Company number 07206409

# CPFC 2010 LIMITED

## REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## 30 JUNE 2018

# CPFC 2010 LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | S Parish<br>DS Blitzer<br>JJ Harris |
| **Secretary** | S O'Loughlin |
| **Company number** | 07206409 (England and Wales) |
| **Registered office** | Selhurst Park Stadium<br>Holmesdale Road<br>London SE25 6PU |
| **Auditor** | RSM UK Audit LLP<br>Chartered Accountants<br>25 Farringdon Street<br>London EC4A 4AB |

## STRATEGIC REPORT

The Directors submit their report and the group financial statements of CPFC 2010 Limited for the year ended 30 June 2018.

Overview

The 2017/18 season was the Club's fifth consecutive year in the Premier League, in itself a major achievement after promotion in 2013. After a challenging start to the season, the ownership group and management acted quickly and appointed the hugely experienced Roy Hodgson as first team manager in September 2017, and former player and manager Dougie Freedman returned to the club in a newly created role as Sporting Director. Both of these changes helped the Club turnaround fortunes on the pitch and saw the Club finish in a very creditable 11th place and secure another season in the Premier League.

Finance

As a basis of assessing financial performance the Club's management believe the following KPIs represent the best measures of operational performance.

| | 2018 | 2017 |
|---|---|---|
| Average league attendance | 25,063 | 25,161 |
| Final league position | 11th | 14th |
| | £'000 | £'000 |
| Turnover | 150,346 | 142,735 |
| Operating expenses (excluding amortisation) | (141,218) | (136,042) |
| Staff costs / turnover ratio | 78% | 78% |
| Operating profit before player trading | 9,128 | 10,693 |
| (Loss)/profit before tax | (35,535) | 11,820 |
| Net assets | 3,470 | 36,866 |

Overall, turnover grew to £150.3m, a significant milestone as the Club seeks to become an established and sustainable Premier League member. Within this figure, Central revenues grew from £116.9m in 16/17 to £121.2m, based on the 11th place finish, despite having two less TV games than the previous year.

As shown in note 3 of the accounts, commercial revenue grew to £26.1m, up 16% year on year, helped by an improved shirt sponsorship deal and continuing growth in partnership and LED revenues, a key part of the Club's strategy to move forward and consolidate our position.

Ticket revenues were again very strong but revenue from ticket sales remain broadly flat year on year as the Club is operating at 98.5% occupancy, with such strong demand and a low relative cost to other Premier League London football ticket pricing will be further reviewed for the 2019/20 Season.

Wage costs grew, mainly reflecting the change of first team management team in the year. Outside of this, costs remained largely flat year on year with basic player wages (net of employers NI) including loan fees rising slightly to £70m as the Club retains a lean and efficient approach to its operations, this resulted in a £9.1m operating profit before player trading (2017 £10.7m)

The loss after player trading is a consequence of significant and continued investment in player assets acquired to reduce the risk of relegation and progress further in other competitions. As such there was a large increase in the amortisation charge in the 2018 accounts. This cost, which is written off over the length of the players' contracts increased from £32.7m in 2017 to £46.0m in this year's accounts. The write down of players was offset by a large profit on sale of players in 2017 (£34.7m) principally arising from the sale of Yannick Bolasie to Everton. This player sales reduced to £2.4m in 2018, again to protect the quality of the playing squad. The overall impact of this was, despite a broadly flat Operating Profit is that the net result changed from an £11.8m profit before tax to a £35.5m loss in the year.

The group's financial position as at 30 June 2018 remained strong with cash at bank of £17.9m (2017: £15.9m) and net assets of £3.4m (2017: £36.8m). Net current liabilities have increased to £105.1m (2017: £55.6m) following the increased investment in the playing squad.

Future plans

The Directors of the Club are acutely aware that while major strides have been made in recent years to move the Club forward, a key step to secure the long-term future of Crystal Palace in the Premier League will be through generating sufficient commercial revenue to support the Club's aspirations on the field. This in turn requires expansion of Selhurst Park and investment in the Club's infrastructure.

