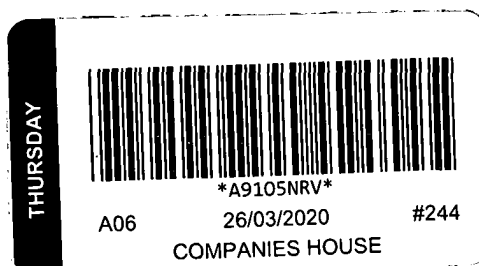


Company Registration No. 00053703 (England and Wales)

**THE READING FOOTBALL CLUB LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**



# THE READING FOOTBALL CLUB LIMITED

## COMPANY INFORMATION

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**Directors** Mr N Niruttinanon  
Mr N Howe  
Ms X Hawken  
Mr Y Dai

**Secretary** Mr B Stabler

**Company number** 00053703

**Registered office** Madejski Stadium  
Junction 11  
M4  
Reading  
Berkshire  
RG2 0FL

**Auditor** Myers Clark  
Egale 1  
80 St Albans Road  
Watford  
Hertfordshire  
WD17 1DL

**Bankers** Bank of China  
1 Lothbury  
London  
EC2R 7DB

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# THE READING FOOTBALL CLUB LIMITED

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# THE READING FOOTBALL CLUB LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 JUNE 2019

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The directors present their report on the affairs of The Reading Football Club Limited ("the Company" or "the Club"), together with the financial statements for the year ended 30 June 2019.

#### Background

The Club's Board of Directors is set out on page 3 along with details of appointments and resignations where applicable during the year.

The chief executive has responsibility, in close liaison with the directors, for the day to day running and long term operation of the Club and refers to the Board in regard to significant decisions affecting all aspects of the Club.

#### Financial Review

The Company reported a loss before tax for the year of £30.1m (2018: £21m). The loss for the year increases the deficit in shareholders' funds carried forward to £36.4m at 30 June 2019.

Total turnover increased by £3.1m from £17.9m to £21.0m.

Media revenue has increased by £0.5m from £7.5m in 2018 to £8m in 2019.

Commercial revenues for the year to 30 June 2019 were £4.8m, a decrease of £0.8m from the previous year's figure of £5.6m.

Revenues generated on match days has increased by £0.5m in the year.

Salary costs, which are included in other operating expenses have increased by £5.4m from £35.3m in 2018 to £40.7m in 2019.

Other operating expenses have increased by £1.3m from £21.4m in 2018 to £22.7m in 2019.

Amortisation and impairment costs have increased from £8.3m in 2018 to £9.4m in 2019.

The profit on disposal of players' registrations comprises total profits of £2.4m generated from sales, appearance and sell-on clauses in relation to the following players: George Evans, Roy Beerens, Alex McCarthy, Jamie Bynoe-Gittens, Tarique Fosu, Alex Andresson, Oliver Norwood, Tiago Ilori, Leandro Bacuna and Jack Stacey.

# **THE READING FOOTBALL CLUB LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 30 JUNE 2019**

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### **Principal risk and uncertainties**

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

### **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**

Funding is 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.

# THE READING FOOTBALL CLUB LIMITED

## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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### Key performance indicators

The Club has a range of financial and non-financial performance indicators.

On-field performance  
EFL Championship 20th place  
FA Cup Third Round  
EFL Cup Second Round

Revenue  
2018/19 £21.0m  
2017/18 £17.9m  
2016/17 £36.7m

Match attendance  
Average attendance 14,991 (2018: 15,181)  
No of season ticket holders 10,052 (2018: 11,586)  
Matchday revenue £4.7m (2018: £4.2m)

Wages costs  
Wages costs to turnover ratio 198% (2018: 197%)  
Total wage costs of £40.7m (2018: £35.3m)

By order of the board



Mr B Stabler

Secretary

12.3.2020

# THE READING FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 JUNE 2019

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

#### Principal activities

The principal activity of the Company continues to be that of a professional Football League Club. Following the company's expansion of its facilities in recent years, the company also provides sports and event venue and conference facilities.

#### Directors

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

Mr N Niruttinanon

Mr N Howe

Ms X Hawken

Mr Y Dai

Mr R Gourlay

(Resigned 14 November 2018)

#### 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 final dividend.

#### Disabled persons

The company 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 company 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 Club'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 re-appointed as auditors of the company will be put at the Annual General Meeting.

# THE READING FOOTBALL CLUB LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

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#### Statement of directors' responsibilities

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

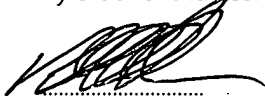
#### Statement of disclosure to auditor

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

#### Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in 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.

