments are stated net of deferred tax.

#### n) Inventories

Inventories, which comprise merchandising goods held for resale, are valued at the lower of cost and net realisable value using the average cost method.

#### o) Capital redemption reserve

This relates to ordinary shares bought back through the share buyback scheme.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

**p) 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 balance sheet 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.

**q) Operating segments**

This Group operates a professional football club in the United Kingdom and is, therefore, considered to operate in a single geographical and business segment.

**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:

	2017 £'000	2016 £'000
Gate receipts & match day income	3,529	4,185
Centralised broadcasting & commercial distributions	20,565	24,920
Sponsorship, advertising & other commercial income	4,669	4,094
	<u>28,763</u>	<u>33,199</u>

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 3. Operating loss

This is stated after crediting/(charging) the following:

	2017 £'000	2016 £'000
Rent & service charges receivable	36	36
Inventory expensed in the year	(671)	(778)
Amortisation of intangible assets	(4,957)	(5,384)
Impairment of intangible assets	(766)	(3,763)
Depreciation of owned fixed assets	(2,114)	(2,105)
Operating lease rentals		
- land & buildings	(576)	(646)
Auditor's remuneration		
- as auditor	(45)	(45)
- tax compliance	(7)	(7)
- advisory	(41)	(44)

Exceptional income of £Nil (2016: £10,000,000) relates to the discharge of an amount due to the ultimate owner. Additional exceptional income of £Nil (2016: £455,000) relates to the business rates refund arising from a successful appeal against prior years rating assessments. Exceptional costs of £Nil (2016: £2,203,000) relates to the change of football players & senior management, including employment termination costs together with payments to other football clubs in compensation for the release of employee's contracts.

### 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:

	2017 No.	2016 No.
Players	52	55
Other staff	126	131
	<u>178</u>	<u>186</u>

The aggregate payroll costs of the above were:

	2017 £'000	2016 £'000
Wages and salaries	26,043	30,226
Social security costs	2,957	3,300
Other pension costs	6	6
	<u>29,006</u>	<u>33,532</u>
Player related wages and salaries	20,601	25,419
Other wages and salaries	5,442	4,807
	<u>26,043</u>	<u>30,226</u>

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 5. Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	2017 £'000	2016 £'000
Wages and salaries	165	27
Social security costs	23	3
Other pension costs	-	-
	<u>188</u>	<u>30</u>

The number of Directors for whom retirement benefits were accruing under a money purchase pension scheme is 1 (2016: 1).

### 6. Profit on disposal of non-current assets

	2017 £'000	2016 £'000
Profit on disposal of players' registrations	5,558	2,498
Profit on disposal of tangible assets	-	6
	<u>5,558</u>	<u>2,504</u>

### 7. Finance income and costs

	2017 £'000	2016 £'000
<b>Finance income</b>		
Bank interest received	2	4
Loan discounting on director's loan	-	60
Loan stock credit	-	750
	<u>2</u>	<u>814</u>

	2017 £'000	2016 £'000
<b>Finance costs</b>		
Loan stock interest	-	(134)
Related undertakings interest	(1,849)	(875)
Other interest	(638)	(6)
Loan discounting on director's loan	(13)	-
Loan discounting on shareholder loan	(5,823)	(1,162)
	<u>(8,323)</u>	<u>(2,177)</u>

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 8. Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2017 £'000	2016 £'000
Current tax:		
UK Corporation tax based on the results for the year	-	-
Current tax charge	-	-

#### (b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19.83%. The differences are explained below:

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	(21,115)	(8,743)
Loss on ordinary activities multiplied by standard rate of tax of 19.83% (2016 – 20%)	(4,187)	(1,749)
Expenses not deductible for tax purposes	1,158	118
Deferred tax not recognised	2,712	1,269
Capital allowances less than depreciation	317	-
Fixed asset differences	-	362
Total current tax (note 8(a))	-	-

A potential deferred tax asset exists at the reporting date in respect of tax losses carried forward. The potential deferred tax asset offsets a deferred tax liability in respect of fixed asset timing differences. This has not been recognised in the accounts as there is insufficient evidence that the overall asset will be recoverable. Tax losses carried forward at the reporting date were £120.55m (2016 - £107.45m).

