

Company registration number 10499642 (England and Wales)

**RENHE SPORTS MANAGEMENT CO LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

# RENHE SPORTS MANAGEMENT CO LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Ms X Hawken Mr Y Dai
<b>Secretary</b>	Mr B Stabler
<b>Company number</b>	10499642
<b>Registered office</b>	Select Car Leasing Stadium Junction 11 M4 Reading RG2 0FL
<b>Auditor</b>	Myers Clark Egale 1 80 St Albans Road Watford Hertfordshire WD17 1DL

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# **RENHE SPORTS MANAGEMENT CO LIMITED**

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# RENHE SPORTS MANAGEMENT CO LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 30 JUNE 2022**

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The directors present the strategic report for the year ended 30 June 2022.

### Background

The Company is the holding company of the Reading Football Club Group. It originally acquired 95.4% of the share capital in The Reading Football Club Limited on 15 May 2017 and as at 30 June 2022 held 97.96%.

The Company's Board consists of two directors, Y Dai and X Hawken.

### Fair review of the business

The consolidated profit and loss account includes the results of all subsidiaries for the period ended 30 June 2022. The loss for the period was £21m.

The consolidated balance sheet includes the assets and liabilities of all subsidiaries at 30 June 2022. Goodwill arising on consolidation is £23.6m and the deficit in shareholders' funds was £155.7m.

### Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. These risks and uncertainties are monitored by the Board on a regular basis.

The majority of the Group's income and expenditure is generated by The Reading Football Club Limited ("the Club") as follows:

### Income

The Club derives its income from three principal sources: gate receipts, television and commercial relationships.

All three sources of income are dependent on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the Club can attract in a highly competitive market both on the domestic and European levels.

### Expenditure

In order to attract the talent which will continue to improve the performances of the first team the Club continually invests in the playing staff by way of both transfer and wages.

### Regulatory environment

The Club is regulated by the rules of the FA, FAPL, UEFA and FIFA. These regulations have a direct impact of the Club as they cover areas such as the division of centrally negotiated television deals and the operation of the transfer market. The Club has staff whose roles include ensuring that the Club monitors the evolution of the rules and ensures compliance with them.

### Funding

Funds are provided by the Club's owners. The Club reviews and updates its cash forecasts on a regular basis and keeps the owners aware of financial commitments going forwards.

### Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out above. The financial position of the Company, its cash flows, liquidity position and borrowings are described in these financial statements. The directors, based on cash flow projections prepared by management and through confirmation of continuing support from the group's main shareholders and creditors, have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

On behalf of the board

Ms X Hawken

**Director**

28 February 2023

# **RENHE SPORTS MANAGEMENT CO LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 30 JUNE 2022***

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The directors present their annual report and financial statements for the year ended 30 June 2022.

### **Principal activities**

The principal activity of the Company is that of a holding company. During the year, the Company was parent to Reading Football Club Limited and its respective subsidiaries.

The principal activity of The Reading Football Club Limited is that of a professional Football League Club and the provision of sports and event venue and conference facilities. Subsidiaries being Reading FC Community Trust, Reading Women's Football Club Limited and RFC Bearwood Limited.

The objects of Reading FC Community Trust are to assist in advancing education, to promote or assist in promoting community participation in healthy recreation, to provide or assist in the provision of facilities for recreation, to provide or assist in the interest of social welfare and with the object of improving the conditions of life for those whom the facilities are provided, to relieve sickness and disability and to preserve and protect health, and to promote any other purpose which is charitable according to English Law.

The principal activity of Reading Women's Football Club Limited is that of a Women's Super League Club.

The principal activity of RFC Bearwood Limited is the purchase and development of land.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Ms X Hawken

Mr Y Dai

### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

### **Disabled persons**

The group gives full consideration to applications for employment from disabled persons where the candidate's aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career developments and promotion.

Where existing employees become it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

### **Employee involvement**

The group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### **Future developments**

The group's owners continue to strive for promotion to the Premier League, without jeopardising the Club's financial position.

### **Auditor**

In accordance with the company's articles, a resolution proposing that Myers Clark be reappointed as auditor of the group will be put at a General Meeting.

