

Company Registration Number 4044254



Cardiff City Football Club (Holdings) Limited

Annual report

31 May 2018

Cardiff City Football Club (Holdings) Limited

Financial statements

Year ended 31 May 2018

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Cardiff City Football Club (Holdings) Limited

Company information

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 2018

Executive Chairman's statement

Season 2017/18

Following the club record start to the 2017/18 season we consolidated our position at the top of the Championship for the remainder of the Season and achieved promotion to the English Premier League on the last game of the season at home to Reading.

This was a truly unforgettable match and day for everyone associated with the Club and the ultimate prize of promotion was well deserved after a long and arduous campaign across the 46 games of the Championship Season.

The celebrations that followed were well deserved and will stay long in the memory of all those that were present.

Season 2018/19

We now turn our attention to the new Season and our return to the English Premier League.

Planning and preparation for the new season commenced immediately after the end of the last season and the Club has been very active during the summer months in preparing for our return to the EPL.

We are looking forward to the 2018/19 Season with one aim in mind that of securing our position in the EPL for the following season and the seasons after that.

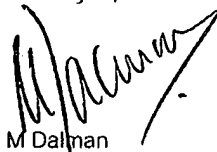
Our aim and challenge as a Club is to secure our place in the EPL and continue building the infrastructure of the Club around that.

I must take this opportunity to congratulate all in the Club for this achievement, this has been a complete team effort and has been made easier by everyone from the top to the bottom working together. It shows what can be achieved when we are united as one.

Finally, to you the fans your support and loyalty has been fantastic and immensely appreciated by everyone at the Club and especially by Neil and his team.

I hope you are looking forward to the forthcoming Season as much as I am and that we enjoy success and achieve our aim of securing top flight status.

Thank you,



M Dalman
Executive Chairman
19 September 2018

Cardiff City Football Club (Holdings) Limited

Strategic report

Year ended 31 May 2018

Business Review

	2018 £'000	2017 £'000
Revenue	34,794	28,763
Player salary costs	31,201	20,601
Profit on sale of player registrations	2,428	5,558

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

The results show increased revenue from that reported in the prior year accounts directly as a result of the additional revenue generated from the successful 2017/18 season.

Average attendances increased from 16,564 in season 2016/17 to 20,164 in season 2017/18.

The Group is reporting an operating loss for the year ended 31 May 2018 of £34,026,000 increased by £15,674,000 from £18,352,000 reported for the prior year ended 31 May 2017.

The increase in the loss is mainly due to additional commitments made to players, management, staff and other creditors as a result of promotion to the English Premier League.

While the Group has significant net liabilities, the principal indebtedness at the year-end was to the controlling shareholder.

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 and costs, particularly those from broadcasting and player costs respectively, vary substantially between the English Premier League and the Championship. The Group manages the impact of that risk through close control of its direct costs, relative to its forecast income.

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 secure our status in the English Premier League for the foreseeable future.

This report was approved by the board of directors on 19 September 2018 and signed on behalf of the board by:


S Borley
Director

Cardiff City Football Club (Holdings) Limited

Directors' report

Year ended 31 May 2018

The directors have pleasure in presenting their report and the audited financial statements of the group for the year ended 31 May 2018.

Principal activities

The principal activity of the group is that of a professional football 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.

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 (before other comprehensive income) amounted to £35,994,000 (2017: £21,115,000). 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 R M Caramella (appointed 7 February 2018)

Going concern

During the year, the ultimate owner has continued to make further funds available in order to provide the group with additional working capital.

As explained in note 1 to the accounts, the Company has the support of its controlling shareholder and whilst his funding is not guaranteed, the ultimate owner 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 as they fall due.

Subsequent events

Events subsequent to the reporting date have been disclosed in note 24.

Cardiff City Football Club (Holdings) Limited

Directors' report *(continued)*

Year ended 31 May 2018

Future developments

A review of future developments has been covered in the Executive Chairman's report.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the director's 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) as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union;
- 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.

