

Registration number: 04187289

Wasps Holdings Limited

Annual Report and Consolidated Financial Statements

For the Year Ended 30 June 2019

Wasps Holdings Limited

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Wasps Holdings Limited

Company Information

Directors

D A Richardson

N J Eastwood

L N Dallaglio

R N Dawbarn

R W Gray

C J Holland

D J Armstrong

M J Robertson

Company Secretary

N J Eastwood

Registered office

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Longford

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Auditors

Mazars LLP

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Wasps Holdings Limited

Chairman's Report for the Year Ended 30 June 2019

This was our fourth full year at the Ricoh Arena, a year which saw the Wasps Group continue to invest and mature as a business. We have built on the foundations established in the previous years and have continued to progress during the year. Total revenue has increased year on year to £34.5m (2018: £32.8m), whilst the overall profit for the year was £4.6m an increase of £14.3m from last year, reflecting the £12.5m of funds received as part of the Premier Rugby commercial deal with leading private equity and investment advisory firm CVC and a £4.1m increase in the valuation of Wasps' shareholding in Premiership Rugby.

The new and exciting partnership with CVC highlights the confidence and potential of top-flight Rugby in the UK and importantly to wider global audiences. I look forward to the many benefits that this investment will bring to the sport over the coming years.

Having now settled into the Ricoh Arena, established the club into the fabric of the local area and absorbed the impact of the increased costs that a relocation brings, we are at a point where we feel we have a strong, established proposition and a clear strategy. As such, we feel confident that we will see a step change in business performance going forward.

A core part of our strategy has been to ensure we have the correct leadership in place, and in September 2019 we were delighted to welcome Stephen Vaughan to the Senior Management team as CEO – Sports. Stephen's focus will be the core areas of the Sports businesses with the objective to improve contributions, driving efficiencies and performance. One exciting, recent development to underpin this is the planned move to a new High-Performance Centre that the Rugby department aim to be based from in 2020.

As part of our strategy, Stuart Cain was made CEO – Venue in September 2019. His core focus will be on optimisation of the venue through increased returns from the conferences, exhibitions, concerts, hotels and rentals businesses, as well as exploring other master plan opportunities.

Stephen and Stuart will work together, alongside Nick Eastwood, who becomes Deputy Chairman, Dai Young as Director of Rugby and Mark Rigby as President, to deliver our strategy to improve our performance on and off the field.

The Wasps Rugby team finished in eighth position in the Gallagher Premiership. This was a lower finish than hoped but a few close losses made all the difference and I am proud of how the team performed and fought for each other in a very competitive league. We will continue to invest in the squad to push for a successful 2019/20 season by developing our existing team and attracting further world class talent.

In addition, the Wasps Netball team came second in the Vitality Superleague, losing a hard-fought final to Manchester Thunder. Again, we look forward to the Netball team pushing for greater successes in the 2020 season.

The Ricoh Arena remains hugely important to the local community and I look forward to several key milestones over the next few years when we shall be a cornerstone venue for the City of Coventry during their year as the UK City of Culture in 2021. In the same year, we are a host venue for the Rugby League World Cup. In 2022 the Commonwealth Games will be in Birmingham and we will be a host venue, showcasing the Rugby Sevens, Judo and Wrestling.

Our focus to improve the experience at the Ricoh Arena, alongside our principal partner Vodafone, a global leader in the technology space, has resulted in the launch of a ground breaking 5G technology hub. This means that we shall be one of the first stadia to have full 5G capacity, thus significantly enhancing the visitor experience and allowing the business to benefit from the many developments of a fully connected stadium.

This year also saw the introduction of Delaware North as hospitality and catering partners to the Arena, who with their unique knowledge and experience, including working at Wembley, the London Stadium and the Emirates, have transformed the customer experience for the 1.6 million customers that visit the Arena each year. This has coincided with further investment into our digital offering, including installation of one of the largest

Wasps Holdings Limited

Chairman's Report for the Year Ended 30 June 2019

pitch-side LED screens in UK sport and further LED screens across the Arena, enabling event organisers to visually personalise the venue and tailor specific messaging to their visitors.

The Group continues to seek to maximise its use of the Ricoh Arena. The continued engagement with new fans, businesses, clubs and schools resulted in another successful year of attendances for Wasps and business activities at the Arena. This year saw us staging a number of events including The Spice Girls and Bon Jovi concerts, a European Rugby Union semi-final, Monster Jam monster trucks, and Netball in the Ericsson Indoor Arena. We look forward to hosting further sporting and entertainment events in the future years.

The ongoing investment in the DoubleTree by Hilton hotel has continued to provide significant returns, with hotel revenues up year on year.

I am delighted to continue as the Chairman of the Group, supported by Nick Eastwood, Stephen Vaughan and Stuart Cain as senior leaders in the business, Dai Young and Mark Rigby. I would like to thank everyone involved in our organisation, from our players, to the Board, management, all our staff and to the wider community who have worked so hard and embraced the changes to make the past year one of progress. The Group is in a strong position to capitalise on the future opportunities available to us as one of the UK's leading sports, exhibition, conferencing and entertainment arenas.

Finally, I would like to thank our supporters for their wonderful support throughout last season and I look forward to their continued support for what promises to be another thrilling season!