During the year, the club received committee approval from Croydon Council to develop the ground with a major new Main Stand, which will offer a step change in the revenue potential of the Club with over 8,300 new seats, up to 3,000 new premium covers and major opportunities for non-matchday revenue.

Having received planning permission for the scheme during the year we are moving forward to start construction on this project as soon as possible.

Another key strand in the Club's development plan is our academy programme. We have taken a major step forward by recently signing a 75 year lease for our academy site in Beckenham, also acquiring additional space in the process which was a key hurdle to overcome in creating an EPPP category one academy. The Club has held a long tradition of developing successful young footballers, and the emergence of Aaron Wan-Bissaka into the first team after joining the Academy as an 11 year old was yet another example of the quality of the club's Academy set-up. The Club's U23 and U18 teams both won their respective divisions.

As mentioned previously, the Board are acutely aware that the quality of the playing squad is something that cannot be compromised as we seek to invest off the field and in the last three years the Club has invested a total of £168m in players with around £40m of transfer receipts, so a net spend of circa £128m.

Bonus and Directors Investments

To support this, as in all recent years, the owners have invested significant funds to support the Club's long-term ambitions. In total, since January 2017 to date, the owners and shareholders have injected a total of £46m capital into the Club. As in previous years any bonus received by the Chairman has been reinvested into the Club.

Overall, the Club is largely unrecognisable from the one which emerged from administration in 2010. The initial investment followed up with further capital and a broader ownership structure in 2015 has enabled the Club to consolidate its position in the Premier League and prepare for the future challenges ahead.

Principal risks and uncertainties

All our planning takes into account the inherent risks associated with running a Premier League football club. The planning for the Premier League and Championship have significant implications on the core revenue and the club ensures that it keeps within all the guidelines issued by the Premier League on cost controls.

On behalf of the board

S Parish
Chairman

...................~~2019~~
1 March 2019

## DIRECTORS' REPORT

The directors submit their report and the group financial statements of CPFC 2010 Limited for the year ended 30 June 2018.

**Principal activity**
The group's principal activity during the year was that of overseeing the group's football related activities.

The company's principal activity during the year was that of a holding company.

**Dividends**
The directors do not recommend the payment of a dividend (2017: £Nil).

**Post balance sheet events**
In the post year end period, the group contracted for the sale and purchase of a number of players. The net cost of these transfers was £10.0m (2017: £40.5m).

**Employees**
It is the group's policy to ensure that no employee or job applicant is treated less favourably than another on the grounds of religion, sexual orientation, disability, race, creed, colour, nationality, ethnic or national origins, sex or marital status.

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Continued close attention is paid to the health and safety of employees while at work and all employees are provided with appropriate training.

**Third party indemnity provision for directors**
Qualifying third party indemnity provision is in place for the benefit of all directors of the group.

**Directors**
The following directors have held office since 1 July 2017:

S Parish
DS Blitzer
JJ Harris

**Strategic report**
Information in connection with Future Developments is not shown within this Directors' Report as it is instead included within the Strategic Report on pages 2 and 3 under S414c(11).

**Financial instrument risk management**
The main financial risks associated with the group's activities are credit risk and liquidity and cash flow risks. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The group's policy in respect of credit risk is to require appropriate credit checks on the relevant parties before sales are made.

The group's policy in respect of liquidity and cash flow risk is to maintain a mixture of long term related party finance and readily accessible bank deposit accounts to ensure the group has sufficient funds for operations.

**Statement as to disclosure of information to the auditor**
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

**Auditor**
The auditor, RSM UK Audit LLP, have indicated its willingness to be reappointed for another term and appropriate arrangements have been made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the board

S Parish
**Chairman**
.......................... 2019
1 March 2019

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CPFC 2010 LIMITED

### Opinion

We have audited the financial statements of CPFC 2010 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated 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 group's and of the parent company's affairs as at 30 June 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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.

