

Company Registration No. 00053703 (England and Wales)

THE READING FOOTBALL CLUB LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

THE READING FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	Mr N Niruttinanon Ms X Hawken Mr Y Dai Mr D Pang	(Appointed 15 October 2020)
Secretary	Mr B Stabler	
Company number	00053703	
Registered office	Select Car Leasing Stadium Junction 11 M4 Reading RG2 0FL	
Auditor	Myers Clark Egale 1 80 St Albans Road Watford Hertfordshire WD17 1DL	
Bankers	Bank of China 1 Lothbury London EC2R 7DB	

THE READING FOOTBALL CLUB LIMITED

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THE READING FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 2021.

Background

The Club's Board of Directors is set out on page 4 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 £35.7m (2020: £42m). The loss for the year increases the deficit in shareholders' funds carried forward to £71.9m at 30 June 2021.

Total turnover decreased by £4m from £17.8m to £13.8m principally because the majority of matches in the 2020/21 season were played behind closed doors as a result of the Covid-19 pandemic.

Matchday revenue fell by £3m to £0.58m compared to the previous year. The majority of games were played behind closed doors with only a small number taking place in front of a reduced capacity crowd. This also impacted commercial revenues which fell by £1.3m to £3.3m for the year to 30 June 2021.

The loss of matchday and commercial revenues were partially offset by an increase in media and broadcasting revenues which increased by £1.2m to £9.4m. As fans were unable to attend matches there was an increase in the number of televised games and the live streaming of matches was also well supported.

Salary costs, which are included in other operating expenses have decreased by £5.4m from £37.6m in 2020 to £32.2m in 2020.

Amortisation, depreciation and impairment costs have decreased from £9.7m in 2020 to £8.7m in 2021.

The profit on disposal of players' registrations comprises total profits of £0.7m generated from sales, appearance and sell-on clauses in relation to the following players: M Barrow, O Norwood, M Hector, G Evans and R Dickie.

THE READING FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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 2021

Key performance indicators

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

On-field performance

EFL Championship 7th place

FA Cup Third Round

EFL Cup Second Round

Revenue

2020/21 £13.8m

2019/20 £17.8m

2018/19 £21.0m

2017/18 £17.9m

2016/17 £36.7m

Match attendance

Average attendance *(2020: 12,684, 2019: 14,991)

No of season ticket holders nil (2020: 9,561, 2019: 10,052)

Matchday revenue £.05m (2020 £3.6m, 2019: £4.7m)

* Only 3 matches were played with fans allowed in the stadium due to Covid-19 restrictions

Wages costs

Wages costs to turnover ratio 234% (2020: 216%)

Total wage costs of £32.3m (2020: £37.5m)

By order of the board

Mr B Stabler

Secretary

1 February 2022

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

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

(Resigned 6 July 2021)

Ms X Hawken

Mr Y Dai

Mr D Pang

(Appointed 15 October 2020)

Results and dividends

The results for the year are set out on page 11.

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

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.

Energy and carbon report

The company is exempt from the requirement to include Streamlined Energy and Carbon Reporting (SECR) data due to this information being included in the group report of the parent company, Renhe Sports Management Limited. The group report is prepared for the same financial year end as the company and complies with the SECR disclosure requirements set out in Part 7A of Schedule 7.

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.

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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

1 February 2022

THE READING FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

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.

THE READING FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of The Reading Football Club Limited (the 'company') for the year ended 30 June 2021 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 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 2021 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 £35,510,176 during the year ended 30 June 2021 and, at that date it had net current liabilities of £87,670,999. 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

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 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.

THE READING FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

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 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

THE READING FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

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, management override of controls and regulation compliance as key audit matters 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.

THE READING FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE READING FOOTBALL CLUB LIMITED

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.

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

11 February 2022

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 2021

	Operations excluding player trading	Player trading	30 June 2020
	£	£	£
Turnover	13,766,170	-	17,767,865
Administrative expenses	(41,837,671)	(8,292,505)	(50,130,176)
Operating loss	(28,071,501)	(8,292,505)	(36,364,006)
Interest payable and similar charges	(15,995)	-	(15,995)
Profit on disposal of players' registrations	-	723,340	723,340
Loss before taxation	(28,087,496)	(7,569,165)	(35,656,661)
Taxation	-	-	-
Loss for the financial year	(28,087,496)	(7,569,165)	(35,656,661)
Other comprehensive income	-	-	-
Total comprehensive income for the year	(28,087,496)	(7,569,165)	(35,656,661)