Insofar as the directors are aware:

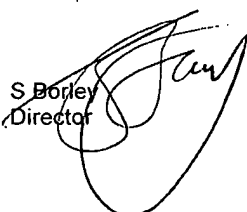
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

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

This report was approved by the board of directors on 19 September 2018 and signed on behalf of the board by:

S Borley
Director



Cardiff City Football Club (Holdings) Limited

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

Year ended 31 May 2018

We have audited the financial statements of Cardiff City Football Club (Holdings) Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 May 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, consolidated and company statement of changes in equity 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 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.

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 2018 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.

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 group 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 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 audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in 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 group's or the parent 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.

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 2018

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 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.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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 2018

Use of our 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.

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

26 September 2018

Cardiff City Football Club (Holdings) Limited

Consolidated statement of comprehensive income

Year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Revenue	2	34,794	28,763
Cost of sales		(54,469)	(30,145)
Gross loss		(19,675)	(1,382)
Administration expenses		(14,351)	(16,970)
Operating loss	3	(34,026)	(18,352)
Profit on disposal of player registrations	6	2,428	5,558
Finance income	7	-	2
Finance costs	7	(7,718)	(8,323)
Loss before tax		(39,316)	(21,115)
Tax	8	3,322	-
Loss for the year		(35,994)	(21,115)
Other comprehensive income			
Revaluation of stadium	10	29,253	-
Movement on deferred tax relating to revaluation of Stadium	16	(2,302)	-
Other comprehensive income		26,951	-
Total comprehensive expense		(9,043)	(21,115)

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

The notes on pages 15 to 35 are an integral part of these consolidated financial statements.

Cardiff City Football Club (Holdings) Limited

Consolidated statement of financial position

As at 31 May 2018

	Note	2018 £'000	2017 £'000
Non- current assets			
Intangible assets	9	12,183	3,447
Property plant and equipment	10	84,724	51,841
		<u>96,907</u>	<u>55,288</u>
Current assets			
Inventories	12	209	182
Trade and other receivables	13	7,405	6,413
Cash and cash equivalents		2,942	9,274
		<u>10,556</u>	<u>15,869</u>
Current liabilities	14	<u>(115,629)</u>	<u>(36,140)</u>
Net current liabilities		<u>(105,073)</u>	<u>(20,271)</u>
Total assets less current liabilities		<u>(8,166)</u>	<u>35,017</u>
Non-current liabilities	15	(251)	(115,788)
Provisions	16	(2,302)	-
Net liabilities		<u>(10,719)</u>	<u>(80,771)</u>
Capital and reserves			
Share capital	21	94,611	20,114
Share premium account		15,711	11,113
Capital redemption reserve		3,600	3,600
Revaluation reserve		50,515	23,564
Accumulated losses		(175,156)	(139,162)
Net deficit		<u>(10,719)</u>	<u>(80,771)</u>

These financial statements were approved by the directors, authorised for issue on 19 September 2018, and are signed on their behalf by:

.....
S Borley
Director



The notes on pages 15 to 35 are an integral part of these consolidated financial statements.

Cardiff City Football Club (Holdings) Limited

Company statement of financial position

As at 31 May 2018

	Note	2018 £'000	2017 £'000
Non- current assets			
Investments	11	<u>685</u>	<u>685</u>
Current assets			
Trade and other receivables	13	<u>109,586</u>	<u>30,491</u>
Current liabilities	14	<u>-</u>	<u>-</u>
Net current assets		<u>109,586</u>	<u>30,491</u>
Total assets less current liabilities		<u>110,271</u>	<u>31,176</u>
Capital and reserves			
Share capital	21	<u>94,611</u>	<u>20,114</u>
Share premium account		<u>15,711</u>	<u>11,113</u>
Capital redemption reserve		<u>3,600</u>	<u>3,600</u>
Accumulated losses		<u>(3,651)</u>	<u>(3,651)</u>
Net reserves		<u>110,271</u>	<u>31,176</u>

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 2018 was £Nil (2017: £Nil).