### 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 group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The 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. 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 the audit:

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

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CPFC 2010 LIMITED (continued)

**Use of this 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.

RSM UK Audit LLP

RICHARD COATES (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

5 March 2019

# CPFC 2010 LIMITED

## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018 Operations excluding player trading £000 | 2018 Player Trading £000 | 2018 Total £000 | 2017 Total £000 |
|---|---|---|---|---|---|
| **Turnover** | 3 | 150,346 | - | 150,346 | 142,735 |
| Operating expenses | 4 | (141,218) | (46,034) | (187,252) | (168,695) |
| Other operating income | 4 | - | - | - | 4,000 |
| Profit on disposal of players | | - | 2,437 | 2,437 | 34,741 |
| **Operating (loss) / profit** | | 9,128 | (43,597) | (34,469) | 12,781 |
| Interest receivable | 5 | 11 | | 11 | 14 |
| Interest payable | 6 | (1,077) | - | (1,077) | (975) |
| **(Loss) / profit before taxation** | | 8,062 | (43,597) | (35,535) | 11,820 |
| Taxation | 9 | (192) | 2,331 | 2,139 | (1,803) |
| **(Loss) / profit and total comprehensive income for the year** | | 7,870 | (41,266) | (33,396) | 10,017 |

# CPFC 2010 LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### AS AT 30 JUNE 2018 — Company registration No 07206409

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 10 | 115,660 | 109,279 |
| Tangible assets | 11 | 13,144 | 14,268 |
| | | 128,804 | 123,547 |
| **Current assets** | | | |
| Stocks | 13 | 619 | 388 |
| Debtors | 14 | 10,663 | 16,245 |
| Cash at bank and in hand | | 17,862 | 15,910 |
| | | 29,144 | 32,543 |
| **Creditors: Amounts falling due within one year** | 15 | (134,204) | (88,161) |
| **Net current liabilities** | | (105,060) | (55,618) |
| **Total assets less current liabilities** | | 23,744 | 67,929 |
| **Creditors: Amounts falling due after more than one year** | 16 | (11,878) | (19,375) |
| **Provisions for liabilities** | 17 | (8,396) | (11,688) |
| **Net assets** | | 3,470 | 36,866 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | 16,450 | 16,450 |
| Profit and loss account | | (12,980) | 20,416 |
| **Total equity** | | 3,470 | 36,866 |

The financial statements on pages 10 to 27 were approved by the board and authorised for issue on 1 MARCH 2019 and signed on its behalf by:

S Parish
**Director**

# CPFC 2010 LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION

**AS AT 30 JUNE 2018** **Company registration No 07206409**

| | Notes | 2018 £000 | 2017 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 12 | 12,260 | 1,000 |
| **Current assets** | | | |
| Debtors | 14 | 4,190 | 15,450 |
| | | 4,190 | 15,450 |
| Creditors: amounts falling due within one year | 15 | - | - |
| **Net current assets** | | 4,190 | 15,450 |
| **Total assets less current liabilities** | | 16,450 | 16,450 |
| **Net assets** | | 16,450 | 16,450 |
| **Capital and reserves** | | | |
| Called up share capital | 19 | 16,450 | 16,450 |
| Profit and loss account | | - | - |
| **Shareholders' funds** | | 16,450 | 16,450 |

As permitted by Section 408 Companies Act 2006, the parent company's profit and loss account has not been included in these financial statements. The parent company's profit for the financial year was £Nil (2017: £Nil).

The financial statements on pages 10 to 27 were approved by the board and authorised for issue on 1 MARCH 2019 and signed on its behalf by:

S Parish
**Director**

# CPFC 2010 LIMITED

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2018

| GROUP | Share capital £000 | Profit and loss account £000 | Total £000 |
| --- | --- | --- | --- |
| **Balance at 30 June 2016** | 16,450 | 10,399 | 26,849 |
| Total comprehensive income for the year | - | 10,017 | 10,017 |
| **Balance at 30 June 2017** | 16,450 | 20,416 | 36,866 |
| Total comprehensive income for the year | - | (33,396) | (33,396) |
| **Balance at 30 June 2018** | 16,450 | (12,980) | 3,470 |

| COMPANY | Share capital £000 | Profit and loss account £000 | Total £000 |
| --- | --- | --- | --- |
| **Balance at 30 June 2016** | 16,450 | - | 16,450 |
| Total comprehensive income for the year | - | - | - |
| **Balance at 30 June 2017** | 16,450 | - | 16,450 |
| Total comprehensive income for the year | - | - | - |
| **Balance at 30 June 2018** | 16,450 | - | 16,450 |