# RENHE SPORTS MANAGEMENT CO LIMITED

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 30 JUNE 2022*

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### Energy and Carbon report

The Group continues to work with Consultants Carbonxgen to introduce methods for reducing annual energy usage. In August 2020 the Club opened a new training ground facility at Bearwood Park and increased activities on this site by including the Women's team as well as the Men's first team and Academy. The new training ground has purpose built buildings as opposed to the old training ground at Hogwood Park which had temporary modular buildings. The new facility has far greater facilities than before and so will increase the energy usage at the Club. There is a hydrotherapy pool and one of the new pitches has undersoil heating added. There are also floodlit pitches at Bearwood Park. Within the energy facility there is a Combined Heat and Power unit producing 50 kWh of electricity continuously powered by LPG. This reduction is seen partly due to the increased use energy saving devices such as PIR switching, LED lighting upgrades, less use of air conditioning, increased use of video conferencing and staff working from home where possible.

The Club continues to introduce waterless urinals and powers down concourse bars when not in use between matches.

The street lighting is programmed to switch off at midnight. The Stadium Grow lighting system has upgraded the lamps for more energy efficient type.

Waste is split for recycling with cardboard, paper, glass, grass and food waste from general waste. The general waste is taken to an energy from waste plant as opposed to landfill.

The irrigation system at Bearwood Park has the water drawn from a borehole sunk into the chalk strata 80 metres below the surface.

Electricity use at the stadium has reduced from 3,364,850 kWh reported in 2019 to 2,001,942 kWh in the year ending June 2021.

Electricity use at the training grounds has increased with the additional facilities from 326,834 kWh in the year to June 2020 to 409,186 kWh to year ending June 2021.

Gas usage at the stadium has increased from 1,984,824 kWh reported in 2019 to 2,380,369. The gas usage is very dependent upon the winter temperatures and the use of undersoil heating system on the stadium pitch.

Gas usage at the training ground has increased with the introduction of larger buildings and facilities from 276,795 kWh in 2020 to 1,218,830 kWh to year ending June 2021.

### Statement of disclosure to auditor

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

### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the going concern basis can be found in the accounting policies at note 1 to the financial statements.

On behalf of the board

Ms X Hawken

**Director**

28 February 2023

# **RENHE SPORTS MANAGEMENT CO LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 30 JUNE 2022***

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the :
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company 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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# RENHE SPORTS MANAGEMENT CO LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF RENHE SPORTS MANAGEMENT CO LIMITED

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#### Opinion

We have audited the financial statements of Renhe Sports Management Co Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 30 June 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

#### Material uncertainty regarding Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The group incurred a net loss of £20,997,200 during the period ended 30 June 2022 and, at that date it had net liabilities of £155,703,423. These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### Conclusions relating to going concern

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

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

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

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



## **RENHE SPORTS MANAGEMENT CO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF RENHE SPORTS MANAGEMENT CO LIMITED**

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

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

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

##### **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 their 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

##### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 parent company or to cease operations, or have no realistic alternative but to do so.

##### **Auditor's responsibilities for the audit of the financial statements**

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# **RENHE SPORTS MANAGEMENT CO LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF RENHE SPORTS MANAGEMENT CO LIMITED**

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#### **Identifying and assessing risks of material misstatement in respect of irregularities**

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulation and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included employment law and the Health and Safety Act.

#### ***Audit response to risks identified***

As a result of performing the above, we identified revenue recognition and management override of controls as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter. Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- testing the completeness of income from outside the accounting system to within;
- enquiring of management concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

## **RENHE SPORTS MANAGEMENT CO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF RENHE SPORTS MANAGEMENT CO LIMITED**

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##### **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.