By order of the board



Mr B Stabler  
Secretary

Date: 12.3.2020

# THE READING FOOTBALL CLUB LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

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#### Opinion

We have audited the financial statements of The Reading Football Club Limited (the 'company') for the year ended 30 June 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its 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 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 related to 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 company incurred a net loss of £30,115,218 during the year ended 30 June 2019 and, at that date it had net current liabilities of £36,427,872. These conditions, along with the 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

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

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

# **THE READING FOOTBALL CLUB LIMITED**

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

### **TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED**

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#### **Other information**

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

#### **Responsibilities of directors**

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

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

# THE READING FOOTBALL CLUB LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

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

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

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

#### **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

25 MARCH 2020.

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

Egale 1  
80 St Albans Road  
Watford  
Hertfordshire  
WD17 1DL

# THE READING FOOTBALL CLUB LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

|                                                |          | Operations<br>excluding<br>player trading | Player<br>trading | 30 June<br>2019 | Operations<br>excluding<br>player<br>trading | Player<br>Trading | 30 June<br>2018 |
|------------------------------------------------|----------|-------------------------------------------|-------------------|-----------------|----------------------------------------------|-------------------|-----------------|
|                                                | Notes    | £                                         | £                 | £               | £                                            | £                 | £               |
| <b>Turnover</b>                                | <b>3</b> | 18,053,251                                | 3,000,000         | 21,053,251      | 17,897,168                                   | -                 | 17,897,168      |
| Administrative expenses                        |          | (54,568,693)                              | (8,918,654)       | (63,487,347)    | (48,479,096)                                 | (8,248,113)       | (56,727,209)    |
| Other operating income                         |          | 1,744,544                                 | -                 | 1,744,544       | 10,108,724                                   | -                 | 10,108,724      |
| <b>Operating loss</b>                          | <b>4</b> | (34,770,898)                              | (5,918,654)       | (40,689,552)    | (20,473,204)                                 | (8,248,113)       | (28,721,317)    |
| Profit on disposal of fixed assets             | <b>8</b> | 8,173,674                                 | -                 | 8,173,674       | 6,518,222                                    | -                 | 6,518,222       |
| Interest payable and similar charges           | <b>8</b> | (44,024)                                  | -                 | (44,024)        | (172,606)                                    | -                 | (172,606)       |
| Profit on disposal of players' registrations   |          | -                                         | 2,444,684         | 2,444,684       | -                                            | 1,422,833         | 1,422,833       |
| <b>Loss before taxation</b>                    |          | (26,641,248)                              | (3,473,970)       | (30,115,218)    | (14,127,588)                                 | (6,825,280)       | (20,952,868)    |
| Taxation                                       | <b>9</b> | -                                         | -                 | -               | -                                            | -                 | -               |
| <b>Loss for the financial year</b>             |          | (26,641,248)                              | (3,473,970)       | (30,115,218)    | (14,127,588)                                 | (6,825,280)       | (20,952,868)    |
| <b>Other comprehensive income</b>              |          |                                           |                   | -               |                                              |                   | -               |
| <b>Total comprehensive income for the year</b> |          |                                           |                   | (30,115,218)    |                                              |                   | (20,952,868)    |

Player trading consists primarily of the amortisation of the costs of acquiring player registrations, impairment charges and profit on disposal of player registrations.

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

# THE READING FOOTBALL CLUB LIMITED

## BALANCE SHEET

AS AT 30 JUNE 2019

|                                                                | Notes | 2019<br>£                  | £ | 2018<br>£                  | £ |
|----------------------------------------------------------------|-------|----------------------------|---|----------------------------|---|
| <b>Fixed assets</b>                                            |       |                            |   |                            |   |
| Intangible assets                                              | 11    | 12,465,136                 |   | 17,919,789                 |   |
| Tangible assets                                                | 12    | 1,287,058                  |   | 4,061,846                  |   |
| Investments                                                    | 13    | 3,700,885                  |   | 3,700,885                  |   |
|                                                                |       | <u>17,453,079</u>          |   | <u>25,682,520</u>          |   |
| <b>Current assets</b>                                          |       |                            |   |                            |   |
| Stocks                                                         | 17    | 216,964                    |   | 283,833                    |   |
| Debtors                                                        | 18    | 25,405,075                 |   | 15,816,627                 |   |
| Cash at bank and in hand                                       |       | 917,350                    |   | 684,592                    |   |
|                                                                |       | <u>26,539,389</u>          |   | <u>16,785,052</u>          |   |
| <b>Creditors: amounts falling due within one year</b>          | 19    | (79,845,895)               |   | (76,315,718)               |   |
| <b>Net current liabilities</b>                                 |       | <u>(53,306,506)</u>        |   | <u>(59,530,666)</u>        |   |
| <b>Total assets less current liabilities</b>                   |       | <u>(35,853,427)</u>        |   | <u>(33,848,146)</u>        |   |
| <b>Creditors: amounts falling due after more than one year</b> | 20    | (574,445)                  |   | (854,508)                  |   |
| <b>Net liabilities</b>                                         |       | <u><u>(36,427,872)</u></u> |   | <u><u>(34,702,654)</u></u> |   |
| <b>Capital and reserves</b>                                    |       |                            |   |                            |   |
| Called up share capital                                        | 24    | 51,708,548                 |   | 24,592,980                 |   |
| Share premium account                                          | 25    | 8,506,452                  |   | 7,232,020                  |   |
| Profit and loss reserves                                       |       | (96,642,872)               |   | (66,527,654)               |   |
| <b>Total equity</b>                                            |       | <u><u>(36,427,872)</u></u> |   | <u><u>(34,702,654)</u></u> |   |