# CPFC 2010 LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash generated from operations | 20 | 12,243 | 32,320 |
| Income taxes (paid)/received | | (2,722) | 445 |
| Interest paid | | (718) | (802) |
| **Net cash generated from operating activities** | | 8,803 | 31,963 |
| **Investing activities** | | | |
| Purchase of intangible assets | | (53,781) | (63,375) |
| Disposal of intangible assets | | 12,709 | 34,044 |
| Purchase of tangible fixed assets | | (2,116) | (1,750) |
| Interest received | | 11 | 14 |
| **Net cash used in investing activities** | | (43,177) | (31,067) |
| **Financing activities** | | | |
| Repayment of directors' loans | | - | (6,000) |
| Advances under funding agreement | | 29,299 | - |
| Loans from parent company | | 7,500 | 13,500 |
| Repayment of finance lease and hire purchase liabilities | | (473) | (597) |
| **Net cash from financing activities** | | 36,326 | 6,903 |
| Net increase in cash and cash equivalents | | 1,952 | 7,799 |
| Cash and cash equivalents at beginning of year | | 15,910 | 8,111 |
| Cash and cash equivalents at end of year | | 17,862 | 15,910 |

## 1 General information

CPFC 2010 Limited ("the Company") is a private company limited by shares and is registered, domiciled and incorporated in England. The address of the Company's registered office and principal place of business is Selhurst Park Stadium, Holmesdale Road, London SE25 6PU.

The principal activities of the Company and its subsidiaries (together "the Group") are disclosed in the Directors' Report and the nature of operations are disclosed in the Strategic Report.

## 2 Accounting policies

**Basis of accounting**
These financial statements have been prepared in accordance with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102"), the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

These financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

**Reduced disclosures**
In accordance with FRS102, the Company has taken advantage of the exemptions from the following disclosures requirements:

- Section 7 "*Statement of Cash Flows*" – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 "*Basic Financial Instruments*" – Presentation of carrying amounts and related disclosures
- Section 33 "*Related Parties Disclosures*" – compensation for key management personnel.

**Basis of consolidation**
The consolidated financial statements incorporate those of the company and all of its subsidiary undertakings for the year. All financial statements are made up to 30 June 2018.

**Going concern**
The financial statements have been prepared on the going concern basis. The directors have considered the Company's and the Group's cash flow requirements for the 12 month period from the date of approval of these financial statements. The directors confirm that they will continue to provide or procure additional financial support to the Group for at least that period and as a result have concluded that the Company and the Group will be able to meet their liabilities as they fall due for the foreseeable future.

**Turnover**
Turnover represents income receivable from football and related commercial activities, exclusive of VAT.

Gate receipts and other match day revenue are recognised as the games are played. Revenue derived from season tickets is credited to income in the period to which it relates. Amounts received in advance are credited to deferred income in the statement of financial position.

**2 Accounting policies** (continued)

**Turnover** (continued)
The club receives central distributions from the Premier League. These distributions are recognised evenly over the course of the financial year. Merit awards are accounted for only when known at the end of the football season. The fixed element of broadcasting revenue is recognised over the duration of the football season whilst fees received for live coverage or highlights are taken when earned.

Sponsorship, advertising and similar commercial income is recognised over the duration of the respective contracts. Amounts received in advance are credited to deferred income in the statement of financial position. Conferencing and banqueting receipts are recognised at the time of the event with deposits held in the statement of financial position as deferred income until then or until they are refunded, whichever is the earlier.

**Tangible fixed assets and depreciation**
Tangible fixed assets, other than freehold land, are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Freehold buildings | over 50 years |
| Property improvements | 20% Straight Line |
| Plant and machinery | 20% Straight Line |
| Fixtures, fittings & equipment | 20% Straight Line |
| Motor vehicles | 20% Straight Line |

**Leasing**
An asset and corresponding liability are recognised for leasing agreements that transfer to the Group substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

**Stock**
Stock is valued at the lower of cost and net realisable value. Provision is made for obsolete and slow-moving items.