**Paul Windmill (Senior Statutory Auditor)**  
**For and on behalf of Myers Clark**

28 February 2023

**Chartered Accountants**  
**Statutory Auditor**

Egale I  
80 St Albans Road  
Watford  
Hertfordshire  
WD17 1DL

# RENHE SPORTS MANAGEMENT CO LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Notes	£	£
<b>Turnover</b>	<b>3</b>	19,011,102	15,634,361
Administrative expenses		(48,086,433)	(55,553,813)
<b>Operating loss</b>	<b>4</b>	(29,075,331)	(39,919,452)
Interest payable and similar expenses	7	(2,250)	(15,995)
Profit/(loss) on disposal of players' registrations		8,080,381	718,340
<b>Loss before taxation</b>		(20,997,200)	(39,217,107)
Tax on loss	8	-	-
<b>Loss for the financial year</b>		(20,997,200)	(39,217,107)
Loss for the financial year is attributable to:			
- Owners of the parent company		(20,496,798)	(37,915,374)
- Non-controlling interests		(500,402)	(1,301,733)
		(20,997,200)	(39,217,107)
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		(20,496,798)	(37,915,374)
- Non-controlling interests		(500,402)	(1,301,733)
		(20,997,200)	(39,217,107)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# RENHE SPORTS MANAGEMENT CO LIMITED

## GROUP BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022 £	2021 £
<b>Fixed assets</b>			
Goodwill	9	23,620,131	25,239,797
Other intangible assets	9	6,787,796	12,031,592
Total intangible assets		30,407,927	37,271,389
Tangible assets	10	41,487,211	41,514,801
Investments	11	3,328,363	3,328,363
		75,223,501	82,114,553
<b>Current assets</b>			
Stocks	15	154,991	239,121
Debtors	16	4,157,818	5,685,765
Cash at bank and in hand		1,882,519	7,326,530
		6,195,328	13,251,416
<b>Creditors: amounts falling due within one year</b>	17	(236,887,959)	(229,063,837)
<b>Net current liabilities</b>		(230,692,631)	(215,812,421)
<b>Total assets less current liabilities</b>		(155,469,130)	(133,697,868)
<b>Creditors: amounts falling due after more than one year</b>	18	(234,293)	(1,008,355)
<b>Net liabilities</b>		(155,703,423)	(134,706,223)
<b>Capital and reserves</b>			
Called up share capital	22	1	1
Profit and loss reserves		(140,448,528)	(119,951,730)
<b>Equity attributable to owners of the parent company</b>		(140,448,527)	(119,951,729)
<b>Non-controlling interests</b>		(15,254,896)	(14,754,494)
		(155,703,423)	(134,706,223)

The financial statements were approved by the board of directors and authorised for issue on 28 February 2023 and are signed on its behalf by:

Ms X Hawken  
Director

Company registration number 10499642 (England and Wales)

# RENHE SPORTS MANAGEMENT CO LIMITED

## COMPANY BALANCE SHEET

AS AT 30 JUNE 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Investments	11		231,108,961		221,547,544
<b>Current assets</b>			-		-
<b>Creditors: amounts falling due within one year</b>					
	17	(220,140,960)		(210,574,543)	
<b>Net current liabilities</b>			(220,140,960)		(210,574,543)
<b>Net assets</b>			10,968,001		10,973,001
<b>Capital and reserves</b>					
Called up share capital	22		1		1
Profit and loss reserves			10,968,000		10,973,000
<b>Total equity</b>			10,968,001		10,973,001

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £5,000 (2021 - £6,000 loss).

The financial statements were approved by the board of directors and authorised for issue on 28 February 2023 and are signed on its behalf by:

Ms X Hawken  
**Director**

Company registration number 10499642 (England and Wales)

# RENHE SPORTS MANAGEMENT CO LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Share capital	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	£	£	£	£	£
<b>Balance at 1 July 2020</b>	1	(82,036,356)	(82,036,355)	(13,452,761)	(95,489,116)
<b>Year ended 30 June 2021:</b>					
Loss and total comprehensive income for the year	-	(37,915,374)	(37,915,374)	(1,301,733)	(39,217,107)
<b>Balance at 30 June 2021</b>	1	(119,951,730)	(119,951,729)	(14,754,494)	(134,706,223)
<b>Year ended 30 June 2022:</b>					
Loss and total comprehensive income for the year	-	(20,496,798)	(20,496,798)	(500,402)	(20,997,200)
<b>Balance at 30 June 2022</b>	1	(140,448,528)	(140,448,527)	(15,254,896)	(155,703,423)