These financial statements were approved by the directors, authorised for issue on 19 September 2018, and are signed on their behalf by:

S Borley
Director



Company Registration Number: 4044254

The notes on pages 15 to 35 are an integral part of these consolidated financial statements.

Cardiff City Football Club (Holdings) Limited**Consolidated statement of cash flows****Year ended 31 May 2018**

	Note	2018 £'000	2017 £'000
Net cash outflow from operating activities	22	(8,280)	(8,381)
Cash flows from investing activities	22	(11,642)	2,048
Cash outflow before financing		(19,922)	(6,333)
Cash flows from financing activities	22	13,590	13,989
Net change in cash and cash equivalents		(6,332)	7,656
Cash and cash equivalents at beginning of year		9,274	1,618
Cash and cash equivalents at end of year		2,942	9,274

The notes on pages 15 to 35 are an integral part of these consolidated financial statements.

Cardiff City Football Club (Holdings) Limited

Statement of changes in equity

Year ended 31 May 2018

Consolidated	Share capital £'000	Share premium £'000	Capital Redemption £'000	Revaluation reserve £'000	Accumulated losses £'000	Total £'000
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
Equity shareholders' funds as at 1 June 2017	20,114	11,113	3,600	23,564	(139,162)	(80,771)
Loss and total comprehensive expense for the year	-	-	-	26,951	(35,994)	(9,043)
Ordinary share issue	74,497	4,598	-	-	-	79,095
As at 31 May 2018	94,611	15,711	3,600	50,515	(175,156)	(10,719)

The notes on pages 15 to 35 are an integral part of these financial statements.

Cardiff City Football Club (Holdings) Limited

Statement of changes in equity

Year ended 31 May 2018

Company	Share capital £'000	Share premium £'000	Capital Redemption £'000	Revaluation reserve £'000	Accumulated losses £'000	Total £'000
Equity shareholders' funds as at 1 June 2016	15,015	8,212	3,600	-	(3,651)	23,176
Loss and total comprehensive expense for the year	-	-	-	-	-	-
Ordinary share issue	5,099	2,901	-	-	-	8,000
Equity shareholders' funds as at 1 June 2017	20,114	11,113	3,600	-	(3,651)	31,176
Loss and total comprehensive expense for the year	-	-	-	-	-	-
Ordinary share issue	74,497	4,598	-	-	-	79,095
As at 31 May 2018	94,611	15,711	3,600	-	(3,651)	110,271

Share capital – This reserve records the nominal value received for shares sold.

Share Premium – This reserve records the excess paid on shares issued.

Revaluation reserve – This reserve records the historical revaluations net of related deferred tax.

Accumulated losses – This reserve records retained earnings and accumulated losses.

Capital Redemption reserve – This reserve records the historical nominal value of cancelled share capital.

The notes on pages 15 to 35 are an integral part of these financial statements.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

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. Its registered office is Cardiff City Stadium, Leckwith Road, Cardiff, South Glamorgan, CF11 8AZ. The principal activity is that of a professional football club incorporating the operation of a multi-use sports stadium.

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.

In conclusion, in the opinion of the directors, there is sufficient funding available to meet the group's trading requirements for the foreseeable future. These financial statements do not include any adjustment that might be required if the application of the going concern basis proves to be inappropriate.

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 any 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.

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.

(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 transfer related costs not recognised at date of acquisition are accounted for as they arise and are taken directly to the statement of comprehensive income.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

1. Accounting policies (*continued*)

(iv) *Impairment*

The Group will perform an impairment review on the intangible assets if events or changes in circumstances indicate that the carrying amount of the player may not be recoverable. The Group compares the carrying amount of the asset with its recoverable amount. 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.

(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, with the exception of the Cardiff City Stadium which has been included within the statement of financial position at a valuation of the depreciated replacement cost basis, based on the latest stadium build costs and related professional fees spread over the remaining useful life.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

1. Accounting policies (*continued*)

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 statement of comprehensive income.