The financial statements were approved by the board of directors and authorised for issue on 12-3-20 and are signed on its behalf by:

  
Mr N Howe  
Director

  
Ms X Hawken  
Director

Company Registration No. 00053703

# THE READING FOOTBALL CLUB LIMITED

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

|                                                  | Notes | Share capital<br>£ | Share premium<br>£ | Profit and loss reserves<br>£ | Total<br>£          |
|--------------------------------------------------|-------|--------------------|--------------------|-------------------------------|---------------------|
| <b>Balance at 1 July 2017</b>                    |       | 9,550,000          | 6,525,000          | (45,574,786)                  | (29,499,786)        |
| <b>Year ended 30 June 2018:</b>                  |       |                    |                    |                               |                     |
| Loss and total comprehensive income for the year |       | -                  | -                  | (20,952,868)                  | (20,952,868)        |
| Issue of share capital                           | 24    | 15,042,980         | 707,020            | -                             | 15,750,000          |
| <b>Balance at 30 June 2018</b>                   |       | 24,592,980         | 7,232,020          | (66,527,654)                  | (34,702,654)        |
| <b>Year ended 30 June 2019:</b>                  |       |                    |                    |                               |                     |
| Loss and total comprehensive income for the year |       | -                  | -                  | (30,115,218)                  | (30,115,218)        |
| Issue of share capital                           | 24    | 27,115,568         | 1,274,432          | -                             | 28,390,000          |
| <b>Balance at 30 June 2019</b>                   |       | <u>51,708,548</u>  | <u>8,506,452</u>   | <u>(96,642,872)</u>           | <u>(36,427,872)</u> |

# THE READING FOOTBALL CLUB LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

|                                                               | Notes | 2019<br>£           | £ | 2018<br>£           | £ |
|---------------------------------------------------------------|-------|---------------------|---|---------------------|---|
| <b>Cash flows from operating activities</b>                   |       |                     |   |                     |   |
| Cash absorbed by operations                                   | 31    | (32,469,961)        |   | (27,001,881)        |   |
| Interest paid                                                 |       | (44,024)            |   | (172,606)           |   |
| <b>Net cash outflow from operating activities</b>             |       | <b>(32,513,985)</b> |   | <b>(27,174,487)</b> |   |
| <b>Investing activities</b>                                   |       |                     |   |                     |   |
| Purchase of intangible assets                                 |       | (7,701,398)         |   | (19,161,547)        |   |
| Proceeds on disposal of intangibles                           |       | 6,239,798           |   | 1,995,527           |   |
| Purchase of tangible fixed assets                             |       | (493,140)           |   | (1,329,718)         |   |
| Proceeds on disposal of tangible fixed assets                 |       | -                   |   | 26,500,000          |   |
| <b>Net cash (used in)/generated from investing activities</b> |       | <b>(1,954,740)</b>  |   | <b>8,004,262</b>    |   |
| <b>Financing activities</b>                                   |       |                     |   |                     |   |
| Proceeds from issue of shares                                 |       | 28,390,000          |   | 15,750,000          |   |
| Proceeds from borrowings                                      |       | 6,492,823           |   | 3,150,001           |   |
| Payment of finance leases obligations                         |       | (181,340)           |   | (135,586)           |   |
| <b>Net cash generated from financing activities</b>           |       | <b>34,701,483</b>   |   | <b>18,764,415</b>   |   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>   |       | <b>232,758</b>      |   | <b>(405,810)</b>    |   |
| Cash and cash equivalents at beginning of year                |       | 684,592             |   | 1,090,402           |   |
| <b>Cash and cash equivalents at end of year</b>               |       | <b>917,350</b>      |   | <b>684,592</b>      |   |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 1 Accounting policies

##### Company information

The Reading Football Club Limited is a private company limited by shares incorporated in England and Wales. The registered office is Madejski Stadium, Junction 11, M4, Reading, Berkshire, RG2 0FL.