**Retirement benefits**
The Group contributes to a defined contribution scheme for the benefit of its employees. Contributions payable are charged to profit and loss in the year they are payable.

**Foreign currencies**
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 **Accounting policies** (continued)

**Taxation**
The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

**Intangible fixed assets - player registrations**
Payments made to third parties in order to acquire a player's registration, including agents' fees and transfer fee levies, are capitalised at cost. The cost is then amortised on a straight-line basis over the period of the player's contract.

Under the conditions of certain transfer agreements, further fees will be payable in the event of the players concerned making a certain number of first team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur. The additional costs are capitalised and amortised as set out above.

The Group performs an impairment review on player registrations if adverse events indicate that the amortised carrying value of its intangible assets may not be recoverable. Whilst no individual player can be separated from the income generating unit, which is represented by the playing squad and football club as a whole, there may be certain circumstances where a player is removed from the income generating unit. If such circumstances arise, individual player registrations are written down for impairment where the carrying value exceeds the directors' estimate of fair value less any costs to sell.

Fees receivable from other football clubs on the transfer of players' registrations together with associated costs, are dealt with through profit and loss in the accounting period in which the agreement to transfer the player's registration takes place.

**Provisions**
Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made as to the amount of the obligation.

**Financial Instruments**
The Group has applied the provisions of Sections 11 and 12 of FRS 102, in full, to all of its financial instruments. Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 **Accounting policies** *(continued)*

**Financial assets**

***Trade and other debtors***

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

**Financial liabilities and equity**

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

***Trade and other creditors***

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

***Borrowings***

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

**Key accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of accounting estimation relate to the Group's intangible fixed assets, especially in respect of the timing and quantum of recognising a provision for future fees that may be payable under transfer agreements and in respect of the impairment review. The Group's accounting policies for these areas are as set out above.

# CPFC 2010 LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2018

### 3 Turnover

The turnover of the Group for the year has been derived from its principal activity, wholly undertaken in the United Kingdom.

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Gate receipts | 10,870 | 10,609 |
| Sponsorship and advertising | 9,438 | 6,432 |
| Broadcasting | 121,154 | 116,928 |
| Other commercial activities | 5,806 | 5,449 |
| Other income | 3,078 | 3,317 |
| | 150,346 | 142,735 |

### 4 Operating expenses and other operating income

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Amortisation of player registrations | 46,034 | 32,653 |
| Depreciation of tangible fixed assets | 3,223 | 2,910 |
| Staff costs (note 8) | 117,328 | 111,801 |
| Other operating charges | 20,667 | 21,331 |
| Total operating expenses | 187,252 | 168,695 |
| Other operating income | - | (4,000) |

Other operating income in the year ended 30 June 2017 comprised compensation received (net of costs) after an award in favour of the club by the Premier League Managers' Arbitration Tribunal.

### 5 Interest receivable

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Bank interest receivable | 11 | 14 |

### 6 Interest payable and similar charges

| | 2018 £000 | 2017 £000 |
|---|---|---|
| On finance leases and hire purchase agreements | 100 | 126 |
| On bank overdraft | 381 | 402 |
| On other finance costs | 955 | - |
| On loan from ultimate parent company (i) | (359) | 359 |
| On loan from directors (ii) | - | 88 |
| | 1,077 | 975 |

(i) This interest was waived during the year. All loans from the shareholders to the ultimate parent company are now interest free.
(ii) The short-term loan providing essential finance on completion of the US investment in December 2015 was repaid in full in October 2016 along with a small coupon.