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) Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all material timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

1. Accounting policies (*continued*)

k) Adoption of new and revised Standards

The International Accounting Standards Board and IFRIC have issued the following new and revised standards and interpretations with an effective date after the date of these financial statements, which have not been applied in these financial statements:

Standard/Interpretation	Title	Effective date
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

The directors anticipate that the adoption of IFRS 9 and IFRS15 will have no material impact on the profit of the financial statements of the Group.

IFRS 16 replaces existing lease guidance. Leases will have the impact of increasing both creditors and fixed assets on the statement of financial position by similar amounts that will depend on the operating leases that the Group is party to during the year ended 31 May 2020. The Group are currently assessing the potential impact of its consolidated accounts, but have not yet completed a detailed assessment. The actual impact depends on future economic conditions depending on the Group's weighted average cost of capital and the leases the Group are party to.

l) Financial assets and liabilities

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 group 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 2018

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. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables comprise 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

Impairment of financial assets

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

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 group 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.

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 borrowing.

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.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

1. Accounting policies (*continued*)

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.

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) 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.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

2. Revenue

The revenue and loss for the year 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:

	2018 £'000	2017 £'000
Gate receipts & match day income	4,841	3,529
Centralised broadcasting & commercial distributions	21,416	20,565
Sponsorship, advertising & other commercial income	8,537	4,669
	34,794	28,763

3. Operating loss

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

	2018 £'000	2017 £'000
Rent & service charges receivable	(36)	(36)
Inventory expensed in the year	624	671
Amortisation of intangible assets	5,096	4,957
Impairment of intangible assets	-	766
Depreciation of owned fixed assets	2,095	2,114
Reversal of impairment of tangible assets	(5,487)	-
Operating lease rentals		
- land & buildings	577	576
Auditor's remuneration		
- as auditor	62	45
- tax compliance	7	7
- advisory	22	41
Exceptional costs	23,165	-

Split of exceptional costs

	31 May 2018			31 May 2017		
	Continuing £'000	Exceptional £'000	Total £'000	Continuing £'000	Exceptional £'000	Total £'000
Revenue	34,794	-	34,794	28,763	-	28,763
Cost of Sales	(34,946)	(19,523)	(54,469)	(30,145)	-	(30,145)
Gross loss	(152)	(19,523)	(19,675)	(1,382)	-	(1,382)
Administration expenses	(10,709)	(3,642)	(14,351)	(16,970)	-	(16,970)
Operating loss	(10,861)	(23,165)	(34,026)	(18,352)	-	(18,352)

During the year the Group incurred exceptional costs of £23,165,000 in respect of bonuses and other contractual commitments payable following promotion to the English Premier League.

Cardiff City Football Club (Holdings) Limited**Notes to the financial statements****Year ended 31 May 2018****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:

	2018 No.	2017 No.
Players	44	52
Other staff	139	126
	<u>183</u>	<u>178</u>

The aggregate payroll costs of the above were:

	2018 £'000	2017 £'000
Wages and salaries	(43,123	26,043
Social security costs	5,283	2,957
Other pension costs	6	6
	<u>48,412</u>	<u>29,006</u>

Included in the above is £31,201,000 (2017: £20,601,000) in respect of player related wages and salaries

5. Directors' remuneration

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

	2018 £'000	2017 £'000
Wages and salaries	1,192	165
Social security costs	163	23
Other benefits	74	95
	<u>1,429</u>	<u>283</u>

The number of Directors for whom retirement benefits were accruing under a money purchase pension scheme is Nil (2017: Nil).