D A Richardson
Chairman

31 October 2019

Wasps Holdings Limited

Deputy Chairman's Report for the Year Ended 30 June 2019

The club continues to progress, and we are now in our fourth full year at the Ricoh Arena, a move which has proved transformational for the Club.

The Group has established solid and stable foundations and will continually build on these in future years. Our overriding aim remains to challenge for honours in the Gallagher Premiership, European competitions and Netball Superleague, underpinned by a successful business model as one of the UK's leading multi-purpose venues.

GROUP HIGHLIGHTS

Key financial metrics

- Revenues at £34.5m (Wasps: £14.8m; ACL: £5.1m; IEC: £14.6m); (2018: £32.8m (Wasps: £15.5m; ACL: £3.6m; IEC: £13.7m));
- Operating profit of £8.4m (2018: loss £6.3m);
- EBITDA (operating profit before taxation, finance costs, depreciation and amortisation) of £10.7m (2018: loss of £4.1m);
- Arena revalued to £51m (2018: £60m) with the next due for a formal revaluation in 2021;
- Consolidated senior net debt at 30 June 2019 of £31.4m (2018: £37.3m) mainly owed to Wasps Finance;
- Premier Rugby Limited commercial share valuation of £13.9m (2018: £9.7m).

Operational highlights

- Average rugby attendance of 18,419 - the second highest in the Gallagher Premiership;
- Vitality Superleague Netball runners-up;
- Installation of one the largest LED pitch-side screens in UK sport, alongside several other screens across the venue to enhance the visitor experience;
- The Spice Girls and Bon Jovi bowl concerts held;
- Monster Jam monster truck event held;
- Successful indoor concerts hosted for Catfish and the Bottlemen, Stepback 90's and Sean Paul;
- New 10-year lease signed with Grosvenor Casino;
- EPCR semi-final held between Saracens and Munster;
- Hotel RevPAR increased by 10%;
- 49 major exhibitions held (2018: 39).

SPORT

The Group grew its overall revenue from sport throughout the year. Average attendances for the season for Premiership and European rugby matches were 18,419 (2018: 18,775).

The team finished eighth in the Gallagher Premiership; following a number of injuries to key players and several narrow losses towards the end of the season (highlighting the increased competition within the top 12 teams in the country). We will work to develop our team further and attract world class talent, so that we are able to compete for honours in the 2019/20 season in both the Premiership and European competitions.

Premier Rugby Limited (PRL) have completed a new partnership with leading private equity and investment advisory firm CVC Capital partners for CVC Fund VII to invest in a minority shareholding in the league. This investment is a major sign of confidence in rugby generally and its appeal here in the UK and also to a wider global audience.

Wasps Holdings Limited

Deputy Chairman's Report for the Year Ended 30 June 2019

The franchise for Wasps Netball enjoyed its third year in existence. The team played in the Vitality Superleague and achieved another stunning playoff, only losing narrowly in the final at London's Copper Box Arena to Manchester Thunder. The third-year investment in the franchise will now lead into the further building of the community programme around netball. This, combined with the rugby, provides an excellent opportunity to engage with both boys and girls in schools, clubs and the wider community.

Hospitality and sponsorship had a good year, with gains year on year despite a tough economic background and we welcome Vodafone as our main sponsor for at least the next two years.

Central rugby income from Premier Rugby Limited and the Rugby Football Union improved by year on year, in line with expectations and we welcome the additional investment following the investment by CVC in Premiership Rugby.

The Group will continue to seek to capitalise on its position as the one of the leading UK conference and event centres with resident elite sports teams, to bring other sports to the Arena, having hosted the rugby union European Cup semi-final between Saracens and Munster and Wasps Netball in the Ericsson Arena during the year.

In April 2019, the Supreme Court upheld the previous High Court decision dismissing the challenge that Coventry City council's extension of ACL's lease on the Ricoh Arena in 2013 represented state aid.

Engagement with our community remains a core part of our activity and the last year has seen another great year within the community department. We currently run 12 community programmes that fall within five pillars of delivery; Education, Inclusion, Development, Employability and Matchdays.

Our education programmes range from primary schools up to colleges and include programmes such as Tackling Health and Project Rugby. Tackling Health is designed to challenge primary schools' attitudes to healthy eating and living healthy lifestyles. Project Rugby is aimed at increasing the number of people playing rugby at clubs from traditionally underrepresented groups including Black, Asian and Minority Ethnic (BAME) groups, people from lower socio-economic groups (LSEG) and people with disabilities. The Inclusion pillar includes our work with special educational needs and disabilities (SEND) groups as well as wider social inclusion programmes. Development programmes include our successful Coachclass rugby camps which have increased the number of children coached during school holidays keeping them more active as well as hopefully helping them progress in their rugby skills. Our Employability strand includes our HITZ programme that saw two of our participants nominated for national awards with Carter Moran going on to win the Young Achiever of the Year award. Finally, our matchdays saw over 4,500 children and community groups take part in our fan engagement and pitch side activities, whilst being able to see Wasps play at Ricoh Arena.

BUSINESS

A strategic review of the business was undertaken during the year and has resulted in the structure being realigned to provide separate focus between the Sports and Venue businesses. Stuart Cain is the CEO- Venue, and Stephen Vaughn joined in September as CEO-Sports. This will bring greater clarity to the two areas of the business; drive improved performance and ensure that all teams are aligned with their revised responsibilities.