### 7 Auditor's remuneration

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Fees payable to RSM UK Audit LLP and its associates in respect of both audit and non-audit services are as follows: | | |
| Auditors' remuneration – statutory audit of the company and consolidated financial statements | 54 | 3 |
| Other services: | | |
| - Audit services – statutory audit of subsidiaries | 18 | 30 |
| - Tax compliance and advisory services | 10 | 18 |
| - Audit related assurance | 10 | 10 |
| | 92 | 61 |

### 8 Employees

| | 2018 No | 2017 No |
|---|---|---|
| The average monthly number of persons (including directors) employed by the Group during the year was: | | |
| Players, managers and coaches | 138 | 131 |
| Administration and commercial | 89 | 65 |
| | 227 | 196 |

In addition to the disclosure above, the average number of match day and casual staff employed by the company was approximately 700 during the year.

The Company had no employees during the year (2017: None).

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Staff costs for the above persons: | | |
| Wages and salaries | 103,243 | 98,724 |
| Social security costs | 13,970 | 12,999 |
| Other pension costs | 115 | 78 |
| | 117,328 | 111,801 |

The directors, who are also considered to be the Group's key management personnel, received remuneration, of £1,553,000 during the year (2017: £2,150,000). This all related to the highest paid director. As highlighted in the strategic report all of this plus more was reinvested into the club.

No director received pension benefits during the year (2017: Nil). Total key management personnel compensation for the year was £1,775,000 (2017: £2,446,000), which includes social security costs of £222,000 (2017: £296,000).

| 9 | Taxation | 2018<br>£000 | 2017<br>£000 |
|---|---|---|---|
| | Based on the (loss) / profit for the year: | | |
| | UK corporation tax for the year | - | 2,640 |
| | Adjustment in respect of prior periods | (2,331) | (823) |
| | | (2,331) | 1,817 |
| | **Deferred tax** | | |
| | Origination and reversal of timing differences | 192 | 18 |
| | Adjustment in respect of prior periods | - | (32) |
| | | 192 | (14) |
| | Tax (credit) / charge for the year | (2,139) | 1,803 |

**Factors affecting the tax charge for the year**
The tax assessed for the year is lower than the standard rate of corporation tax in the UK as explained below:

| | 2018<br>£000 | 2017<br>£000 |
|---|---|---|
| (Loss) / profit before tax | (35,535) | 11,820 |
| (Loss) / profit before tax multiplied by the standard rate of UK corporation tax UK of 19.00% (2017: 19.75%) | (6,752) | 2,334 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 88 | 13 |
| Fixed asset permanent differences | 299 | 311 |
| Adjustments in respect of prior periods | - | (855) |
| Losses carried forward | 4,085 | - |
| Other differences | 141 | - |
| Tax (credit) / charge for the year | (2,139) | 1,803 |

The adjustment in respect of prior period includes £nil (2017: £820,000) of adjustments following the agreed valuation of share options exercised in the ultimate parent company during the period ended 30 June 2016.

The group has tax losses carried forward as at 30 June 2018 of £21,500,000 (2017: £nil). A deferred tax asset of £4,085,000 has not been recognised in respect of the losses due to the uncertainty as to the timing of future taxable profits.

## 10 Intangible fixed assets

| Group | Player registration cost £000 |
|---|---|
| **Cost** | |
| 1 July 2017 | 163,523 |
| Additions | 53,660 |
| Disposals | (5,119) |
| 30 June 2018 | 212,064 |
| **Amortisation** | |
| 1 July 2017 | 54,244 |
| Charged in the year | 46,034 |
| On disposals | (3,874) |
| Impairment | - |
| 30 June 2018 | 96,404 |
| **Net book value** | |
| 30 June 2018 | 115,660 |
| 30 June 2017 | 109,279 |

## 11 Tangible fixed assets

| Group | Freehold land and buildings £000 | Plant and machinery £000 | Fixtures, fittings and equipment £000 | Motor vehicles £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 1 July 2017 | 7,459 | 10,627 | 4,671 | 135 | 22,892 |
| Additions | 1,314 | 667 | 55 | 80 | 2,116 |
| Disposals | - | - | - | (51) | (51) |
| 30 June 2018 | 8,773 | 11,294 | 4,726 | 164 | 24,957 |
| **Depreciation** | | | | | |
| 1 July 2017 | 1,249 | 4,410 | 2,871 | 95 | 8,624 |
| Charged in the year | 168 | 2,139 | 889 | 27 | 3,223 |
| Disposal | - | - | - | (35) | (35) |
| 30 June 2018 | 1,417 | 6,548 | 3,760 | 88 | 11,813 |
| **Net book value** | | | | | |
| 30 June 2018 | 7,356 | 4,745 | 966 | 76 | 13,144 |
| 30 June 2017 | 6,210 | 6,218 | 1,800 | 40 | 14,268 |