6. Profit on disposal of player registrations

	2018 £'000	2017 £'000
Profit on disposal of players' registrations	<u>2,428</u>	<u>5,558</u>

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

7. Finance income and costs

	2018 £'000	2017 £'000
Finance income		
Bank interest received	-	2

	2018 £'000	2017 £'000
Finance costs		
Related undertakings interest and associated withholding tax	(743)	(1,849)
Other interest	(522)	(638)
Loan discounting on director's loan in subsidiary company	(14)	(13)
Loan discounting on shareholder loan	(6,439)	(5,823)
	(7,718)	(8,323)

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2018 £'000	2017 £'000
Deferred tax:		
Origination and reversal of timing differences	(3,322)	-
Tax credit	(3,322)	-

(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% (2017: 19.87%). The differences are explained below:

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(39,316)	(21,115)
Loss on ordinary activities multiplied by standard rate of tax	(7,470)	(4,187)
Expenses not deductible for tax purposes	52	1,158
Adjust opening deferred tax to average rate 19%	857	-
Deferred tax not recognised	3,957	2,712
Fixed asset differences	(718)	317
Total current tax (note 8(a))	(3,322)	-

Deferred tax assets have been recognised on forecasted recoverable losses of £11.9m (gross) and short term timing differences of £5.6m (gross). A deferred tax liability of £2.3m has been recognised in respect of the potential chargeable gain based on the revaluation of the stadium. The assets and liabilities are not offset as the company does not intend to realise the asset and settle the liability at the same time.

A further potential deferred tax asset exists at the balance sheet date in respect of additional tax losses carried forward. The potential deferred tax asset offsets a deferred tax liability in respect of fixed asset timing differences (other than the chargeable gain). 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 £162m (2017: £119m).

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

9. Intangible fixed assets

Group 2018	Goodwill £'000	Player registrations £'000	Total £'000
Cost			
At 1 June 2017	1,514	36,390	37,904
Additions	-	14,299	14,299
Disposals	-	(30,786)	(30,806)
At 31 May 2018	1,514	19,903	21,397
Amortisation			
At 1 June 2017	1,514	21,178	22,692
Charge for the year	-	5,096	5,096
Disposals	-	(18,770)	(18,797)
At 31 May 2018	1,514	7,504	8,991
Impairment			
At 1 June 2017	-	11,765	11,765
Charge for the year	-	-	-
Disposals	-	(11,549)	(11,549)
At 31 May 2018	-	216	216
Net book value			
At 31 May 2018	-	12,183	12,183
At 31 May 2017	-	3,447	3,447
Group 2017	Goodwill £'000	Player registrations £'000	Total £'000
Cost			
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
Amortisation			
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
Impairment			
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
Net book value			
At 31 May 2017	-	3,447	3,447
At 31 May 2016	-	4,787	4,787

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

9. Intangible fixed assets (continued)

Amortisation of £5,096,000 (2017 - £4,957,000) is charged and included as part of administration expenses in the statement of comprehensive income as disclosed on page 9.

The average remaining amortisation period per player contract as at 31 May 2018 is 17 months (31 May 2017 – 16 months).

10. Tangible fixed assets

	Fixtures and equipment £'000	Motor vehicles £'000	Training ground improvements £'000	Cardiff City Stadium £'000	Total £'000
2018					
Cost or valuation					
At 1 June 2017	2,622	86	754	66,132	69,594
Additions	101	67	-	100	268
Disposals	-	(71)	-	-	(71)
Revaluation	-	-	-	17,268	17,268
At 31 May 2018	2,723	82	754	83,500	87,059
Depreciation					
At 1 June 2017	1,441	47	446	10,332	12,266
Charge for the year	280	17	145	1,653	2,095
Disposals	-	(41)	-	-	(41)
Revaluation	-	-	-	(11,985)	(11,985)
At 31 May 2018	1,721	23	591	-	2,335
Impairment					
At 1 June 2017	-	-	-	5,487	5,487
Reversal of impairment	-	-	-	(5,487)	(5,487)
At 31 May 2018	-	-	-	-	-
Net book value					
At 31 May 2018	1,002	59	163	83,500	84,724
At 31 May 2017	1,181	39	308	50,313	51,841

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

10. Tangible fixed assets (continued)

	Fixtures and equipment £'000	Motor vehicles £'000	Training ground improvements £'000	Cardiff City Stadium £'000	Investment property £'000	Total £'000
2017						
Cost or valuation						
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	-	65,594
Depreciation						
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
Impairment						
At 1 June 2016 and as at 31 May 2017	-	-	-	5,487	-	5,487
Net book value						
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

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.