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 9. Intangible fixed assets

Group 2017	Goodwill £'000	Player registration £'000	Total £'000
<b>Cost</b>			
At 1 June 2016	1,514	39,533	41,047
Additions	-	5,940	5,940
Disposals	-	(9,083)	(9,083)
At 31 May 2017	1,514	36,390	37,904
<b>Amortisation</b>			
At 1 June 2016	1,514	20,951	22,465
Charge for the year	-	4,957	4,957
Disposals	-	(4,730)	(4,730)
At 31 May 2017	1,514	21,178	22,692
<b>Impairment</b>			
At 1 June 2016	-	13,795	13,795
Charge for the year	-	766	766
Disposals	-	(2,796)	(2,796)
At 31 May 2017	-	11,765	11,765
<b>Net book value At 31 May 2017</b>	-	<b>3,447</b>	<b>3,447</b>
At 31 May 2016	-	4,787	4,787
<b>Group 2016</b>	<b>Goodwill £'000</b>	<b>Player registration £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 June 2015	1,514	39,140	40,654
Additions	-	2,388	2,388
Disposals	-	(1,995)	(1,995)
At 31 May 2016	1,514	39,533	41,047
<b>Amortisation</b>			
At 1 June 2015	1,514	16,324	17,838
Charge for the year	-	5,384	5,384
Disposals	-	(757)	(757)
At 31 May 2016	1,514	20,951	22,465
<b>Impairment</b>			
At 1 June 2015	-	10,831	10,831
Charge for the year	-	3,763	3,763
Disposals	-	(799)	(799)
At 31 May 2016	-	13,795	13,795
<b>Net book value At 31 May 2016</b>	-	<b>4,787</b>	<b>4,787</b>
At 31 May 2015	-	11,985	11,985

**Cardiff City Football Club (Holdings) Limited**

**Notes to the financial statements**

**Year ended 31 May 2017**

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**9. Intangible fixed assets (continued)**

Amortisation of £4,957,000 (2016 - £5,384,000) is charged and included as part of Administration expenses in the statement of comprehensive income as disclosed on page 8.

The average remaining amortisation period per player contract as at 31 May 2017 is 16 months (31 May 2016 – 19 months).

**Cardiff City Football Club (Holdings) Limited**

**Notes to the financial statements**

**Year ended 31 May 2017**

**10. Tangible fixed assets**

	Fixtures and equipment £'000	Motor vehicles £'000	Training ground improvements £'000	Cardiff City Stadium £'000	Investment property £'000	Total £'000
<b>2017</b>						
<b>Cost or valuation</b>						
At 1 June 2016	2,530	86	754	66,112	985	70,467
Additions	93	-	-	20	-	113
Disposals	(1)	-	-	-	(985)	(986)
At 31 May 2017	2,622	86	754	66,132	-	69,594
<b>Depreciation</b>						
At 1 June 2016	1,152	33	295	8,672	-	10,152
Charge for the year	289	14	151	1,660	-	2,114
Disposals	-	-	-	-	-	-
At 31 May 2017	1,441	47	446	10,332	-	12,266
<b>Impairment</b>						
At 1 June 2016	-	-	-	5,487	-	5,487
At 31 May 2017	-	-	-	5,487	-	5,487
<b>Net book value</b>						
At 31 May 2017	1,181	39	308	50,313	-	51,841
At 31 May 2016	1,378	53	459	51,953	985	54,828
<b>2016</b>						
<b>Cost or valuation</b>						
At 1 June 2015	2,294	68	1,039	66,017	985	70,403
Additions	236	50	32	95	-	413
Disposals	-	(32)	(317)	-	-	(349)
At 31 May 2016	2,530	86	754	66,112	985	70,467
<b>Depreciation</b>						
At 1 June 2015	871	45	145	7,009	-	8,070
Charge for the year	281	11	150	1,663	-	2,105
Disposals	-	(23)	-	-	-	(23)
At 31 May 2016	1,152	33	295	8,672	-	10,152
<b>Impairment</b>						
At 1 June 2015	-	-	-	5,487	-	5,487
At 31 May 2016	-	-	-	5,487	-	5,487
<b>Net book value</b>						
At 31 May 2016	1,378	53	459	51,953	985	54,828
At 31 May 2015	1,423	23	894	53,521	985	56,846

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

#### Year ended 31 May 2017

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##### 10. Tangible fixed assets (*continued*)

The group contributed towards the cost of the new stadium project, part also being funded by a capital contribution from Cardiff City Council. The group's total net contribution to the new stadium development was therefore recorded as £26.3m on completion of the core stadium build.