# RENHE SPORTS MANAGEMENT CO LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 30 JUNE 2022*

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 July 2020	1	10,979,000	10,979,001
Year ended 30 June 2021:			
Loss and total comprehensive income for the year	-	(6,000)	(6,000)
Balance at 30 June 2021	1	10,973,000	10,973,001
Year ended 30 June 2022:			
Loss and total comprehensive income for the year	-	(5,000)	(5,000)
Balance at 30 June 2022	1	10,968,000	10,968,001



# RENHE SPORTS MANAGEMENT CO LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	29	(21,542,024)	(38,480,339)
Interest paid		(2,250)	(15,995)
<b>Net cash outflow from operating activities</b>		<b>(21,544,274)</b>	<b>(38,496,334)</b>
<b>Investing activities</b>			
Purchase of intangible assets		-	(2,761,573)
Proceeds on disposal of intangibles		8,080,381	1,364,750
Purchase of tangible fixed assets		(1,264,365)	(2,575,418)
<b>Net cash generated from/(used in) investing activities</b>		<b>6,816,016</b>	<b>(3,972,241)</b>
<b>Financing activities</b>			
Proceeds from borrowings		9,250,000	47,059,957
Payment of finance leases obligations		34,247	(21,393)
<b>Net cash generated from financing activities</b>		<b>9,284,247</b>	<b>47,038,564</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,444,011)</b>	<b>4,569,989</b>
Cash and cash equivalents at beginning of year		7,326,530	2,756,541
<b>Cash and cash equivalents at end of year</b>		<b>1,882,519</b>	<b>7,326,530</b>

# RENHE SPORTS MANAGEMENT CO LIMITED

## COMPANY STATEMENT OF CASH FLOWS

*FOR THE YEAR ENDED 30 JUNE 2022*

	Notes	2022 £	£	2021 £	£
Cash flows from operating activities					
Net increase in cash and cash equivalents			—		—
Cash and cash equivalents at beginning of year			-		-
			—		—
Cash and cash equivalents at end of year			-		-
			==		==

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2022**

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### **1 Accounting policies**

#### **Company information**

Renhe Sports Management Co Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Select Car Leasing Stadium, Junction 11, M4, Reading, RG2 0FL.

The group consists of Renhe Sports Management Co Limited and all of its subsidiaries.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, [modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value]. The principal accounting policies adopted are set out below.

#### **1.2 Basis of consolidation**

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The consolidated financial statements incorporate those of Renhe Sports Management Co Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 June 2022.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Reading Football Club Limited and its subsidiaries has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of The Reading Football Club Limited and its subsidiaries for the year ending 30 June 2021.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates.

#### **1.3 Going concern**

The financial statements have been drawn up on the basis that the company is a going concern. The validity of the going concern basis of accounting depends on the continuing support of the shareholders. The shareholders have confirmed that it is not their intention to withdraw their support in the foreseeable future and will not seek repayment of their loans unless the company's cashflow permits repayment to be made without jeopardising the company's financial position.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### 1.4 Turnover

Turnover, which excludes value added tax, represents receipts and all other income associated with the company's principal activity, excluding fees receivable from other football clubs on the transfer of players' registrations.

Match day receipts are stated after deducting the percentage based payments to The Football Association, The Football League and visiting clubs. This revenue is recognised over the course of the football season as the games are played.

Broadcasting fees are recognised over the course of the season as the games are played. The fixed element of broadcasting income is recognised over the course of the playing season.

Sponsorship and similar commercial income is recognised over the duration of the respective contracts.

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

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

#### 1.6 Players' registration costs

Transfer fees payable for the acquisition of players' registrations, including transfer fee levies and other direct costs, are capitalised as intangible fixed assets. These costs are amortised, in equal annual instalments, fully over the contract period. In the event that the initial contract is renegotiated prior to expiry, the written down value at the date of renegotiation is amortised over the extended period. Fees receivable are set off against the players' net book value at the date of sale, plus any payments made in settlement of contracts, and the difference is treated as a profit or loss on disposal. Permanent diminutions in value below the amortised value, such as through injury or loss of form, are provided for when management become aware that the diminution is permanent.