Freehold land and buildings includes £2,396,000 (2017: £2,396,000) of land that is not depreciated. The net book value of plant and machinery includes £1,817,000 (2017: £2,360,000) in respect of assets held under finance leases.

### 12 Fixed asset investments

| | Shares in group undertakings £000 |
|---|---|
| **Company** | |
| **Cost and net book value** | |
| 1 July 2017 | 1,000 |
| Additions | 11,260 |
| 30 June 2018 | 12,260 |

The company holds more than 20% of the equity (and no other share or loan capital) of the following undertakings:

| Subsidiary undertakings: | Class of holding | Proportion directly held | Nature of business |
|---|---|---|---|
| CPFC Limited | Ordinary | 100% | Football Club |
| CPFC Selhurst Park Limited | Ordinary | 100% | Stadium management |

The registered office and principal place of business for the above companies is Selhurst Park Stadium, Holmesdale Road, London SE25 6PU

### 13 Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Goods held for resale | 619 | 388 | - | - |

### 14 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Trade debtors | 1,581 | 1,770 | - | - |
| Debtors arising from football transfers | 2,410 | 11,437 | - | - |
| Other debtors | 2,455 | 1,880 | - | - |
| Corporation tax recoverable | 3,258 | - | - | - |
| Amounts owed by group undertakings | 127 | - | 4,190 | 15,450 |
| Prepayments and accrued income | 832 | 966 | - | - |
| Deferred tax asset | - | 192 | - | - |
| | 10,663 | 16,245 | 4,190 | 15,450 |

Included within the above are amounts recoverable after more than one year of £1,500,000 (2017: £2,410,000) comprising debtors arising from football transfers of £1,500,000 (2017: £2,218,000) and the deferred tax asset of £nil (2017: £192,000). The deferred tax asset arises from depreciation being charged in excess of capital allowances claimed.

| 15 Creditors: Amounts falling due within one year | Group | | Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | £000 | £000 | £000 | £000 |
| Advances under funding agreement | 29,299 | - | - | - |
| Loan from ultimate parent company | 21,000 | 13,500 | - | - |
| Amounts owed to group undertakings | 540 | 570 | - | - |
| Trade creditors | 3,653 | 1,858 | - | - |
| Creditors arising from football transfers | 40,394 | 31,794 | - | - |
| Corporation tax | - | 1,795 | - | - |
| Other taxation and social security | 11,584 | 9,097 | - | - |
| Other creditors | 1,638 | 1,866 | - | - |
| Finance lease and hire purchase liability | 600 | 523 | - | - |
| Accruals and deferred income | 25,496 | 27,158 | - | - |
| | 134,204 | 88,161 | - | - |

The advances under funding agreement comprises amounts advanced to the company which is secured on Central funds due from the Premier League. This facility was repaid in full subsequent to the year end and a further advance of £40m was received under an equivalent agreement.

The finance lease and hire purchase liabilities are secured on the related tangible fixed assets.

Included within accruals and deferred income is £6,805,000 (2017: £6,461,000) in relation to amounts received in advance in respect of season ticket sales. This income is to be released to the profit and loss account in the period to which it relates.

| 16 Creditors: Amounts falling due after more than one year | 2018 £000 | 2017 £000 |
|---|---|---|
| Creditors arising from football transfers | 8,651 | 14,080 |
| Other creditors | 1,911 | 3,415 |
| Finance lease and hire purchase liability | 1,300 | 1,850 |
| Accruals and deferred income | 16 | 30 |
| | 11,878 | 19,375 |

The finance lease and hire purchase liabilities are secured on the related tangible fixed assets. All finance lease and hire purchase liabilities fall due for payment within 5 years.