At 31 May 2009 the directors revalued the stadium to £44.6m on a replacement cost basis, based on the stadium build contract and related professional fees agreed as at 4 May 2007, the date unconditional planning consent was granted for the stadium development. Consequently, on 31 May 2009 an amount of £25m was transferred to a revaluation reserve.

Cardiff City Stadium land is held on a 150 year lease from Cardiff City Council which commenced in September 2009. Cardiff City Council provided a capital contribution towards the cost of the new stadium project. The capital contribution is secured by way of first charge over Cardiff City Stadium leasehold property.

Depreciation on the new stadium asset commenced from 22 July 2009, when the stadium was brought into use.

As at 31 May 2013 the group sought professional advice as to the valuation of the stadium at the year end date and were advised that the carrying value based on a depreciated replacement cost basis equated to the fair value as at 31 May 2013.

	£'000
<b>Cost</b>	
At 31 May 2016	42,117
Additions	20
	<hr/>
At 31 May 2017	42,137
	<hr/>
<b>Depreciation</b>	
At 31 May 2016	4,949
Charge for the year	1,042
	<hr/>
At 31 May 2017	5,991
	<hr/>
<b>Net book value</b>	
At 31 May 2017	36,146
	<hr/>
At 31 May 2016	37,168
	<hr/>

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 11. Investments

Company	Group companies £'000
<b>Cost</b>	
At 31 May 2016 and 31 May 2017	685
<b>Net book value</b>	
At 31 May 2016 and 31 May 2017	685

#### Subsidiary undertakings

	Country of incorporation and operation	Holding	Nature of holding	Proportion held
Cardiff City Football Club Limited	England	Ordinary	Directly held	100%
Cardiff City Stadium Limited	England	Ordinary	Directly held	100%
Cardiff City Premier Seating	England	Ordinary	Indirectly held	100%

### 12. Inventories

Group	2017 £'000	2016 £'000
Inventories	182	318

### 13. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Trade receivables	516	1,246	-	-
Football receivables	1,299	1,454	-	-
Amounts owed by group undertakings	-	-	30,491	22,491
VAT	34	122	-	-
Other receivables	3,180	2,745	-	-
Prepayments and accrued income	1,384	1,255	-	-
	<b>6,413</b>	<b>6,822</b>	<b>30,491</b>	<b>22,491</b>

The directors are satisfied that the amounts owed by group undertakings, in particular the £27,769,000 due from Cardiff City Football Club Limited, is fully recoverable because it has the support of the companies ultimate owner, Tan Sri Dato' Seri Vincent Tan Chee Yioun.

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 14. Current liabilities

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	2,521	2,831	-	-
Football payables	539	-	-	-
Loans from director	200	200	-	-
Loans from related undertakings	11,000	13,500	-	-
Taxation and social security	1,496	1,393	-	-
Other payables	368	313	-	-
Other borrowings	11,168	6,604	-	-
Accruals and deferred income	8,848	9,367	-	-
	<b>36,140</b>	<b>34,208</b>	<b>-</b>	<b>-</b>

#### Loans from related undertakings

During the year Tormen Finance Inc, a company in which a director of Cardiff City Football Club (Holdings) Limited has significant influence over, advanced £6.0m (2016: £7.3m) to the company at an interest rate of 8%. The capital amount outstanding at the reporting date was £11.0m (2016: £13.5m). These loans were secured by debenture on the assets of the group.

#### Other borrowings

Other borrowings of £11.2m (2016: £6.6m) were secured on guaranteed future revenue streams.

#### Loans from director

The key terms of the director's loan are:

- there is no interest accruing on the loan
- the balance is repayable when the Director leaves the company
- the loan is unsecured.