#### 1.7 Tangible fixed assets

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

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

Freehold land and buildings	Over economic life of building
Training ground improvements	10% of cost
Fixtures, fittings and equipment	20% of cost

Assets in the course of construction are not depreciated.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

Freehold buildings are depreciated in equal annual amounts over the useful economic life of the building, being 50 years. Additions to the building are only depreciated once completed and are done so over the remaining useful economic life of the building. Where the additions are considered to have a shorter useful economic life than the remaining life of the building, they are depreciated over their useful economic life.

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

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

#### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

#### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised in profit or loss.

#### 1.10 Stocks

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

#### 1.11 Cash at bank and in hand

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

#### 1.12 Financial instruments

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

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### *Basic financial assets*

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

#### *Derecognition of financial assets*

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### *Classification of financial liabilities*

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

#### *Basic financial liabilities*

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

#### *Derecognition of financial liabilities*

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.13 Equity instruments

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

### 1.14 Taxation

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

#### *Current tax*

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

#### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and 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. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 1 Accounting policies

(Continued)

#### 1.15 Employee benefits

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

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

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

#### 1.16 Leases

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

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

#### 1.17 Players' signing on fees

Players' contracts of employment may include a signing on fee payable in equal instalments over the period of the contract. The company's policy is to charge such fees evenly to the profit and loss account over the period of the player's contract. Where a player's registration is transferred any signing on fees payable in respect of future periods are charged against the profit/loss on disposal of players' registrations in the period in which the disposal is recognised.

#### 1.18 Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which will be credited to the profit and loss account over the period of the agreements, season ticket renewals for the 2021/22 season and advance income from executive boxes.

#### 1.19 Pension

The company makes contributions on behalf of employees and directors to The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate. In addition, the company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). Under the provisions of FRS 102 Section 28 the Scheme would be treated as a defined benefit multi employee scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of FRS 102 Section 28. The assets of the Scheme are held independent from the company.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 3 Turnover

An analysis of the group's turnover is as follows:

	2022	2021
	£	£
<b>Turnover analysed by class of business</b>		
Professional football	17,483,215	14,222,735
Community Trust	1,527,887	1,411,626
	<u>19,011,102</u>	<u>15,634,361</u>
	<u><u>19,011,102</u></u>	<u><u>15,634,361</u></u>
	2022	2021
	£	£
<b>Turnover analysed by geographical market</b>		
United Kingdom	19,011,102	15,634,361
	<u>19,011,102</u>	<u>15,634,361</u>
	<u><u>19,011,102</u></u>	<u><u>15,634,361</u></u>

### 4 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	1,284,158	1,111,384
Depreciation of tangible fixed assets held under finance leases	6,963	98,624
Amortisation of intangible assets	6,863,462	8,292,505
Profit on disposal of intangible assets	8,080,381	718,340
Cost of stocks recognised as an expense	691,415	610,868
Operating lease charges	1,598,042	1,637,770
	<u>1,598,042</u>	<u>1,637,770</u>
	<u><u>1,598,042</u></u>	<u><u>1,637,770</u></u>

### 5 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	5,000	6,000
Audit of the financial statements of the company's subsidiaries	44,700	41,500
	<u>49,700</u>	<u>47,500</u>
	<u><u>49,700</u></u>	<u><u>47,500</u></u>



# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Players	76	83	-	-
Football management and coaching	74	72	-	-
Administration	60	53	-	-
Government training schemes	23	21	-	-
Matchday	53	-	-	-
Community Trust	71	94	-	-
	<u>357</u>	<u>323</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	23,748,010	29,782,426	-	-
Social security costs	2,758,569	3,586,610	-	-
Pension costs	143,044	138,437	-	-
	<u>26,649,623</u>	<u>33,507,473</u>	<u>-</u>	<u>-</u>

### 7 Interest payable and similar expenses

	2022 £	2021 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	<u>2,250</u>	<u>15,995</u>

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2022**

### 8 Taxation

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Loss before taxation	(20,997,200)	(39,217,107)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(7,143,514)	(7,143,514)
Tax effect of expenses that are not deductible in determining taxable profit	-	4,000
Unutilised tax losses carried forward	7,143,514	7,133,618
Depreciation on assets not qualifying for tax allowances	-	40,282
Amounts not taxable	-	(34,386)
Taxation charge for the year	-	-

On the basis of these financial statements no provision has been made for corporation tax.