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 2021

	Notes	2021 £	2020 £
Fixed assets			
Intangible assets	10	12,031,592	18,057,449
Tangible assets	11	1,236,635	1,429,242
Investments	12	3,700,885	3,700,885
		<u>16,969,112</u>	<u>23,187,576</u>
Current assets			
Stocks	15	239,121	222,460
Debtors	16	22,268,838	20,533,746
Cash at bank and in hand		6,525,620	1,989,479
		<u>29,033,579</u>	<u>22,745,685</u>
Creditors: amounts falling due within one year			
	17	<u>(116,851,063)</u>	<u>(109,161,379)</u>
Net current liabilities		<u>(87,817,484)</u>	<u>(86,415,694)</u>
Total assets less current liabilities		<u>(70,848,372)</u>	<u>(63,228,118)</u>
Creditors: amounts falling due after more than one year			
	18	<u>(1,008,355)</u>	<u>(2,971,948)</u>
Net liabilities		<u><u>(71,856,727)</u></u>	<u><u>(66,200,066)</u></u>
Capital and reserves			
Called up share capital	22	91,995,558	63,342,263
Share premium account	23	10,399,942	9,053,237
Profit and loss reserves		<u>(174,252,227)</u>	<u>(138,595,566)</u>
Total equity		<u><u>(71,856,727)</u></u>	<u><u>(66,200,066)</u></u>

The financial statements were approved by the board of directors and authorised for issue on 1 February 2022 and are signed on its behalf by:

Mr D Pang
Director

Company Registration No. 00053703

THE READING FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 July 2019		51,708,548	8,506,452	(96,642,872)	(36,427,872)
Year ended 30 June 2020:					
Loss and total comprehensive income for the year		-	-	(41,952,694)	(41,952,694)
Issue of share capital	22	11,633,715	546,785	-	12,180,500
Balance at 30 June 2020		63,342,263	9,053,237	(138,595,566)	(66,200,066)
Year ended 30 June 2021:					
Loss and total comprehensive income for the year		-	-	(35,656,661)	(35,656,661)
Issue of share capital	22	28,653,295	1,346,705	-	30,000,000
Balance at 30 June 2021		91,995,558	10,399,942	(174,252,227)	(71,856,727)

THE READING FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash absorbed by operations	29	(37,223,364)		(22,747,888)	
Interest paid		(15,995)		(43,988)	
Net cash outflow from operating activities		(37,239,359)		(22,791,876)	
Investing activities					
Purchase of intangible assets		(2,761,573)		(15,829,100)	
Proceeds on disposal of intangibles		1,364,750		2,636,169	
Purchase of tangible fixed assets		(254,181)		(633,831)	
Net cash used in investing activities		(1,651,004)		(13,826,762)	
Financing activities					
Proceeds from borrowings		43,447,897		37,847,531	
Payment of finance leases obligations		(21,393)		(156,764)	
Net cash generated from financing activities		43,426,504		37,690,767	
Net increase in cash and cash equivalents		4,536,141		1,072,129	
Cash and cash equivalents at beginning of year		1,989,479		917,350	
Cash and cash equivalents at end of year		6,525,620		1,989,479	

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 Select Car Leasing Stadium, Junction 11, M4, Reading, 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 2021

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:

Training ground improvements	10% of cost
Fixtures, fittings and equipment	20% of cost / 25% reducing balance

Assets in the course of construction are not depreciated until they are brought into use.

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.

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.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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

Grants relating to revenue are recognised in income on a systematic basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

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 in the period are included in profit or loss.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

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 2021/22 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.

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:

	2021	2020
	£	£
Turnover analysed by class of business		
Media & broadcasting	9,368,628	8,175,815
Matchday receipts	579,649	3,560,607
Commercial income	3,272,996	4,570,835
Rugby match commission	-	403,969
Other income	12,337	236,243
Grant income	532,560	820,396
	<u>13,766,170</u>	<u>17,767,865</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

4 Operating loss

	2021	2020
	£	£
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	348,164	393,023
Depreciation of tangible fixed assets held under finance leases	98,624	98,624
Amortisation of intangible assets	8,292,505	9,208,138
Profit on disposal of player registrations	723,340	1,607,520
Cost of stocks recognised as an expense	610,868	535,359
Operating lease charges	1,598,042	1,637,770

5 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	24,500	24,500
Remuneration of auditors for accounting and taxation services	18,700	15,500
	43,200	40,000

6 Employees

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

	2021	2020
	Number	Number
Players	46	61
Football management and coaching staff	72	101
Administrative staff	53	67
Staff employed under government training schemes	21	16
Matchday staff	-	249
Total	192	494

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	28,484,127	33,296,447
Social security costs	3,586,610	4,128,743
Pension costs	138,437	149,112
	32,209,174	37,574,302

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

7 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	743,450	581,333
Company pension contributions to defined contribution schemes	1,371	1,315
	<u>744,821</u>	<u>582,648</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2020 - 1).