### 15. Non-current liabilities

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loans from director	203	190	-	-
Loans from overseas shareholders and associated undertakings	115,109	100,812	-	-
Accruals and deferred income	476	819	-	-
	<b>115,788</b>	<b>101,821</b>	<b>-</b>	<b>-</b>

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

#### 15. Non-current liabilities (continued)

Analysis of loans:-

	2017 £'000	2016 £'000
Interest bearing with conversion rights	34,635	26,161
Non-interest bearing without conversion rights	80,677	74,841
	<u>115,312</u>	<u>101,002</u>

#### Non-interest bearing without conversion rights

The maturity profile of the group's loans at the reporting date which have been discounted at the group's cost of capital and which do not include interest payments are as follows:-

	2017 £'000	2016 £'000
Due in more than two years	87,163	87,163
Loan discounting on shareholder loan	(6,486)	(12,322)
Carrying value	<u>80,677</u>	<u>74,841</u>

#### Loans from overseas shareholders & associated undertakings

During the period the group received loans from its ultimate owner, Tan Sri Dato' Seri Vincent Tan Chee Yioon.

The key terms of the interest bearing loan with conversion rights are:

- interest accrues on the interest bearing element at an annual rate of 7%;
- the loans are secured by way of a charge over the assets and undertaking of the principal trading company within the group; and
- the lender has the right to convert any amounts outstanding, including accrued interest, into equity at any time, at a fixed conversion price of 15.69 pence per share.
- The total interest due to 31 May 2017 was waived.

The key terms of the non-interest bearing loan without conversion rights is:

- the loans are secured by way of a charge over the assets and undertaking of the principal trading company within the group.

#### Loans from director

The key terms of the loan are:

- interest accrues at an annual rate of 1% over LIBOR
- the balance is repayable in full on 14 December 2020
- the loan is unsecured.

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 16. Payables - capital instruments

The maturity profile of the group's total borrowings at the reporting date which have been discounted using the group's weighted average cost of capital and which do not include interest payments are as follows:

	Principal £'000	2017 Interest £'000	Total £'000	Principal £'000	2016 Interest £'000	Total £'000
In one year or less or on demand	22,368	-	22,368	20,304	-	20,304
In more than one year but not more than five years	115,312	475	115,787	101,002	475	101,477
	<u>137,680</u>	<u>475</u>	<u>138,155</u>	<u>121,306</u>	<u>475</u>	<u>121,781</u>

### 17. Commitments under operating leases

At 31 May 2017 the group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2017 £'000	Other assets 2017 £'000	Land and buildings 2016 £'000	Other assets 2016 £'000
Operating leases which expire:				
Within one year	-	-	-	12
Within two to five years	-	-	-	-
After five years	4,329	-	4,826	-
	<u>4,329</u>	<u>-</u>	<u>4,826</u>	<u>12</u>

### 18. Contingent liabilities

The group has commitments under player registration transfer contracts with other football clubs to pay up to £4,840,000 (2016: £5,340,000) which are conditional upon one or more future events.

Under the terms of the settlement agreement with the holders of the unsecured redeemable loan stock entered into during the year ended 31 May 2016, a contingent liability exists whereby a further payment of £1.75m becomes payable on the occasion of the Club's promotion to the English Premier League for the first time following the signing of the agreement.

Given that such future events are not completely within the group's control, no provision has been made for these amounts in these financial statements.

### 19. Related parties

#### Group

#### Control

The ultimate controlling party is considered to be Tan Sri Dato' Seri Vincent Tan Chee Yioun due to his majority shareholding in Cardiff City Football Club (Holdings) Limited.

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

#### 19. Related parties (continued)

##### Company

As shown in note 13, company inter group balances at 31 May 2017 were as follows:-

	2017	2016
	£'000s	£'000s
Cardiff City Football Club Limited	27,769	19,769
Cardiff City Premier Seating Limited	8	8
Cardiff City Stadium Limited	2,714	2,714
	<u>30,491</u>	<u>22,491</u>

##### Transactions with related parties

##### Group

During the year the group traded with the following companies which have one or more director in common:

CMB Group of Companies – net purchases of £27,369 (2016: net turnover of £135,887) in respect of engineering and maintenance services, year-end debtor £7,338 (2016: creditor £4,937).