The capacity of the stadium is 32,600, and it has over 20,000 sqm of flexible event space, including the 6,000 sqm Ericsson Exhibition Hall. The Arena contains one of the UK's largest casinos and an onsite 121 bedroom, four-star DoubleTree by Hilton hotel, which again grew its revenues. The facilities also include three onsite restaurants, five bars and more than 20 retail food and beverage outlets.

ACL turnover increased year on year in line with expectations, due to more concerts and events being held, partly offset by a reduction in naming rights revenues. The Group continues to work with Grosvenor, the operator of the casino, to build on the successful synergies already in place, and are delighted that they have committed to

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Deputy Chairman's Report for the Year Ended 30 June 2019

a further 10 years at the Ricoh. Arena Event Services delivered increased contribution to the business over the 2018/19 year and will continue to develop during the 2019/20 year.

The Arena is a leading UK conference and event centre with resident elite sports teams, and the combination of the Wasps brand with the Arena facilities creates significant sponsorship and partnership synergies, thus providing opportunities for the growth and development of both. The Ericsson Arena and stadium now include a new high-density WI-FI network throughout the whole site to provide an enriched experience for conference, sports events, exhibition and concert attendees.

ENTERTAINMENT

The Arena is a leading concert venue with a maximum concert capacity of 40,500. Following on from a busy 2018 schedule, key highlights for the year included stand-out performances from The Spice Girls (supported by Jess Glyn) and Bon Jovi (supported by The Manic Street Preachers) in the bowl and several indoor concerts, including Stepback 90's, Sean Paul and Catfish and the Bottlemen, held in the Ericsson Indoor Arena. As a first for Coventry, 5,000 tonnes of dirt was transported into the Arena to transform the stadium bowl into a monster truck arena. The events improved overall contribution to the business and will continue to form a significant part of future growth plans, with the emphasis on stadium hire events. We are delighted to have been part of the successful bid by Coventry for the City of Culture for 2021 and look forward to developing various events with the city over the next two years.

GROUP COMMERCIAL UPDATE

The combination of Wasps and the Ricoh Arena creates unique sponsorship and partnership synergies and continues to result in a number of new partnerships. Since the previous year end, new partnership deals have been signed with Vodafone, Under Armour and Mizuna for playing kit and retail merchandise. The portfolio of high-quality brands grows, with the addition of new partnership agreements with NPower, Wright Hassall, T M Lewin and Mizuno Netball.

GOING CONCERN

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared medium term financial forecasts which show that the Group is dependent upon the financial support of its ultimate shareholder to remain within its committed lending facilities, and to meet the financial covenants associated with the Retail Bond. The board of directors and ultimate shareholder are committed to making the group financially self-sustainable, including initiating a series of projects to increase both matchday and non-matchday revenues and managing costs accordingly.

The directors of the company have obtained a letter of support from the ultimate shareholder outlining a continued commitment to the Group and are satisfied that the existing ultimate shareholder support will continue to be forthcoming. See Note 2 for further detail.

N J Eastwood

Deputy Chairman

31 October 2019

Wasps Holdings Limited

Strategic Report for the Year Ended 30 June 2019

The directors present their strategic report for the year ended 30 June 2019.

FAIR REVIEW OF THE BUSINESS

The Group

The Group's principal activity is to play rugby union in the Gallagher Premiership and European cup competitions, and to operate the Arena as a conference, exhibition and events venue. Wasps Holdings Limited own both Arena Coventry Limited (ACL) and IEC Experience Limited (IEC), which both operate out of the Arena. Collectively the Company and these subsidiaries are referred to as the Group.

The Objective

Our overall objective is to operate the highest quality sport, business and entertainment venue in the Midlands. The Group objectives are directly linked to the performance of the Wasps rugby squad on the field of play, and maximising the utilisation of the facilities at the Arena. The squad is based on working strictly within the limits of the Salary Cap and providing elite sports coaches and elite facilities to improve the team performance year on year. The Arena consists of 20,000sqm of flexible event space including a 6,000sqm pillar free indoor arena, 121 room hotel and 80 versatile suites which catered for over 800 individual events during the last 12 months. The playing objective is to continue to compete for honours in the Gallagher Premiership and the European competitions, a goal we believe to be realistic due to the investment in the players, coaches and support staff.

Key Performance Indications ("KPIs")

The Group measures its performance based on both financial and non-financial KPIs. The Group's KPIs together with explanations and commentary are as follows:

	Comment	2018/19	2017/18
League position	1	8 th	3 rd
Average attendance	2	18,419	18,775
Operating loss	3	(£5.2m)	(£2.1m)
EBITDA	4	£10.7m	(£4.1m)
Exhibitions held	5	49	39
Hotel RevPAR	6	£57	£52
F&B spend per head	7	£6.24	£6.16

- 1 League position – being the final league position for Wasps;
- 2 Average attendance – being the average attendance for home games in the Gallagher Premiership and European cup competitions; higher attendances also drive improved match day spending on food and beverage and merchandise.
- 3 Operating loss - defined as the operating result before depreciation, amortisation, taxation, finance costs, exceptional items, management fee and allocation to non-controlling interests;
- 4 EBITDA - defined as the operating result before depreciation, amortisation, taxation and finance costs;
- 5 Exhibitions held – represents the number of exhibitions that the Arena hosted in the year.
- 6 Hotel RevPAR – defined as the revenue per room available; this is a standard hotel industry measurement.
- 7 F&B spend per head – being the average amount spent on food and beverage per person at home rugby matches.