A deferred tax asset has not been recognised in respect of the net timing differences relating to tax trading losses and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £50m (2021: £31m). The asset would be recovered if sufficient taxable trading profits arose in the future.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 9 Intangible fixed assets

Group	Goodwill £	Player Trading £	Total £
<b>Cost</b>			
At 1 July 2021	32,393,322	23,724,639	56,117,961
Disposals	-	(3,120,155)	(3,120,155)
At 30 June 2022	32,393,322	20,604,484	52,997,806
<b>Amortisation and impairment</b>			
At 1 July 2021	7,153,525	11,693,047	18,846,572
Amortisation charged for the year	1,619,666	5,243,796	6,863,462
Disposals	-	(3,120,155)	(3,120,155)
At 30 June 2022	8,773,191	13,816,688	22,589,879
<b>Carrying amount</b>			
At 30 June 2022	23,620,131	6,787,796	30,407,927
At 30 June 2021	25,239,797	12,031,592	37,271,389

The company had no intangible fixed assets at 30 June 2022 or 30 June 2021.

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

The directors consider the net realisable value of intangible fixed assets to be significantly greater than their book value.

Amortisation of intangible fixed assets is included in operating expenses.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 10 Tangible fixed assets

Group	Freehold land and buildings	Training ground improvements	Fixtures, fittings and equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 July 2021	41,021,624	264,914	3,881,971	45,168,509
Additions	1,069,627	1,500	193,238	1,264,365
Disposals	-	-	(1,269,967)	(1,269,967)
At 30 June 2022	42,091,251	266,414	2,805,242	45,162,907
<b>Depreciation and impairment</b>				
At 1 July 2021	757,500	-	2,896,208	3,653,708
Depreciation charged in the year	865,369	-	425,752	1,291,121
Eliminated in respect of disposals	-	-	(1,269,133)	(1,269,133)
At 30 June 2022	1,622,869	-	2,052,827	3,675,696
<b>Carrying amount</b>				
At 30 June 2022	40,468,382	266,414	752,415	41,487,211
At 30 June 2021	40,264,124	264,914	985,763	41,514,801

The company had no tangible fixed assets at 30 June 2022 or 30 June 2021.

Assets held under finance lease and hire purchase contracts during the year have an original cost of £41,770 (2021 - £521,101) and have a net book value of £34,808 (2021 - £89,994). Depreciation charged for the year was £6,963 (2021 - £98,624).

All tangible fixed assets are pledged as security for the company's other loans.

### 11 Fixed asset investments

	Notes	Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	12	-	-	122,575,898	96,320,501
Loans to subsidiaries	12	-	-	108,533,063	125,227,043
Investments in associates	13	3,328,363	3,328,363	-	-
		3,328,363	3,328,363	231,108,961	221,547,544

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 11 Fixed asset investments (Continued)

#### Movements in fixed asset investments

##### Group

Shares in group  
undertakings and  
participating  
interests

£

#### Cost or valuation

At 1 July 2021 and 30 June 2022

3,328,363

#### Carrying amount

At 30 June 2022

3,328,363

At 30 June 2021

3,328,363

#### Movements in fixed asset investments

##### Company

Shares in group  
undertakings

Loans to group  
undertakings

Total

£

£

£

#### Cost or valuation

At 1 July 2021

96,320,501

125,227,043

221,547,544

Additions

26,255,397

9,561,417

35,816,814

Disposals

-

(26,255,397)

(26,255,397)

At 30 June 2022

122,575,898

108,533,063

231,108,961

#### Carrying amount

At 30 June 2022

122,575,898

108,533,063

231,108,961

At 30 June 2021

96,320,501

125,227,043

221,547,544

### 12 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Reading FC Community Trust	England & Wales	Community Trust	Ordinary	0	97.96
Reading Women's Football Club Limited	England & Wales	Professional football	Ordinary	0	97.96
RFC Bearwood Limited	England & Wales	Property investment	Ordinary	0	97.96
The Reading Football Club Limited	England & Wales	Professional football	Ordinary	97.96	0