##### 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. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

The Reading Football Club Limited was a wholly owned subsidiary of Renhe Sports Management Co Limited and the results of The Reading Football Club Limited are included in the consolidated financial statements of Renhe Sports Management Co Limited which are available from Kings Court, 12 King Street, Leeds, West Yorkshire, LS1 2HL.

##### 1.2 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 they will not seek repayment of their loans to the company unless the company's cash flow permits repayment to be made without jeopardising the company's ability to continue as a going concern. The shareholders have confirmed they will provide funding so the company can meet its liabilities going forward.

##### 1.3 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.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 1 Accounting policies

(Continued)

#### 1.4 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.

#### 1.5 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 calculated so as to write off the cost of all tangible fixed assets over their expected useful economic lives on a straight line basis. The principal annual rates used for this purpose, are as follows:

|                                  |                                |
|----------------------------------|--------------------------------|
| Freehold 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 until they are brought into use.

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.

#### 1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. 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 company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

#### 1.7 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible, intangible and financial 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.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 1 Accounting policies

(Continued)

##### 1.8 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.

##### 1.9 Cash and cash equivalents

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.

##### 1.10 Financial instruments

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

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

##### Basic financial assets

Basic financial assets, which include trade and other receivables and cash due within one year, are initially measured at transaction price including transaction costs and are subsequently carried at cost less impairment.

##### 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 company 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 company after deducting all of its liabilities.

##### Basic financial liabilities

Basic financial liabilities including trade and other payables and loans from fellow group companies due within one year, are initially recognised at transaction price including transaction costs and are subsequently measured at the undiscounted amount of the cash or other consideration expected to be paid.

##### Derecognition of financial liabilities

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

##### 1.11 Equity instruments

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

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

---

#### 1 Accounting policies

(Continued)

##### 1.12 Taxation

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

###### Current tax

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

###### Deferred tax

Deferred 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

##### 1.13 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.

##### 1.14 Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of change on the net obligation in each period.

Rentals payable under operating leases, including any lease incentives received, are charged to income 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 lease asset are consumed.

##### 1.15 Grants

Capital grants received are included in the balance sheet as liabilities. Where grants are not repayable they are released to the profit and loss account over the useful life of the applicable asset.

Revenue grants are released to the profit and loss account to match the expenditure to which they relate.

##### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

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### 1 Accounting policies

(Continued)

#### 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 recognise the expense when paid to the player.

#### 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 2018/19 season and advance income from executive boxes.

#### 1.19 Pensions

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 company'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.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 3 Turnover and other revenue

The company has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. The company operates in one geographical location, the United Kingdom, and accordingly no additional geographical information is required to be provided.

Notwithstanding this, a voluntary analysis of the turnover is given below to assist with the understanding of the business,

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

|                                               | 2019<br>£         | 2018<br>£         |
|-----------------------------------------------|-------------------|-------------------|
| <b>Turnover analysed by class of business</b> |                   |                   |
| Media & broadcasting                          | 7,983,514         | 7,507,757         |
| Matchday receipts                             | 4,726,751         | 4,196,697         |
| Commercial income                             | 4,820,310         | 5,557,275         |
| Rugby match commission                        | 294,949           | 592,057           |
| Other income                                  | 227,728           | 43,382            |
| Loan fees receivable                          | 3,000,000         | -                 |
|                                               | <u>21,053,252</u> | <u>17,897,168</u> |

|                                  | 2019<br>£ | 2018<br>£         |
|----------------------------------|-----------|-------------------|
| <b>Other significant revenue</b> |           |                   |
| Management charges               | 1,744,544 | -                 |
| Grants received                  | -         | 10,108,724        |
|                                  | <u>-</u>  | <u>10,108,724</u> |

#### 4 Operating loss

|                                                                   | 2019<br>£         | 2018<br>£         |
|-------------------------------------------------------------------|-------------------|-------------------|
| Operating loss for the year is stated after charging/(crediting): |                   |                   |
| Depreciation of owned tangible fixed assets                       | 579,679           | 1,498,190         |
| Depreciation of tangible fixed assets held under finance leases   | 104,220           | 204,179           |
| Amortisation of intangible assets                                 | 8,918,654         | 8,248,113         |
| Profit on disposal of player registrations                        | 2,444,684         | 1,422,833         |
| Cost of stocks recognised as an expense                           | 459,846           | 375,103           |
| Operating lease charges                                           | 878,116           | 193,097           |
|                                                                   | <u>13,375,399</u> | <u>12,947,515</u> |