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

	2021	2020
	£	£
Remuneration for qualifying services	<u>530,667</u>	<u>582,648</u>

8 Interest payable and similar expenses

	2021	2020
	£	£
Other loans	13,930	21,435
Charges on finance leases and hire purchase contracts	2,065	22,553
	<u>15,995</u>	<u>43,988</u>

Disclosed on the profit and loss account as follows:

Other interest payable and similar expenses	<u>15,995</u>	<u>43,988</u>
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THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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:

	2021 £	2020 £
Loss before taxation	(35,656,661)	(41,952,694)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(6,774,766)	(7,971,012)
Tax effect of expenses that are not deductible in determining taxable profit	4,000	13,716
Unutilised tax losses carried forward	6,734,597	6,172,716
Depreciation on assets not qualifying for tax allowances	40,282	35,034
Amortisation on assets not qualifying for tax allowances	-	1,749,546
Reversal of timing differences	(4,113)	-
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 £33.8m (2020: £23.5m). 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 2021

10 Intangible fixed assets

	£
Cost	
At 1 July 2020	33,720,934
Additions	2,761,573
Disposals	(12,757,868)
	<hr/>
At 30 June 2021	23,724,639
	<hr/>
Amortisation and impairment	
At 1 July 2020	15,663,485
Amortisation charged for the year	8,292,505
Disposals	(12,262,943)
	<hr/>
At 30 June 2021	11,693,047
	<hr/>
Carrying amount	
At 30 June 2021	12,031,592
	<hr/>
At 30 June 2020	18,057,449
	<hr/>

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 2021

11 Tangible fixed assets

	Training ground improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 1 July 2020	201,152	3,654,630	3,855,782
Additions	63,762	190,419	254,181
At 30 June 2021	264,914	3,845,049	4,109,963
Depreciation and impairment			
At 1 July 2020	-	2,426,540	2,426,540
Depreciation charged in the year	-	446,788	446,788
At 30 June 2021	-	2,873,328	2,873,328
Carrying amount			
At 30 June 2021	264,914	971,721	1,236,635
At 30 June 2020	201,152	1,228,090	1,429,242

Assets held under finance lease and hire purchase contracts during the year have an original cost of £521,101 (2020: £521,101) and have a net book value of £89,994 (2020: £186,262). Depreciation charged for the year was £98,624 (2020: £98,624).

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

12 Fixed asset investments

	Notes	2021 £	2020 £
Investments in subsidiaries	13	2	2
Investments in associates	14	3,700,883	3,700,883
		3,700,885	3,700,885

13 Subsidiaries

Details of the company's subsidiaries at 30 June 2021 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
RFC Bearwood Limited	England	Property development	Ordinary	100.00
Reading Women's Football Club Limited	England	Football club	Ordinary	100.00

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

13 Subsidiaries

(Continued)

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

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Reading FC Community Trust	159,331	621,174
RFC Bearwood Limited	(764,562)	3,964,726
Reading Women's Football Club Limited	(1,329,549)	(5,841,269)

14 Associates

Details of the company's associates at 30 June 2021 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

15 Stocks

	2021 £	2020 £
Finished goods and goods for resale	239,121	222,460

The estimated replacement cost of stocks does not materially differ from the balance sheet value.

16 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	1,928,178	620,477
Player registrations	586,033	1,343,231
Amounts owed by group undertakings	16,750,141	15,357,970
Other debtors	2,257,232	1,759,190
Prepayments and accrued income	747,254	871,833
	<u>22,268,838</u>	<u>19,952,701</u>
Amounts falling due after more than one year:		
Player registrations	-	581,045
	<u>-</u>	<u>581,045</u>
Total debtors	<u>22,268,838</u>	<u>20,533,746</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

17 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Obligations under finance leases	20	-	21,393
Other borrowings	19	100,389,602	86,589,378
Player registration fees		3,111,266	7,581,247
Trade creditors		1,770,166	726,780
Taxation and social security		1,487,606	6,454,280
Deferred income		3,300,127	877,300
Other creditors		2,282,653	2,407,825
Accruals		4,509,643	4,503,176
		<u>116,851,063</u>	<u>109,161,379</u>

18 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Other borrowings	19	389,400	389,400
Player registration fees		500,000	2,111,266
Accruals and deferred income		118,955	471,282
		<u>1,008,355</u>	<u>2,971,948</u>

19 Loans and overdrafts

	2021 £	2020 £
Other loans	584,000	584,000
Loans from group undertakings	100,195,002	86,394,778
	<u>100,779,002</u>	<u>86,978,778</u>
Payable within one year	100,389,602	86,589,378
Payable after one year	389,400	389,400
	<u>100,779,002</u>	<u>86,978,778</u>

The loans from group undertakings are secured by fixed charges over all property or undertaking of the company. No security has been provided for the Other Loans.