Cardiff City House of Sport Limited – net purchases of £131,663 (2016: £233,127) in respect of the hire of facilities, year-end creditor £14,688 (2016: debtor £44,096).

During the year the group traded with the following entities of which a director of Cardiff City Football Club (Holdings) Limited has significant influence over:

WMG Funds Limited – net purchases of £1,090,303 (2016: £970,001) in respect of professional services rendered

Tormen Finance Inc. - advanced £6m (2016: £7.3m) to the company at an interest rate of 8%. The capital amount outstanding at the reporting date was £11m (2016: £13.5m). The interest charged in the year amounted to £1.8m (2016: £786k) with £1.6m (2016: £88k) outstanding at the reporting date.

##### Key Management Personnel

In addition to the remuneration detailed in note 5, a further £860,945 (2016: £395,317) was paid to key management personnel.

#### 20. Share capital

##### Allotted and called up:

	2017		2016	
	No	£'000	No	£'000
Ordinary shares of £0.10 each	<u>201,143,157</u>	<u>20,114</u>	<u>150,155,267</u>	<u>15,015</u>

On 8 November 2016, the members approved by written resolution that the directors be given a new authority to allot ordinary shares of £0.10 in replacement of the previous authority which expired on 27 July 2016.

On the aforementioned date, the directors were given authority to allot up to a maximum of 1,200,000,000 ordinary shares of £0.10 having the aggregate nominal value of £120,000,000, provided that the power shall expire five years from the date of the passing of the resolution.

As result of the above on the 8 November 2016 the principal shareholder converted £8,000,000 of his loan into equity. The company issued 50,987,890 Ordinary shares of £0.10 each at a price of 15.69 pence per share in exchange for a corresponding reduction in the loan due to the principal shareholder. The related premium on the issue of the shares being transferred to the share premium account.

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 21. Notes to the statement of cash flows

#### Reconciliation of operating activities to operating cash flows

	2017 £'000	2016 £'000
Loss on ordinary activities before taxation	(21,115)	(8,743)
Amortisation	4,957	5,384
Depreciation	2,114	2,105
Impairment of intangible assets	766	3,763
Profit on sale of players	(5,558)	(2,498)
Gain on sale of tangible assets	-	(6)
Loan stock settlement	-	(750)
Write off shareholder loan	-	(10,000)
Loan discounting on shareholder loan	5,823	1,162
<b>Operating cash flows before movement in working capital</b>	<b>(13,013)</b>	<b>(9,583)</b>
Change in inventories	136	(273)
Change in receivables	409	4,594
Change in payables	1,589	(5,366)
<b>Net cash outflow from operating activities</b>	<b>(10,879)</b>	<b>(10,628)</b>

#### Cash flows from investing activities

	2017 £'000	2016 £'000
Payments to acquire player registrations	(5,940)	(2,388)
Payments to acquire tangible fixed assets	(113)	(413)
Receipts from sale of player registrations	7,115	2,937
Receipts from sale of tangible fixed assets	986	332
<b>Net cash inflow from investing activities</b>	<b>2,048</b>	<b>468</b>

#### Financing

	2017 £'000	2016 £'000
Net inflow from shareholder and director loans	16,487	13,148
Repayment of loan stock	-	(5,000)
Other borrowings	-	2,404
<b>Net cash inflow from financing</b>	<b>16,487</b>	<b>10,552</b>

## Cardiff City Football Club (Holdings) Limited

### Notes to the financial statements

Year ended 31 May 2017

#### 22. Financial instruments

##### Capital risk management

The group manages its capital to ensure that the entity will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Strong financial capital management is an integral part of the Directors' strategy to achieve the group's stated objectives. The Directors' review financial capital reports on a regular basis and the group finance function do so on a daily basis ensuring that the group has adequate liquidity. The Directors' consideration of going concern is detailed in the Directors' Report. The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 14 and 15, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in note 20 and the statement of changes in equity, which at 31 May 2017 totalled £111,415,000 (2016: £113,084,000).

##### Financial risk management objectives and policies

The main purpose of these 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.