#### 5 Auditor's remuneration

|                                                               | 2019<br>£     | 2018<br>£     |
|---------------------------------------------------------------|---------------|---------------|
| Fees payable to the company's auditor and associates:         |               |               |
| <b>For audit services</b>                                     |               |               |
| Audit of the financial statements of the company              | 24,500        | 24,000        |
| Remuneration of auditors for accounting and taxation services | 11,750        | 18,000        |
|                                                               | <u>36,250</u> | <u>42,000</u> |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 6 Employees

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

|                                                  | 2019<br>Number | 2018<br>Number |
|--------------------------------------------------|----------------|----------------|
| Players                                          | 63             | 59             |
| Football management and coaching staff           | 114            | 99             |
| Administrative staff                             | 74             | 69             |
| Staff employed under government training schemes | 18             | 23             |
| Matchday staff                                   | 280            | 241            |
|                                                  | <u>549</u>     | <u>491</u>     |

Their aggregate remuneration comprised:

|                       | 2019<br>£         | 2018<br>£         |
|-----------------------|-------------------|-------------------|
| Wages and salaries    | 36,110,227        | 31,201,755        |
| Social security costs | 4,503,716         | 4,001,270         |
| Pension costs         | 134,935           | 140,208           |
|                       | <u>40,748,878</u> | <u>35,343,233</u> |

#### 7 Directors' remuneration

|                                                               | 2019<br>£        | 2018<br>£        |
|---------------------------------------------------------------|------------------|------------------|
| Remuneration for qualifying services                          | 1,509,154        | 1,358,898        |
| Company pension contributions to defined contribution schemes | 934              | 11,191           |
|                                                               | <u>1,510,088</u> | <u>1,370,089</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

|                                      | 2019<br>£        | 2018<br>£      |
|--------------------------------------|------------------|----------------|
| Remuneration for qualifying services | <u>1,035,303</u> | <u>639,734</u> |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

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**8 Interest payable and similar expenses**

|                                                       | <b>2019</b>       | <b>2018</b>       |
|-------------------------------------------------------|-------------------|-------------------|
|                                                       | <b>£</b>          | <b>£</b>          |
| Other loans                                           | 16,163            | 111,035           |
| Fees for arranging finance                            | 4,813             | 14,197            |
| Charges on finance leases and hire purchase contracts | 23,048            | 47,374            |
|                                                       | <u>          </u> | <u>          </u> |
| Disclosed on the profit and loss account as follows:  |                   |                   |
| Other interest payable and similar expenses           | 44,024            | 172,606           |
|                                                       | <u>          </u> | <u>          </u> |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 9 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:

|                                                                                                      | 2019<br>£    | 2018<br>£    |
|------------------------------------------------------------------------------------------------------|--------------|--------------|
| Loss before taxation                                                                                 | (30,115,218) | (20,952,868) |
| Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%) | (5,721,891)  | (3,981,045)  |
| Tax effect of expenses that are not deductible in determining taxable profit                         | 4,027        | 13,490       |
| Tax effect of income not taxable in determining taxable profit                                       | 1,571,319    | (4,987,084)  |
| Unutilised tax losses carried forward                                                                | 3,437,901    | 8,676,277    |
| Group relief                                                                                         | 641,694      | -            |
| Depreciation on assets not qualifying for tax allowances                                             | 66,950       | 278,362      |
| 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 £17.3m (2018: £16.8m). The asset would be recovered if sufficient taxable trading profits arose in the future.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 10 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

|                         | Notes | 2019<br>£ | 2018<br>£ |
|-------------------------|-------|-----------|-----------|
| In respect of:          |       |           |           |
| Intangible assets       | 11    | 442,283   | 69,193    |
| Recognised in:          |       |           |           |
| Administrative expenses |       | 442,283   | 69,193    |

The impairment losses in respect of financial assets are recognised in other gains and losses in the profit and loss account.

#### 11 Intangible fixed assets

|                                    | £            |
|------------------------------------|--------------|
| <b>Cost</b>                        |              |
| At 1 July 2018                     | 32,391,491   |
| Additions                          | 7,701,398    |
| Disposals                          | (11,671,600) |
| At 30 June 2019                    | 28,421,289   |
| <b>Amortisation and impairment</b> |              |
| At 1 July 2018                     | 14,471,702   |
| Amortisation charged for the year  | 8,918,654    |
| Impairment losses                  | 442,283      |
| Disposals                          | (7,876,486)  |
| At 30 June 2019                    | 15,956,153   |
| <b>Carrying amount</b>             |              |
| At 30 June 2019                    | 12,465,136   |
| At 30 June 2018                    | 17,919,789   |

More information on the impairment arising in the year is given in note 10.