20 Finance lease obligations

	2021 £	2020 £
Future minimum lease payments due under finance leases:		
Within one year	-	21,393
	<u>-</u>	<u>21,393</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

20 Finance lease obligations (Continued)

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.

21 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	138,437	149,112

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 £27.6m as at 31 August 2020. The Reading Football Club Limited's share of the deficit at 31 August 2020 was £43,559. This is being repaid by increased contributions in the years to 2027. The share of the deficit has not been recognised in the financial statements as the balance is not material.

22 Share capital

	2021	2020
	£	£
Ordinary share capital		
Issued and fully paid		
183,991,116 (2020: 126,684,526) Ordinary shares of 50p each	91,995,558	63,342,263

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 Number
At 1 July 2020	126,684,526
Issue of fully paid shares	57,306,590
At 30 June 2021	183,991,116

During the year 57,306,590 (2020: 23,267,430) Ordinary 50p shares were issued in exchange for debt totalling £30,000,000.

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

23 Share premium account

	2021 £	2020 £
At beginning of year	9,053,237	8,506,452
Issue of new shares	1,346,705	546,785
At end of year	<u>10,399,942</u>	<u>9,053,237</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 2021

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 un-provided liability which may arise in respect of this at 30 June 2021 is £3,270,000 (2020: £5,406,678). 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.

25 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 28 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 2021:

	2021 £	2020 £
Within one year	1,517,866	1,544,853
Between two and five years	6,036,518	6,058,803
In over five years	25,500,000	27,000,000
	<u>33,054,384</u>	<u>34,603,656</u>

26 Events after the reporting date

Since the year end, the company has acquired no players' registrations (2020: £Nil). The company has also sold players' registrations for proceeds of £8,370,000 (2020: £Nil). The company has agreed to terminate contracts of no players (2020: None) for amounts payable of £Nil (2020: £Nil).

27 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.

	2021 £	2020 £
Aggregate compensation	<u>966,327</u>	<u>744,315</u>

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

27 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 £2,252,925 (2020: £1,586,835). The loan is interest free and repayable on demand.

At the year end, the company owed its shareholder, Reading Asia Holdings Limited (previously known as Reading Football Holdings Limited) £1,453,872 (2020: £2,111,987). The loan is interest free and repayable on demand. Amounts due from Reading Asia Holdings Limited at the year end is £nil (2020: £25,270).

During the year, the company was invoiced £1,500,000 (2020: £1,500,000) from Prestige Fortune Asia Limited in relation to the lease of Madejski Stadium. Mr Yongge Dai is a director and ultimate owner of Prestige Fortune Asia Limited. Transactions have taken place during the year with businesses in which directors have an interest as follows:

The Company invoiced £nil (2020: £140,553) to Beijing Rehne Football Club Co Ltd. (2020: for the costs of a tour to the U.K). Ms Xiu Li Hawken is a director of Beijing Rehne Football Club Co Ltd and Mr Yongge Dai is the ultimate owner of Beijing Rehne Football Club.

The Company was invoiced by San Wood Consulting Limited £71,773. Mr Dayong Pang is a Director and the ultimate owner of San Wood Consulting Limited.

28 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.

29 Cash absorbed by operations

	2021 £	2020 £
Loss for the year after tax	(35,656,661)	(41,952,694)
Adjustments for:		
Finance costs	15,995	43,988
Amortisation and impairment of intangible assets	8,292,505	9,208,138
Depreciation and impairment of tangible fixed assets	446,788	491,647
Profit on disposal of player registrations	(723,340)	(1,607,520)
Movements in working capital:		
Increase in stocks	(16,661)	(5,496)
(Increase)/decrease in debtors	(1,735,092)	2,018,413
(Decrease)/increase in creditors	(10,269,725)	10,789,799
Increase/(decrease) in deferred income	2,422,827	(1,734,163)
Cash absorbed by operations	(37,223,364)	(22,747,888)

THE READING FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

30 Analysis of changes in net debt

	1 July 2020 £	Cash flows £	30 June 2021 £
Cash at bank and in hand	1,989,479	4,536,141	6,525,620
Borrowings excluding overdrafts	(87,450,060)	(13,447,897)	(100,897,957)
Obligations under finance leases	(21,393)	21,393	-
	<u>(85,481,974)</u>	<u>(8,890,363)</u>	<u>(94,372,337)</u>

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.