The carrying value of the financial assets (with non-financial assets shown for reconciling purposes) are analysed as follows:

	Financial assets £'000	2017 Non- financial assets £'000	Total £'000	Financial assets £'000	2016 Non- financial assets £'000	Total £'000
Assets						
Non-current	-	55,288	55,288	-	59,615	59,615
Trade receivables and similar items	6,413	-	6,413	6,822	-	6,822
Cash and cash equivalents	9,274	-	9,274	1,618	-	1,618
Other current assets	182	-	182	318	-	318
Total assets	15,869	55,288	71,157	8,758	59,615	68,373

The group has not used derivative financial instruments during the year. The Board will review the need for the use of derivative financial instruments in the future.

The group has exposure to the following risks from its use of financial instruments:

- (i) market risk;
- (ii) credit risk; and
- (iii) liquidity risk.

##### (i) Market risk

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange and interest rates.

The financial risk associated to changes in interest rates is not considered to be a risk to the group as the principal borrowings of the group are all at a fixed interest rates as disclosed in note 14 and 15.

The financial risk associated to changes in foreign exchange rates is not considered to be a risk to the group as the group has no significant balances at the reporting date denominated in a foreign currency.

Due to these risks being deemed to be insignificant, no sensitivity analysis has been provided.

# Cardiff City Football Club (Holdings) Limited

## Notes to the financial statements

Year ended 31 May 2017

### 22. Financial instruments (continued)

#### (ii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The maximum credit exposure relates to the total of cash and cash equivalents, and trade receivables which is £11,089,000 (2016: £3,818,000).

The maximum risk exposure relates to football creditors but this is mitigated by the governing body of the respective association.

Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum credit risk exposure of the company comprises the amounts presented in the statement of financial position which are stated net of provisions for doubtful debts.

	Gross receivables 2017 £'000	Provision 2017 £'000	Gross receivables 2016 £'000	Provision 2016 £'000
<b>Non Football</b>				
Not due	135	-	415	-
Past due 0-30 days	24	-	187	-
Past due 31-90 days	2	-	33	-
More than 90 days	355	-	761	(150)
	<u>516</u>	<u>-</u>	<u>1,396</u>	<u>(150)</u>
<b>Football</b>				
Not due	1,299	-	1,454	-
<b>Total</b>	<u>1,815</u>	<u>-</u>	<u>2,850</u>	<u>(150)</u>
<b>Total</b>				
Not due	1,434	-	1,869	-
Past due 0-30 days	24	-	187	-
Past due 31-90 days	2	-	33	-
More than 90 days	355	-	761	(150)
	<u>1,815</u>	<u>-</u>	<u>2,850</u>	<u>(150)</u>

#### (iii) 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 ultimate owner as disclosed in note 14 and 15.

The following are the contractual maturities of financial liabilities:

	Carrying amount £'000	12 months or less £'000	More than 12 months £'000
<b>31 May 2017</b>			
<b>Non-derivative financial liabilities</b>			
Short term borrowings	22,368	22,368	-
Long term borrowings (net)	115,109	-	115,109
Trade payables	2,521	2,521	-
Football payables	539	539	-
	<u>140,537</u>	<u>25,428</u>	<u>115,109</u>

**Cardiff City Football Club (Holdings) Limited****Notes to the financial statements****Year ended 31 May 2017****22. Financial instruments (continued)**

<b>31 May 2016</b>	<b>Carrying amount £'000</b>	<b>12 months or less £'000</b>	<b>More than 12 months £'000</b>
Non-derivative financial liabilities			
Short term borrowings	20,304	20,304	-
Long term borrowings (net)	101,002	-	101,002
Trade payables	2,831	2,831	-
	<u>124,137</u>	<u>23,135</u>	<u>101,002</u>

The group reviews its facilities regularly to ensure that it has adequate funds for operations and expansion plans.

**Fair values and carrying amounts**

The carrying values of financial assets and liabilities are all approximate to their fair values per the statement of financial position.

**23. Subsequent events**

On the 13 June 2017 the principal shareholder converted £12,679,213 of his loan into equity. The company issued 80,810,791 Ordinary shares of £0.10 each at a price of 15.69 pence per share in exchange for a corresponding reduction in the loan due to the principal shareholder. The related premium on the issue of the shares being transferred to the share premium account.