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.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 12 Tangible fixed assets

|                                    | Freehold land<br>and buildings | Training<br>ground<br>improvements | Fixtures,<br>fittings and<br>equipment | Total       |
|------------------------------------|--------------------------------|------------------------------------|----------------------------------------|-------------|
|                                    | £                              | £                                  | £                                      | £           |
| <b>Cost</b>                        |                                |                                    |                                        |             |
| At 1 July 2018                     | 2,864,247                      | 5,670,154                          | 2,656,079                              | 11,190,480  |
| Additions                          | -                              | 56,645                             | 432,695                                | 489,340     |
| Disposals                          | (2,864,247)                    | (5,550,772)                        | (42,850)                               | (8,457,869) |
| At 30 June 2019                    | -                              | 176,027                            | 3,045,924                              | 3,221,951   |
| <b>Depreciation and impairment</b> |                                |                                    |                                        |             |
| At 1 July 2018                     | 2,216,071                      | 3,279,115                          | 1,633,448                              | 7,128,634   |
| Depreciation charged in the year   | 128,245                        | 211,359                            | 344,295                                | 683,899     |
| Eliminated in respect of disposals | (2,344,316)                    | (3,490,474)                        | (42,850)                               | (5,877,640) |
| At 30 June 2019                    | -                              | -                                  | 1,934,893                              | 1,934,893   |
| <b>Carrying amount</b>             |                                |                                    |                                        |             |
| At 30 June 2019                    | -                              | 176,027                            | 1,111,031                              | 1,287,058   |
| At 30 June 2018                    | 648,176                        | 2,391,039                          | 1,022,631                              | 4,061,846   |

Assets held under finance lease and hire purchase contracts during the year have an original cost of £620,776 (2018: £1,149,321) and have a net book value of £284,886 (2018: £762,183). Depreciation charged for the year was £104,220 (2018: £204,179).

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

#### 13 Fixed asset investments

|                             | Notes | 2019<br>£ | 2018<br>£ |
|-----------------------------|-------|-----------|-----------|
| Investments in subsidiaries | 14    | 2         | 2         |
| Investments in associates   | 15    | 3,700,883 | 3,700,883 |
|                             |       | 3,700,885 | 3,700,885 |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 13 Fixed asset investments

(Continued)

##### Movements in fixed asset investments

|                               | Shares in group undertakings and participating interests<br>£ |
|-------------------------------|---------------------------------------------------------------|
| <b>Cost or valuation</b>      |                                                               |
| At 1 July 2018 & 30 June 2019 | 3,700,885                                                     |
| <b>Carrying amount</b>        |                                                               |
| At 30 June 2019               | 3,700,885                                                     |
| At 30 June 2018               | 3,700,885                                                     |

#### 14 Subsidiaries

Details of the company's subsidiaries at 30 June 2019 are as follows:

| Name of undertaking                   | Registered office | Nature of business    | Class of shares held | % Held Direct |
|---------------------------------------|-------------------|-----------------------|----------------------|---------------|
| Reading FC Community Trust            | England           | Charitable activities | Ordinary             | 100.00        |
| Reading Women's Football Club Limited | England           | Football club         | Ordinary             | 100.00        |
| RFC Bearwood Limited                  | England           | Property development  | Ordinary             | 100.00        |

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

| Name of undertaking                   | Profit/(Loss)<br>£ | Capital and Reserves<br>£ |
|---------------------------------------|--------------------|---------------------------|
| Reading FC Community Trust            | 56,987             | 367,185                   |
| Reading Women's Football Club Limited | (1,208,751)        | (335,304)                 |
| RFC Bearwood Limited                  | 4,901,589          | 4,900,955                 |

#### 15 Associates

Details of the company's associates at 30 June 2019 are as follows:

| Name of undertaking | Registered office | Nature of business   | Class of shares held | % Held Direct |
|---------------------|-------------------|----------------------|----------------------|---------------|
| RFC Prop Co Limited | England           | Property Development | Ordinary             | 24.70         |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

### 16 Financial instruments

|                                                 | 2019<br>£  | 2018<br>£  |
|-------------------------------------------------|------------|------------|
| <b>Carrying amount of financial assets</b>      |            |            |
| Debt instruments measured at amortised cost     | 13,523,098 | 6,664,917  |
| <b>Carrying amount of financial liabilities</b> |            |            |
| Measured at amortised cost                      | 62,973,268 | 62,932,291 |

### 17 Stocks

|                                     | 2019<br>£ | 2018<br>£ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 216,964   | 283,833   |