Wasps Holdings Limited

Strategic Report for the Year Ended 30 June 2019

Hospitality – IEC Experience

IEC strives to provide a best in class catering, exhibition, conference and hospitality service for visitors to the leisure destination.

On the 14th July 2019, the Company agreed a long-term strategic partnership with global hospitality giants, Delaware North Companies (UK) Hospitality Services Limited. They are a global leader in hospitality with unique knowledge of working with venues like ourselves both here in the UK and abroad. We look forward to working together and building upon this partnership. This arrangement ended the previous supply agreement with Compass Group UK Limited, and as part of this termination Arena Coventry Limited purchased the 23 B shares (representing a 23% shareholding) held by the Compass Group.

Arena – Arena Coventry and Arena Coventry 2006 (a subsidiary of ACL)

ACL has a long-term lease (234 years remaining) with Coventry City Council over the Ricoh Arena. Leases over other operational space include new rentals, multi-year renewals and on-going tenancies. The property was valued in March 2019 at £51m by professional RICS valuers Gerald Eve LLP. The next external valuation is due in 2021.

Wasps Rugby

Wasps underlying turnover increased on the previous year; and received exceptional income of £12.5m following the CVC commercial deal with Premier Rugby Ltd. As a consequence of this deal, Wasps' total shareholding in Premier Rugby was revalued by the directors from £9.7m to £13.9m, also resulting in an exceptional gain of £4.1m. The Company is looking to grow revenue levels for 2019/20 and beyond. Attendance remains a significant KPI for the Group. The policy of the Group is to continue to invest in the playing/coaching squad, whilst strictly adhering to the Salary Cap.

Wasps Netball

The Wasps netball team participated in its third Superleague competition, headed up by Mel Mansfield as Head Coach. The team produced an outstanding performance in its third year, narrowly losing to Manchester Thunder in the third appearance in three years in the Final at London's Copper Box Arena. We are immensely proud of the team performance and look forward to successful 2020 season. Netball provides an additional element to the Wasps brand and our presence in the West Midlands community.

FINANCIAL PERFORMANCE

Summary

The Group generates its income principally from rugby matches, hospitality, sponsorship, central revenues, conferences, exhibitions and other events. The utilisation of the facilities is paramount to the Group.

	2019	2018
	£'m	£'m
Revenue	34.5	32.8
Cost of sales	(25.8)	(22.0)
Gross profit	8.7	10.8
Gross margin	25%	33%
Administrative expenses	(13.9)	(12.9)
Operating loss before exceptional items, allocation to non-controlling interests, management fee, depreciation and amortisation	(5.2)	(2.1)
Management fee / allocation to non-controlling interest	(0.9)	(1.3)
Exceptional items	16.8	(0.6)
Operating loss before taxation, finance costs, depreciation and amortisation	10.7	(4.1)
Depreciation and amortisation	(2.3)	(2.3)
Operating profit / (loss)	8.4	(6.3)
Finance costs	(3.8)	(3.4)
Profit / (loss) before tax	4.6	(9.7)

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Strategic Report for the Year Ended 30 June 2019

Revenues

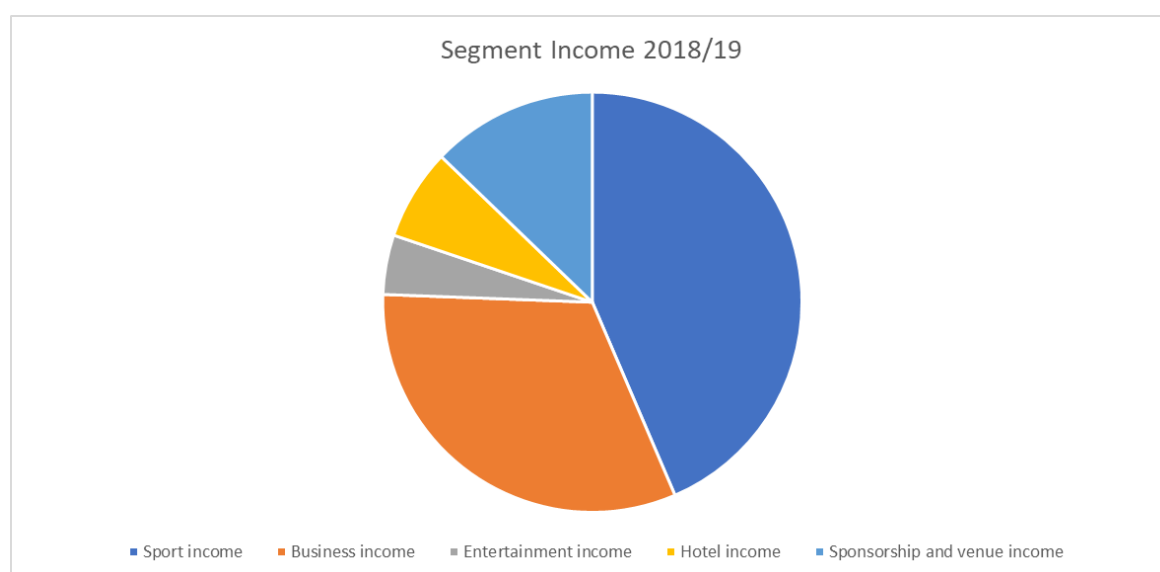
Group revenue contribution

The Group's revenues comprise the following:

	2019	2018
	£'m	£'m
Wasps	14.8	15.5
ACL	5.1	3.6
IEC	14.6	13.7
Total Revenue	34.5	32.8

Revenue by segment

The diversification of the Group's business provides both financial stability and opportunities to drive complementary revenue streams from each event at the Arena. The information below provides an update and demonstrates the diversified income streams within the Group:



Sport

Central rugby income (being mainly broadcasting and central sponsorship revenues) has improved over the previous year in line with expectations. Seasonal hospitality income increased year on year offset by lower matchday ticket sales.

The 2019/20 season will see 16 home Wasps rugby fixtures and several home Wasps netball fixtures.

In April 2019, Premier Rugby Limited confirmed an agreement to sell a significant minority interest in Premier Rugby Limited (PRL) to certain funds advised or managed by CVC Capital Partners (CVC Funds) which was signed on 29 March 2019 and the club received a cash inflow of £12.5m as a result of this transaction. This investment is a major sign of confidence in rugby generally and its appeal here in the UK and also to a wider global audience.

In April 2019, the Supreme Court upheld the previous High Court decision dismissing the challenge that Coventry City council's extension of ACL's lease on the Ricoh Arena in 2013 represented state aid.

Wasps Holdings Limited

Strategic Report for the Year Ended 30 June 2019

Business

Food and beverage sales increased year on year, following an increased spend per head at sporting events. Exhibition income performed well with improved margins for the year.

Entertainment

The Arena staged three bowl events (The Spice Girls, Bon Jovi and Monster Jam) which saw 120,000 fans attend the Arena over four days. Indoor concerts and events included Catfish and the Bottlemen, Stepback 90's and a Sean Paul concert. We will continue to seek to attract further events into the 2019/20 year.

Hotel

The DoubleTree by Hilton saw significant growth. Revenues improved year on year and RevPAR finished at £57 (2018: £52).

Sponsorship and venue

Sponsorship and partnership income increased year on year with new partnerships and sponsors signed up. These include Vodafone, Arthur J Gallagher, Scutum, Wright Hassall and Npower who joined the Wasps group of commercial partners and sponsors.

Cost of sales and administrative expenses

Costs of sales represent the direct costs of staging rugby and football matches and business events at the Arena, whilst administrative expenses represent the costs of managing the Group. Direct and overhead costs have increased by 13% as detailed in note 5 and work is ongoing to manage these appropriately. The board have instigated a detailed cost management programme to ensure that the Group is focussed on cost control.

There has been further investment in the playing squad and coaching staff, which is matched by an increase in funding from Premier Rugby and the RFU. Our policy is to invest in the team, whilst fully complying with the Premiership Salary Cap regulations, providing the Director of Rugby with the best possible opportunity to achieve success.

Indebtedness

Consolidated senior net debt stood at £31.4m as at 30 June 2019 (2018: £37.3m).

Net debt is defined as bank loans, overdraft, finance company loans, less cash balances. As at 30 June 2019 the balance was £46.7m (2018: £55.8m), which comprised Wasps Finance PLC £33.8m (2018: £33.8m), DA Richardson £18.4m (2018: £18.6m), HSBC PLC £Nil (2018: £0.2m), asset finance £0.7m (2018: £0.1m) and bank overdrafts of £Nil (2018: £3.5m), offset by cash balances held of £3.1m (2018: £Nil).

Valuations

The Group revalued the property located at Judds Lane on which the stadium is located in early 2019. The revaluation brought the total value in the financial statements to £51.0m (2018: £60m), of which £6.8m was valued as the share of the Arena which is currently leased to Rank Group Gaming Division Limited for its casino operations at the Ricoh Arena.

The Invested Units (previously P Shares) investment in Premier Rugby Limited have been recognised at their fair value of £13.9m (2018: £9.7m). The current valuation is based on the Group's share of the valuation of Premier Rugby Limited following the investment by CVC and will be updated annually and any changes will be recognised in the Group profit and loss account.

Wasps Holdings Limited

Strategic Report for the Year Ended 30 June 2019

Exceptional items and allocation to non-controlling interest / management fee

During this and the previous year the Group incurred revenues and costs that due to their size and nature were deemed 'exceptional'. The Group's definition of exceptional is based on the classification of non-recurring items as such to enable the normal financial performance of the Group to be better understood. During the year, funds received from Premier Rugby Ltd following the CVC investment; the subsequent shareholding revaluation, and from the award of costs offset by further expenditure costs in relation to the judicial review work have been deemed exceptional. In the prior year, the judicial review and bond related costs have been deemed exceptional.

The allocation to non-controlling interest relates to management fees payable to Compass under the IEC shareholder agreement. This agreement ended on 14 July 2018 and was replaced by an agreement with Delaware North. Whilst Delaware North does not have any shareholding interest, the management fee element is similar in substance to that which was in place with Compass, and therefore has been disclosed as such.