As at 31 May 2018 the group sought professional advice from Savills (UK) Limited (RICS registered valuers) 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 £83,500,000, an increase of £29,253,000 from the previous carrying value. The historical cost equivalents of Cardiff City Stadium assets, carried at valuation, are:

	£'000
Cost	
At 31 May 2017	41,152
Additions	100
At 31 May 2018	41,252
Depreciation	
At 31 May 2017	5,955
Charge for the year	1,034
At 31 May 2018	6,989
Net book value	
At 31 May 2018	34,263
At 31 May 2017	35,197

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

11. Investments

Company	Group companies £'000
Cost	
At 31 May 2017 and 31 May 2018	685
Net book value	
At 31 May 2017 and 31 May 2018	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 Limited	England	Ordinary	Indirectly held	100%

All subsidiary undertakings are registered at the same address being Cardiff City Stadium, Leckwith Road, Cardiff, South Glamorgan, CF11 8AZ.

12. Inventories

Group	2018 £'000	2017 £'000
Inventories	209	182

13. Trade and other receivables

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Trade receivables	613	516	-	-
Football receivables	411	1,299	-	-
Amounts owed by group undertakings	-	-	109,586	30,491
VAT	140	34	-	-
Deferred tax asset (Note 16)	3,322	-	-	-
Other receivables	1,808	3,180	-	-
Prepayments and accrued income	1,111	1,384	-	-
	<u>7,405</u>	<u>6,413</u>	<u>109,586</u>	<u>30,491</u>

The directors are satisfied that the amounts owed by group undertakings, in particular the £106,864,000 (2017: £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 Yoon.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

14. Current liabilities

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade payables	3,509	2,521	-	-
Football payables	2,425	539	-	-
Loans from director	200	200	-	-
Loans from shareholder	72,410	-	-	-
Loans from related undertakings	-	11,000	-	-
Taxation and social security	1,737	1,496	-	-
Other payables	259	368	-	-
Other loans	1,445	11,168	-	-
Accruals and deferred income	33,644	8,848	-	-
	<u>115,629</u>	<u>36,140</u>	<u>-</u>	<u>-</u>

Other loans

Other loans of £1.4m (2017: £11.2m) were secured on guaranteed future revenue streams.

Loans from overseas shareholder & related undertakings

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

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

- interest accrues on the £50,107,000 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 2018 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 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.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

15. Non-current liabilities

	Group 2018 £'000	2017 £'000	Company 2018 £'000	2017 £'000
Loans from director of subsidiary company	218	203	-	-
Loans from overseas shareholder and related undertakings	-	115,109	-	-
Accruals and deferred income	33	476	-	-
	<u>251</u>	<u>115,788</u>	<u>-</u>	<u>-</u>

Analysis of loans:-

	2018 £'000	2017 £'000
Non-interest bearing without conversion rights	-	80,445
Loan with non market rate of Interest	218	232
	<u>218</u>	<u>80,677</u>
Interest bearing with conversion rights	-	34,635
Total	<u>218</u>	<u>115,312</u>

Loans with non-market rate of interest

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:-

	2018 £'000	2017 £'000
Due in more than two years	250	87,162
Loan discounting on director loan	(32)	(46)
Loan discounting on shareholder loan	-	(6,439)
Carrying value	<u>218</u>	<u>80,677</u>

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.