### 18 Debtors

|                                             | 2019<br>£  | 2018<br>£  |
|---------------------------------------------|------------|------------|
| <b>Amounts falling due within one year:</b> |            |            |
| Trade debtors                               | 1,119,750  | 703,584    |
| Player registrations                        | 6,502,229  | 530,000    |
| Amounts owed by group undertakings          | 14,207,287 | 11,864,748 |
| Other debtors                               | 1,731,305  | 1,478,554  |
| Prepayments and accrued income              | 1,296,371  | 1,239,741  |
|                                             | 24,856,942 | 15,816,627 |

|                                                      | 2019<br>£ | 2018<br>£ |
|------------------------------------------------------|-----------|-----------|
| <b>Amounts falling due after more than one year:</b> |           |           |
| Player registrations                                 | 548,133   | -         |

|                      |                   |                   |
|----------------------|-------------------|-------------------|
| <b>Total debtors</b> | <b>25,405,075</b> | <b>15,816,627</b> |
|----------------------|-------------------|-------------------|

Included within other debtors are payments of £79,134 (2018: £nil) to Reading Borough Council in respect of disputed rate underpayments relating to the years between 2015 and 2019. The total amount disputed is £236,268. No provision has been made in the accounts as the directors believe that the dispute will be settled in favour of the club.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

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

|                                  | Notes | 2019<br>£         | 2018<br>£         |
|----------------------------------|-------|-------------------|-------------------|
| Obligations under finance leases | 22    | 156,585           | 190,039           |
| Other borrowings                 | 21    | 67,795,881        | 61,170,881        |
| Trade creditors                  |       | 3,865,819         | 9,276,820         |
| Taxation and social security     |       | 1,493,608         | 1,449,930         |
| Deferred income                  |       | 2,611,463         | 2,800,254         |
| Other creditors                  |       | 2,262,628         | 212,853           |
| Accruals and deferred income     |       | 1,659,911         | 1,214,941         |
|                                  |       | <u>79,845,895</u> | <u>76,315,718</u> |

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

|                                  | Notes | 2019<br>£      | 2018<br>£      |
|----------------------------------|-------|----------------|----------------|
| Obligations under finance leases | 22    | 21,572         | 169,458        |
| Accruals and deferred income     |       | 552,873        | 685,050        |
|                                  |       | <u>574,445</u> | <u>854,508</u> |

#### 21 Loans and overdrafts

|                               | 2019<br>£         | 2018<br>£         |
|-------------------------------|-------------------|-------------------|
| Loans from group undertakings | <u>67,795,881</u> | <u>61,170,881</u> |
| Payable within one year       | <u>67,795,881</u> | <u>61,170,881</u> |

The loans from group undertakings are secured by fixed charges over all property or undertaking of the company.

#### 22 Finance lease obligations

|                                                         | 2019<br>£      | 2018<br>£      |
|---------------------------------------------------------|----------------|----------------|
| Future minimum lease payments due under finance leases: |                |                |
| Within one year                                         | 156,585        | 190,039        |
| In two to five years                                    | 21,572         | 169,458        |
|                                                         | <u>178,157</u> | <u>359,497</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 include fixed lease payments and a purchase option at the end of the lease term.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2019

### 23 Retirement benefit schemes

|                                                                     | 2019    | 2018    |
|---------------------------------------------------------------------|---------|---------|
|                                                                     | £       | £       |
| <b>Defined contribution schemes</b>                                 |         |         |
| Charge to profit or loss in respect of defined contribution schemes | 134,935 | 140,208 |

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.

#### Defined benefit scheme

Certain of the company's ex-employees are members of The Football League Pension and Life Assurance Scheme, a defined benefit scheme. The company is one of a number of participating employers in the scheme. The assets of the scheme are held separately from those of the company. Under the provisions of FRS 102 the scheme is accounted for as a defined contribution scheme. The latest actuarial valuation of the scheme reported that there was a deficit of £30.4m as at 31 August 2017. The Reading Football Club Limited's share of the deficit at 31 August 2017 was £48,076. This is being repaid by increased contributions in the years to 2021. The share of the deficit has not been recognised in the financial statements as the balance is not material.

### 24 Share capital

|                                         | 2019       | 2018       |
|-----------------------------------------|------------|------------|
|                                         | £          | £          |
| <b>Ordinary share capital</b>           |            |            |
| <b>Issued and fully paid</b>            |            |            |
| 103,417,096 Ordinary shares of 50p each | 51,708,548 | 24,592,980 |

The company has one class of ordinary shares. Each share is entitled to one vote in any circumstances, equal rights to dividends, entitles the holder to participate in a distribution including arising from a winding up of the company and are non-redeemable.

#### Reconciliation of movements during the year:

|                            | Ordinary<br>Number |
|----------------------------|--------------------|
| At 1 July 2018             | 49,185,960         |
| Issue of fully paid shares | 54,231,136         |
| At 30 June 2019            | 103,417,096        |

During the year 54,231,136 Ordinary 50p shares were issued.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 25 Share premium account

|                      | 2019<br>£        | 2018<br>£        |
|----------------------|------------------|------------------|
| At beginning of year | 7,232,020        | 6,525,000        |
| Issue of new shares  | 1,274,432        | 707,020          |
| At end of year       | <u>8,506,452</u> | <u>7,232,020</u> |

Share premium account includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

#### 26 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 un-provided liability which may arise in respect of this at 30 June 2019 is £8,366,621 (2018: £12,130,000). 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 cannot be quantified.