Accruals and deferred income relates to advance season ticket sales. Revenue derived from season ticket sales is recognised in the profit and loss account in the period to which they relate.

### 17 Provisions for liabilities

| | Cost of Player Registration | |
|---|---|---|
| | 2018 | 2017 |
| | £000 | £000 |
| Balance at 1 July 2017 | 11,688 | 5,030 |
| Provided in year | 7,543 | 13,233 |
| Utilised in year | (10,835) | (6,575) |
| Balance at 30 June 2018 | 8,396 | 11,688 |

Under the conditions of certain transfer agreements, further fees will be payable in the event of the players concerned making a certain number of first team appearances or on the occurrence of certain other specified future events. The above provision relates to additional fees that will probably fall due for payment under these transfer agreements.

The maximum additional amount payable if all conditions were to be met is £4,791,000 (2017: £2,614,000).

### 18 Financial instruments

At the year end, the carrying amount of the Group's financial instruments were as follows:

| | 2018 | 2017 |
|---|---|---|
| | £000 | £000 |
| Financial assets stated at amortised cost | 6,573 | 15,087 |
| Financial liabilities stated at amortised cost | 117,822 | 80,941 |

Financial assets stated at amortised cost comprise debtors, excluding corporation tax recoverable, deferred tax asset and prepayments.

Financial liabilities stated at amortised cost comprise creditors, excluding corporation tax creditor, other tax and social security, finance lease and hire purchase liabilities and deferred income.

### 19 Share capital and reserves

| | 2018 £000 | 2017 £000 |
|---|---|---|
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | 16,450 | 16,450 |

The Company's ordinary shares carry no right to fixed income and each carry the right to vote at general meetings of the Company.

The profit and loss account comprises cumulative profit and loss less distributions to owners.

### 20 Cash flows

**Reconciliation of (loss) / profit after tax to net cash generated from operations**

| | 2018 £000 | 2017 £000 |
|---|---|---|
| (Loss) / profit after tax | (33,396) | 10,017 |
| Depreciation of tangible fixed assets | 3,223 | 2,910 |
| Amortisation of player registrations | 46,034 | 32,653 |
| Gain on disposal of player registrations | (2,437) | (34,741) |
| Interest receivable | (11) | (14) |
| Taxation | (2,139) | 1,803 |
| Interest payable | 1,077 | 975 |
| Operating cash flows before movements in working capital | 12,351 | 13,603 |
| (Increase) in stocks | (231) | (26) |
| Decrease / (increase) in debtors | (379) | 4,055 |
| Increase / (decrease) creditors | 502 | 14,688 |
| Cash generated from operations | 12,243 | 32,320 |

### 21 Retirement benefits

The Group contributes to defined contribution pension schemes. The assets of the schemes are held in independently administered funds. The pension cost charge for the year of £115,000 (2017: £78,000) represents contributions payable by the Group. Contributions totalling £13,000 (2017: £6,000) were payable at the year end and are included in other creditors.

**22 Related party transactions**

During the year £nil (2017: £117,000) was charged by VMM Ltd, a company controlled by S Parish (a director), in respect of services provided to the company with £90,000 (2017: £nil) accrued at the year end.

During the year £156,000 (2017: £234,000) was charged by Smoke & Mirrors Group Limited, a company controlled by S Parish (a director), for rent payable under a tenancy agreement that can be terminated by giving six months' notice, of which £78,000 relates to the year ending 30 June 2019. The amounts owed to Smoke & Mirrors Group Limited, excluding VAT, as at 30 June 2018 was £156,000 (2017: £nil).

**23 Ultimate parent company**

The immediate parent company is Palace Midco UK Limited and ultimate parent company is Palace Holdco UK Limited.

The smallest and largest group in which the results of the Company are consolidated is that headed by Palace Holdco UK Limited. Consolidated accounts of this company are available from its registered office, Selhurst Park Stadium, Holmesdale Road, London SE25 6PU.

**24 Post balance sheet events**

After the year end, the group contracted for the sale and purchase of a number of players. The net cost of these transfers was £10.0m (2017: £40.5m).