16. Deferred tax

	2018 £'000	2017 £'000
Brought forward	-	-
Movement in the year in respect of trading losses	2,252	-
Movement in the year in respect of short term timing differences	1,070	-
	<u>3,322</u>	<u>-</u>
Movement in respect of revaluation of property	(2,302)	-
Carried forward	<u>1,020</u>	<u>-</u>

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

16. Deferred tax (continued)

	2018 £'000	2017 £'000
Included within Debtors (Note 13)	3,322	-
Provisions for deferred tax	(2,302)	-

17. 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	2018 Interest £'000	Total £'000	Principal £'000	2017 Interest £'000	Total £'000
In one year or less or on demand	74,055	-	74,055	22,368	-	22,368
In more than one year but not more than five years	218	-	218	115,312	475	115,787
	<u>74,273</u>	<u>-</u>	<u>74,273</u>	<u>137,680</u>	<u>475</u>	<u>138,155</u>

18. Commitments under operating leases

At 31 May 2018 the group had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings 2018 £'000	Other assets 2018 £'000	Land and buildings 2017 £'000	Other assets 2017 £'000
Operating leases which expire: After five years	3,832	-	4,329	-
	<u>3,832</u>	<u>-</u>	<u>4,329</u>	<u>-</u>

19. Contingent liabilities

The group has commitments under player registration transfer contracts with other football clubs to pay up to £2,140,000 (2017: £4,840,000) which are conditional upon one or more future events. 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.

In addition a claim has been made against a subsidiary company as at the reporting date. The Board are considering their response and are confident that no provision is required in the accounts.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

20. Related parties (continued)

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.

Company

As shown in note 13, company inter group balances at 31 May 2018 were as follows:-

	2018 £'000s	2017 £'000s
Amounts due from:		
Cardiff City Football Club Limited	106,864	27,769
Cardiff City Premier Seating Limited	8	8
Cardiff City Stadium Limited	2,714	2,714
	<u>109,586</u>	<u>30,491</u>

Transactions with related parties

Group

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

CMB Group of Companies – net purchases of £245 (2017: net turnover of £27,369) in respect of engineering and maintenance services, year-end debtor £9,596 (2017: creditor £7,338).

Cardiff City House of Sport Limited – net purchases of £168,515 (2017: £131,663) in respect of the hire of facilities, year-end creditor £28,430 (2017: debtor £14,688).

HR Owen plc – purchases of £36,000 (2017: £Nil) in respect of transportation services provided during the year. No outstanding balance at year end.

Cardiff City FC Foundation – net purchases of £49,446 (2017: £Nil) in respect of charitable activity, year-end creditor £328 (2017: £Nil).

Other related party transactions

During the year the group traded with WMG Funds Limited, a company in which a director of Cardiff City Football Club Limited has significant influence over – net purchases of £257,000 (2017: £1,090,303) in respect of professional services rendered. No balance was outstanding at the reporting date (2017: £nil).

During the year the group traded with and borrowed from entities in which a director of Cardiff City Football Club Limited has significant influence over.

Tormen Finance Inc. - advanced £10.6m (2017: £6m) to the group at an interest rate of 9%. The capital amount outstanding at the reporting date was £nil (2017: £11m) following repayment during the year. The interest charged in the year amounted to £0.6m (2017: £1.8m).

Key Management Personnel

In addition to the remuneration detailed in note 5, a further £5,719,453 (2017: £1,013,000) was paid to other key management personnel in respect of short term employee benefits.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2017

21. Share capital

Allotted and called up:

	2018 No	£'000	2017 No	£'000
Ordinary shares of £0.10 each	946,106,815	94,611	201,143,157	20,114

On 13 June 2017, the principal shareholder converted £12,679,213 of his loan into equity. The company issued 80,810,790 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 premium of £4,598,134 on the issue of the shares being transferred to the share premium account.

On 25 May 2018, following an open offer to those qualifying shareholders, the principal shareholder subscribed for 664,152,868 Ordinary shares of £0.10 each at a price of 10 pence per share. The total consideration of £66,415,286 was received by a corresponding reduction in the loan due to the principal shareholder. No other qualifying shareholders took up their entitlement under the open offer.