The Group's exceptional items comprise the following:

	2019 £'m	2018 £'m
Bond related costs	-	0.2
Premier Rugby income (CVC investment)	(12.5)	-
Revaluation of Premier Rugby investment (note 3)	(4.1)	-
Judicial review (income) / costs	(0.1)	0.4
Total	<u>(16.8)</u>	<u>0.6</u>

Finance costs

The Group's finance costs comprise the following:

	2019 £'m	2018 £'m
Interest due to Wasps Finance PLC	2.3	2.3
Loan and overdraft interest	0.2	0.3
Amortisation of bond transaction costs	0.1	0.1
Shareholder interest on loan balance	0.8	0.6
Interest on deferred consideration	0.4	0.1
Total	<u>3.8</u>	<u>3.4</u>

Going concern

The Group and company are financed by a retail bond issued by Wasps Finance PLC which contains financial covenants based on the financial performance of the Group. Further detail of the position in relation to the Group is noted within Note 2 – Accounting policies.

Directors' indemnities

The Group has maintained directors' and officers' liability insurance throughout the year for the benefit of the Group, the directors and its officers.

Brexit

We have considered the potential impact of Brexit on the Group and whilst there may be significant effects for the wider economy which could in turn affect the Group's performance, we have not identified any specific risk that is material enough to require further disclosure here.

Wasps Holdings Limited

Strategic Report for the Year Ended 30 June 2019

PRINCIPAL RISKS AND UNCERTAINTY

For the Group the principal risks and uncertainties continue to be:

Success of the first team and relegation from the Gallagher Premiership

Impact: Reduced revenues that would necessarily involve a reduction in expenditure to compensate.

Mitigation: Continued investment in the playing squad and coaching staff to ensure playing performance is at the very least maintained.

Reduced funding from the RFU, PRL and main sponsors

Impact: Reduced revenue from central contracts and sponsors.

Mitigation: Continued development of players who will feature in England/International squads thus maximising certain elements of revenue from the RFU and PRL. Utilising sponsorship money to improve infrastructure and customer experience thus improving match day spend per head.

Failure to comply with Premiership or RFU regulations or changes in regulations

Impact: Wasps penalised financially for non-conformance to regulations.

Mitigation: Maintain regulation returns and inspection reports as per regulations, particularly in relation to Salary Cap and minimum standards reporting.

Failure to meet Wasps Finance PLC bond covenants

Impact: Wasps penalised financially through increased interest rate or bond repayment.

Mitigation: Detailed long-term business plan with sensitivity analysis to support covenants. The formula methodology has been revised to enable shareholder contributions to be included in the covenant calculations.

Closure of the Arena due to unforeseen circumstances

Impact: Reduced revenue from events at the Arena.

Mitigation: Insurance to cover lost profits (based on budget) reviewed twice per year for forecast changes and updated with insurance company.

Valuation of Arena materially lower than revaluation

Impact: Asset cover reduced for Bondholders.

Mitigation: Use professional valuation companies to provide accurate valuation on a regular basis. Long term contracts and income growth to support valuation.

Conference and exhibition growth targets not met

Impact: Reduced revenues from conference and exhibition business, resulting in reduced profits.

Mitigation: Provision for long term contracts and dedicated sales and marketing team, providing 12-month order book and maximising competitive yield and margin.

Approved by the Board and signed on its behalf by:

N J Eastwood
Director

31 October 2019

Wasps Holdings Limited

Directors' Report for the Year Ended 30 June 2019

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

General overview

In May 2015 Wasps Finance PLC, a sister company to the Group, raised £35m by issuing a Retail Bond on the London Stock Exchange. The Group (excluding IEC) is a guarantor to this Retail Bond and have drawn down £33.8m from Wasps Finance PLC.

A consequence of being the guarantor of the Retail Bond is that the Group is required to produce these audited annual financial statements in accordance with International Financial Reporting Standards. Therefore, these financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU.

Dividends

The directors do not recommend the payment of a dividend (2018: £Nil).

Directors of the Group

The directors who held office during the year were as follows:

D A Richardson

N J Eastwood

R N Dawbarn

R W Gray

L N Dallaglio

D J Armstrong

C J Holland

M J Robertson (appointed 18 December 2018)

Company secretary

The company secretary who held office during the year was as follows:

N J Eastwood

Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, liquidity risk and interest rate risk are included in note 27.

Going concern

The Group and Company are financed by a retail bond issued by Wasps Finance PLC which contains financial covenants based on the financial performance of the Group. Further detail of the position in relation to the Group is noted within Note 2 – Accounting policies.

Disabled employees

Applications for employment by disabled persons are always fully considered and appropriate arrangements made. In the event that members of staff become disabled, every effort is made to ensure that appropriate adjustments and additional training is arranged as required. It is the policy of the Group that the training, career development and promotion of disabled persons, should as far as possible, be identical to that of all employees.

Employee consultation

The Group places value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance on the Group. This is achieved through regular formal and informal meetings and in-house communications.

Wasps Holdings Limited

Directors' Report for the Year Ended 30 June 2019

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Future developments

For the financial year to June 2020, the Board is concentrating on the further consolidation of the Group's position.