#### 27 Operating lease commitments

##### Lessee

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

At the reporting end date the company was committed to making the following payments under non-cancellable operating leases in the year to 30 June 2019:

|                            | 2019<br>£         | 2018<br>£         |
|----------------------------|-------------------|-------------------|
| Within one year            | 1,577,530         | 1,055,083         |
| Between two and five years | 6,150,186         | 3,301,559         |
| In over five years         | 28,500,000        | 15,108,000        |
|                            | <u>36,227,716</u> | <u>19,464,642</u> |

#### 28 Events after the reporting date

Since the year end, the company has acquired players' registrations at a cost of £15,199,247 (2018: £4,750,000). The company has also sold players' registrations for proceeds of £1,035,339 (2018: £300,000). The company has agreed to terminate contracts of two players (2018: one) for amounts payable of £1,186,500 (2018: £408,000).

#### 29 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 company. The remuneration of key management personnel is as follows.

|                        | 2019<br>£        | 2018<br>£        |
|------------------------|------------------|------------------|
| Aggregate compensation | <u>1,510,088</u> | <u>1,370,089</u> |

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2019

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#### 29 Related party transactions

(Continued)

##### Other related party transactions

The company has taken advantage of the exemption available in accordance with FRS 102 not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

At the year end, RFC Prop Co Limited, an associate of the company, owed the company £432,000 (2018: £1,449,254). The loan is interest free and repayable on demand. The Company invoiced £360,000 to RFC Prop Co Limited during the year.

At the year end, the company owed its shareholder, Reading Asia Holdings Limited (previously known as Reading Football Holdings Limited) £5,439,628 (2018: £5,439,628). The loan is interest free and repayable on demand. The company invoiced Reading Asia Holdings Limited £23,331 (2018: £17,974) and there is a balance outstanding of £25,270 at the year end (2018: £5,804).

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

The company was invoiced £258,000 (2018: £215,000) by Empire Sports Development and Investment Limited for consultancy services. Ms Xiu Li Hawken is a director of Empire Sports Development and Investment Limited.

The Company invoiced Sun Elegant Group Limited £13,000,000 (2018: £nil) in respect of the disposal of the club's training facilities at Hogwood Park. Amounts due from Sun Elegant Group at the end of the year is £13,000,000 which is included in loans from group undertakings. Mr Yongge Dai is a director and the ultimate owner of Sun Elegant Group.

The Company invoiced £3,000,000 (2018: £nil) to Beijing Rehne Football Club Co Ltd in respect of the loan of a player. The amount due from Beijing Rehne Football Club Co Ltd at the year end is £3,000,000 (2018: £nil). Ms Xiu Li Hawken is a director of Beijing Rehne Football Club Co Ltd & Mr Yongge Dai is the ultimate owner of Beijing Rehne Football Club.

The Company was invoiced £115,716 (2018: £nil) by KSV Roeselare CVBA for the reimbursement of salaries for two players on loan at KSV Roeselare CVBA in the year. Ms Xiu Li Hawken is a director of KSV Roselare CVBA.

#### 30 Ultimate controlling party

The immediate parent company is Renhe Sports Management Co Limited, a company incorporated in England and Wales. 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.

# THE READING FOOTBALL CLUB LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

### 31 Cash absorbed by operations

|                                                      | 2019<br>£           | 2018<br>£           |
|------------------------------------------------------|---------------------|---------------------|
| Loss for the year after tax                          | (30,115,218)        | (20,952,868)        |
| <b>Adjustments for:</b>                              |                     |                     |
| Finance costs                                        | 44,024              | 172,606             |
| Amortisation and impairment of intangible assets     | 9,360,937           | 8,317,306           |
| Depreciation and impairment of tangible fixed assets | 683,899             | 1,702,369           |
| Profit on disposal of player registrations           | (2,444,684)         | (1,422,833)         |
| Profit on disposal of fixed assets                   | (8,173,674)         | (6,518,222)         |
| <b>Movements in working capital:</b>                 |                     |                     |
| Decrease/(increase) in stocks                        | 66,869              | (19,467)            |
| Decrease/(increase) in debtors                       | 3,411,552           | (2,127,785)         |
| Decrease in creditors                                | (5,114,875)         | (5,026,651)         |
| Decrease in deferred income                          | (188,791)           | (1,126,336)         |
| <b>Cash absorbed by operations</b>                   | <b>(32,469,961)</b> | <b>(27,001,881)</b> |