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 13 Associates

Details of associates at 30 June 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
RFC Prop Co Limited	England	Ordinary	25

### 14 Financial instruments

	Group 2022 £	2021 £	Company 2022 £	2021 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	3,384,880	4,865,082	108,533,063	125,227,043
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	234,316,249	225,284,459	220,140,960	210,574,543

### 15 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	154,991	239,121	-	-

### 16 Debtors

	Group 2022 £	2021 £	Company 2022 £	2021 £
<b>Amounts falling due within one year:</b>				
Trade debtors	1,562,497	2,607,850	-	-
Other debtors	1,823,765	2,289,549	-	-
Prepayments and accrued income	771,556	788,366	-	-
	4,157,818	5,685,765	-	-

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 17 Creditors: amounts falling due within one year

		Group 2022	2021	Company 2022	2021
	Notes	£	£	£	£
Obligations under finance leases	20	7,754	-	-	-
Other borrowings	19	221,463,015	212,213,015	220,125,960	210,564,543
Player registration fees		500,000	3,111,266	-	-
Trade creditors		2,581,314	1,934,260	-	-
Other taxation and social security		978,483	1,487,606	-	-
Deferred income		1,827,520	3,300,127	-	-
Other creditors		2,285,243	2,352,539	5,000	5,000
Accruals		7,244,630	4,665,024	10,000	5,000
		<u>236,887,959</u>	<u>229,063,837</u>	<u>220,140,960</u>	<u>210,574,543</u>

### 18 Creditors: amounts falling due after more than one year

		Group 2022	2021	Company 2022	2021
	Notes	£	£	£	£
Obligations under finance leases	20	26,493	-	-	-
Other borrowings	19	207,800	508,355	-	-
Player registration fees		-	500,000	-	-
		<u>234,293</u>	<u>1,008,355</u>	<u>-</u>	<u>-</u>

### 19 Loans and overdrafts

		Group 2022	2021	Company 2022	2021
		£	£	£	£
Other loans		194,800	389,400	-	-
Loans from group undertakings		1,142,455	1,453,872	-	-
Other loans		220,333,560	210,878,098	220,125,960	210,564,543
		<u>221,670,815</u>	<u>212,721,370</u>	<u>220,125,960</u>	<u>210,564,543</u>
Payable within one year		221,463,015	212,213,015	220,125,960	210,564,543
Payable after one year		207,800	508,355	-	-

Security over the company's assets has also been provided in respect of the other loans noted above.

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 20 Finance lease obligations

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Future minimum lease payments due under finance leases:				
Within one year	7,754	-	-	-
In two to five years	26,493	-	-	-
	<u>34,247</u>	<u>-</u>	<u>-</u>	<u>-</u>

Certain plant and machinery and motor vehicles are held under finance lease arrangements. Finance lease liabilities are secured by the assets held under finance leases. The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

### 21 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>143,044</u>	<u>138,437</u>

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

### 22 Share capital

Group and company	2022	2021	2022	2021
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
Ordinary share of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Ordinary shares have full voting, dividend and capital distribution (including on winding up) rights.



# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 23 Operating lease commitments

#### Lessee

Operating lease payments include rentals payable by the group for the use of the Select Car Leasing Stadium. The charge is £1,500,000 per annum until 30 June 2043.

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

	Group 2022 £	2021 £	Company 2022 £	2021 £
Within one year	1,530,884	1,577,530	-	-
Between two and five years	6,005,634	6,150,186	-	-
In over five years	24,000,000	28,500,000	-	-
	<u>31,536,518</u>	<u>36,227,716</u>	<u>-</u>	<u>-</u>

### 24 Financial commitments, guarantees and contingent liabilities

Under the terms of certain contracts for the purchase of players' registrations, future payments may be due dependent on the future success of the team and/or future team selection of individual players. The maximum unprovided liability which may arise in respect of this as 30 June 2022 is £1,720,000 (2021: £3,270,000). In addition, under the terms attached to the purchase of certain players' registrations, an amount may become payable to the previous club on any subsequent sale of the players' registration. This is normally expressed as a percentage of the subsequent transfer fee received in excess of the original transfer fee paid. Due to its unpredictable nature the amount in respect of these can not be quantified.