22. Notes to the statement of cash flows

Reconciliation of operating activities to operating cash flows

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(39,316)	(21,115)
Amortisation	5,096	4,957
Depreciation	2,095	2,114
Impairment of player registrations	-	766
Profit on sale of player registrations	(2,428)	(5,558)
Reversal of impairment of tangible assets	(5,487)	-
Interest paid on loans from related undertaking	1,265	2,498
Loan discounting on shareholder loan	6,453	5,823
Operating cash flows before movement in working capital	(32,322)	(10,515)
Change in inventories	(27)	136
Change in receivables	2,330	409
Change in payables	21,739	1,589
Net cash outflow from operating activities	(8,280)	(8,381)

Cash flows from investing activities

	2018 £'000	2017 £'000
Payments to acquire player registrations	(14,299)	(5,940)
Payments to acquire tangible fixed assets	(268)	(113)
Receipts from sale of player registrations	2,895	7,115
Receipts from sale of tangible fixed assets	30	986
Net cash (outflow)/inflow from investing activities	(11,642)	2,048

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

22. Notes to the statement of cash flows (continued)

Financing

	2018 £'000	2017 £'000
Net inflow from shareholder and director loans	24,580	16,487
Repayment of loans	(9,725)	-
Interest paid on loans from related undertakings	(1,265)	(2,498)
Net cash inflow from financing	<u>13,590</u>	<u>13,989</u>

23. Financial risk management

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 shown on page 13.

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	2018 Non- financial assets £'000	Total £'000	Financial assets £'000	2017 Non- financial assets £'000	Total £'000
Assets						
Non-current	-	96,907	96,907	-	55,288	55,288
Trade receivables and similar items	3,943	-	3,943	6,379	-	6,379
Cash and cash equivalents	2,942	-	2,942	9,274	-	9,274
Deferred tax asset	3,322	-	3,322	-	-	-
Other current assets	209	-	209	182	-	182
Total assets	<u>10,416</u>	<u>96,907</u>	<u>107,323</u>	<u>15,835</u>	<u>55,288</u>	<u>71,123</u>

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.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

23. Financial risk management (continued)

(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.

(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 and football receivables which is £3,966,000 (2017: £11,089,000).

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 2018 £'000	Provision 2018 £'000	Gross receivables 2017 £'000	Provision 2017 £'000
Non Football				
Not due	333	-	135	-
Past due 0-30 days	209	-	24	-
Past due 31-90 days	52	-	2	-
More than 90 days	19	-	355	-
	<u>613</u>	<u>-</u>	<u>516</u>	<u>-</u>
Football				
Not due	411	-	1,299	-
Total	<u>1,024</u>	<u>-</u>	<u>1,815</u>	<u>-</u>
Total				
Not due	744	-	1,434	-
Past due 0-30 days	209	-	24	-
Past due 31-90 days	52	-	2	-
More than 90 days	19	-	355	-
	<u>1,024</u>	<u>-</u>	<u>1,815</u>	<u>-</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.

Cardiff City Football Club (Holdings) Limited

Notes to the financial statements

Year ended 31 May 2018

23. Financial risk management (continued)

The following are the contractual maturities of financial liabilities:

	Carrying amount £'000	12 months or less £'000	More than 12 months £'000
31 May 2018			
Non-derivative financial liabilities			
Short term borrowings	74,055	74,055	-
Long term borrowings (net)	218	-	218
Trade payables	3,509	3,509	-
Football payables	2,425	2,425	-
	<u>80,207</u>	<u>79,989</u>	<u>218</u>
31 May 2017			
Short term borrowings	22,368	22,368	-
Long term borrowings (net)	115,312	-	115,312
Trade payables	2,521	2,521	-
Football payables	539	539	-
	<u>140,740</u>	<u>25,428</u>	<u>115,312</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.

24. Subsequent events

Subsequent to the year end and the signing of these financial statements the Group has acquired player registrations totalling £35,396,959 (2017: £5,940,000) of which £2,600,000 (2017: £Nil) is contingent on the club retaining its English Premier League status for the 2019/2020 season. These have been funded by additional shareholder loans.

In addition subsequent to the year end the Group has entered into a £28.3m loan facility with an unrelated 3rd party to help provide additional working capital.