### 25 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Acquisition of tangible fixed assets	-	892,615	-	-
	<u>-</u>	<u>892,615</u>	<u>-</u>	<u>-</u>

### 26 Related party transactions

#### Remuneration of key management personnel

Key management personnel include all directors of the company who together have authority and responsibility for planning, directing and controlling the activities of the group. The remuneration of key management personnel is as follows.

	2022 £	2021 £
Aggregate compensation	<u>607,199</u>	<u>966,327</u>

## RENHE SPORTS MANAGEMENT CO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

#### 26 Related party transactions

(Continued)

At the year end, Renhe Sports Management Limited owed its ultimate parent undertaking, Great Shine International Limited, £220,125,960 (2021: £210,564,543). This loan is interest free and repayable on demand.

During the year, the group was invoiced £1,500,000 (2021: £1,500,000) from Prestige Fortune Asia Limited in relation to the lease of the football stadium. Mr Yongge Dai is a director and ultimate owner of Prestige Fortune Asia Limited.

##### Other group related party transactions

At the year end, The Reading Football Club Limited owed its shareholder, Reading Asia Holdings Limited £1,142,455 (2021: £1,453,872). The loan is interest free and repayable on demand.

Transactions have taken place during the year with businesses in which the directors of group companies have an interest as follows:

At the year end, RFC Prop Co Limited, an associate of The Reading Football Club Limited, owed the Club £2,252,925 (2021: £2,252,925). The loan is interest free and repayable on demand.

#### 27 Events after the reporting date

Since the year end, the company has acquired no players' registrations, other than free transfers (2021: £Nil). The company has also sold players' registrations for proceeds of £Nil (2021: £8,370,000). The company has agreed to terminate contracts of no players (2021: None) for amounts payable of £Nil (2021: £Nil).

#### 28 Controlling party

The ultimate parent company is Great Shine International Limited, a company incorporated in Hong Kong.

The ultimate controlling party is Mr Yongge Dai by virtue of his shareholding in Great Shine International Limited.

#### 29 Cash absorbed by group operations

	2022	2021
	£	£
Loss for the year after tax	(20,997,200)	(39,217,107)
<b>Adjustments for:</b>		
Finance costs	2,250	15,995
Amortisation and impairment of intangible assets	6,863,462	10,669,671
Depreciation and impairment of tangible fixed assets	1,291,121	452,508
Profit on disposal of players' registrations	(8,080,381)	(723,340)
<b>Movements in working capital:</b>		
Decrease/(increase) in stocks	84,130	(16,661)
Decrease/(increase) in debtors	1,527,947	(1,449,902)
Decrease in creditors	(760,746)	(10,634,330)
(Decrease)/increase in deferred income	(1,472,607)	2,422,827
<b>Cash absorbed by operations</b>	<b>(21,542,024)</b>	<b>(38,480,339)</b>

# RENHE SPORTS MANAGEMENT CO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

### 30 Cash absorbed by operations - company

	2022	2021
	£	£
Loss for the year after tax	(5,000)	(6,000)
<b>Movements in working capital:</b>		
Increase in creditors	5,000	6,000
<b>Cash absorbed by operations</b>	<b>-</b>	<b>-</b>

### 31 Analysis of changes in net debt - group

	1 July 2021	Cash flows	30 June 2022
	£	£	£
Cash at bank and in hand	7,326,530	(5,444,011)	1,882,519
Borrowings excluding overdrafts	(212,721,370)	(8,949,445)	(221,670,815)
Obligations under finance leases	-	(34,247)	(34,247)
	<b>(205,394,840)</b>	<b>(14,427,703)</b>	<b>(219,822,543)</b>

### 32 Analysis of changes in net debt - company

	1 July 2021	Cash flows	30 June 2022
	£	£	£
Borrowings excluding overdrafts	(210,564,543)	(9,561,417)	(220,125,960)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.