Re-appointment of auditors

Mazars LLP was appointed auditor during the prior year and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

N J Eastwood

Director

31 October 2019

Wasps Holdings Limited

Statement of Directors' Responsibilities for the Year Ended 30 June 2019

The directors are responsible for preparing the Annual Report and the Consolidated 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 prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 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 IFRS's as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group 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 disclose with reasonable accuracy at any time the financial position of the company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Wasps Holdings Limited

Independent auditor's report to the members of Wasps Holdings Limited

Opinion

We have audited the financial statements of Wasps Holdings Limited (the "parent company") and its subsidiaries (the "group") for the year ended 30 June 2019 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

The impact of uncertainties due to the United Kingdom exiting the European Union ('Brexit') on our audit

The directors' view on the impact of Brexit is disclosed on Page 10.

The terms on which the United Kingdom may withdraw from the European Union are not clear, and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy. We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible implications for the Group and Company and this is particularly the case in relation to Brexit.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, we draw attention to note 2 in the financial statements concerning the company's ability to continue as a going concern and the uncertainty regarding the ongoing support of the company's ultimate shareholder. As stated in note 2 this condition indicates the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Wasps Holdings Limited

Independent auditor's report to the members of Wasps Holdings Limited

Note 2 to the financial statements details the directors' explanation of the material uncertainty relating to going concern. The directors of Wasps Holdings Limited have prepared medium term forecasts which covers more than 12 months from the date of signing these financial statements. These medium-term forecasts show that Wasps Holdings Limited continues to be dependent on the financial support of its ultimate shareholder, Derek Richardson, with additional financial contributions needed to fund ongoing cash flow requirements and to meet bond covenants. The directors are considering various refinancing options in relation to the repayment of the loans due to be repaid to Wasps Finance Plc in 2022.

The directors are satisfied that ultimate shareholder support will continue to be forthcoming for the foreseeable future. The directors of Wasps Holding Limited have obtained a letter of support from the ultimate shareholder. However, as this letter of support is not legally binding the directors have drawn attention to the risk that if ultimate shareholder support is not forthcoming a material uncertainty relating to going concern would arise in the basis of preparation to the financial statements.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

Wasps Holdings Limited

Independent auditor's report to the members of Wasps Holdings Limited

- 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 Statement of Directors' Responsibilities set out on page 15, 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Richard Metcalfe

(Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 4 November 2019

Wasps Holdings Limited

Consolidated Income Statement for the Year Ended 30 June 2019

		2019	2018
	Note	£'000	£'000
Revenue	4	34,520	32,827
Cost of sales	5	(25,771)	(22,046)
		8,749	10,781
Administrative expenses	5	(13,911)	(12,930)
Operating loss before exceptional items, allocation to non-controlling interests, management fee, depreciation and amortisation		(5,162)	(2,149)
Exceptional items	6	16,758	(603)
Allocation to non-controlling interests	6	-	(1,299)
Management fee	6	(875)	-
Operating loss before taxation, finance costs, depreciation and amortisation		10,721	(4,051)
Depreciation and amortisation	12,14	(2,323)	(2,270)
Operating profit / (loss)		8,398	(6,321)
Finance costs	7	(3,774)	(3,402)
Profit / (loss) before tax		4,624	(9,723)
Taxation	11	(1,060)	-
Profit / (loss) for the year		3,564	(9,723)
Profit / (loss) attributable to:			
Owners of the company		3,564	(9,696)
Non-controlling interests		-	(27)
		3,564	(9,723)

The above results were derived from continuing operations.

The accompanying notes are an integral part of these financial statements.

Wasps Holdings Limited

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2019

	Note	2019 £'000	2018 £'000
Profit / (loss) for the year		3,564	(9,723)
Other comprehensive income for the year that will not be reclassified to profit and loss			
Deficit on revaluation of long leasehold property	12	(8,498)	-
Income tax effect	11	1,484	-
		(7,014)	-
Total comprehensive expense for the year		(3,450)	(9,723)
Total comprehensive expense attributable to:			
		(3,450)	(9,696)
Non-controlling interests		-	(27)
		(3,450)	(9,723)

The accompanying notes are an integral part of these financial statements.

Wasps Holdings Limited

Consolidated Statement of Financial Position as at 30 June 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	51,972	67,605
Investment properties	13	6,800	-
Intangible assets	14	758	885
Financial assets at fair value	16	13,865	9,725
		<u>73,395</u>	<u>78,215</u>
Current assets			
Inventories	17	529	509
Trade and other receivables	18	5,822	7,665
Cash and cash equivalents	19	3,117	-
		<u>9,468</u>	<u>8,174</u>
Total assets		<u>82,863</u>	<u>86,389</u>
Equity and Liabilities			
Equity			
Share Capital	20	(776)	(776)
Share Premium		(6,341)	(6,341)
Revaluation reserve		(26,788)	(33,802)
Capital contribution reserve		(638)	(638)
Financial Assets at Fair Value		-	(8,071)
Other reserve		-	1,879
Accumulated losses		41,607	48,504
Equity attributable to owners of the company		<u>7,064</u>	<u>755</u>
Non-controlling interests		-	(586)
Total Equity		<u>7,064</u>	<u>169</u>
Non-current liabilities			
Loans and borrowings	21	(52,054)	(51,841)
Other payables	24	(6,231)	(1,879)
Deferred tax liabilities	11	(6,512)	(6,936)
Deferred Income	26	(10,372)	(4,867)
		<u>(75,169)</u>	<u>(65,523)</u>
Current liabilities			
Trade and other payables	24	(10,111)	(12,668)
Provisions	25	(130)	-
Loans and borrowings	21	(772)	(4,026)
Deferred income	26	(3,745)	(4,341)
		<u>(14,758)</u>	<u>(21,035)</u>
Total liabilities		<u>(89,927)</u>	<u>(86,558)</u>
Total equity and liabilities		<u>(82,863)</u>	<u>(86,389)</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board on 31 October 2019 and signed on its behalf by:

N J Eastwood
Director

Wasps Holdings Limited

Company Statement of Financial Position as at 30 June 2019

(Registration number: 04187289)

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	196	391
Investments	15	5,917	5,917
Financial assets at fair value	16	13,865	9,725
		<u>19,978</u>	16,033
Current assets			
Inventories	17	149	231
Trade and other receivables	18	2,714	4,637
Cash and cash equivalents	19	1,014	-
		<u>3,877</u>	4,868
Total assets		<u>23,855</u>	<u>20,901</u>
Equity and Liabilities			
Equity			
Share Capital	20	(776)	(776)
Share Premium		(6,341)	(6,341)
Capital contribution reserve		(554)	(554)
Financial Assets at Fair Value		-	(8,071)
Accumulated losses		40,222	54,462
Total Equity		<u>32,551</u>	<u>38,720</u>
Non-current liabilities			
Loans and borrowings	21	(46,195)	(46,275)
Deferred tax liabilities	11	(1,060)	-
		<u>(47,255)</u>	(46,275)
Current liabilities			
Trade and other payables	24	(6,665)	(6,939)
Provisions	25	(130)	-
Loans and borrowings	21	(242)	(3,869)
Deferred income	26	(2,114)	(2,538)
		<u>(9,151)</u>	(13,346)
Total liabilities		<u>(56,406)</u>	<u>(59,621)</u>
Total equity and liabilities		<u>(23,855)</u>	<u>(20,901)</u>

The Company's profit for the year was £6.2m (2018: loss of £7.2m).

The accompanying notes are an integral part of these financial statements.

Approved by the Board on 31 October 2019 and signed on its behalf by:

N J Eastwood
Director

Wasps Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2019

	Share Capital	Share Premium	Other reserve	Capital Contribution reserve	Revaluation reserve	Financial Assets at Fair Value	Accumulated losses	Equity attributable to owners of the company	Non- controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 June 2017	776	6,341	(1,764)	-	33,802	8,071	(38,923)	8,303	613	8,916
Loss for the year	-	-	-	-	-	-	(9,696)	(9,696)	(27)	(9,723)
Total comprehensive expense	-	-	-	-	-	-	(9,696)	(9,696)	(27)	(9,723)
Capital contribution	-	-	-	638	-	-	-	638	-	638
Transfer between reserves	-	-	(115)	-	-	-	115	-	-	-
As at 30 June 2018	776	6,341	(1,879)	638	33,802	8,071	(48,504)	(755)	586	(169)
Impact of IFRS 9 (note 2)	-	-	-	-	-	(8,071)	8,071	-	-	-
Revaluation	-	-	-	-	(8,498)	-	-	(8,498)	-	(8,498)
Income tax effect of revaluation	-	-	-	-	1,484	-	-	1,484	-	1,484
Profit for the year	-	-	-	-	-	-	3,564	3,564	-	3,564
Total comprehensive income / (expense)	-	-	-	-	(7,014)	-	3,564	(3,450)	-	(3,450)
Acquisition of non-controlling interest	-	-	1,879	-	-	-	(4,738)	(2,859)	(586)	(3,445)
As at 30 June 2019	776	6,341	-	638	26,788	-	(41,607)	(7,064)	-	(7,064)

Other reserve represented the discounted future liability payable to Compass Group in June 2030. (See note 3 for further detail).

Financial assets at fair value reserve represents the capital reserve relating the Group's investment in Premier Rugby Limited. In the year ended 30 June 2019, under IFRS 9, this investment has been classified as a financial asset measured at fair value through profit or loss, and hence the balance has been transferred to accumulated losses.

The accompanying notes are an integral part of these financial statements.

Wasps Holdings Limited

Company Statement of Changes in Equity for the Year Ended 30 June 2019

	Share Capital	Share Premium	Capital contribution reserve	Financial Assets at Fair Value	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 30 June 2017	776	6,341	-	8,071	(47,263)	(32,075)
Loss for the year	-	-	-	-	(7,199)	(7,199)
Total comprehensive expense	-	-	-	-	(7,199)	(7,199)
Capital contribution	-	-	554	-	-	554
As at 30 June 2018	776	6,341	554	8,071	(54,462)	(38,720)
Impact of IFRS 9 (note 2)	-	-	-	(8,071)	8,071	-
Profit for the year	-	-	-	-	6,169	6,169
Total comprehensive income	-	-	-	-	6,169	6,169
As at 30 June 2019	776	6,341	554	-	(40,222)	(32,551)

The accompanying notes are an integral part of these financial statements.

Wasps Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2019

		2019	2018
	Note	£'000	£'000
Cash flows from operating activities			
Profit / (loss) for the year		3,564	(9,723)
Net gain on financial asset at fair value through profit or loss		(4,141)	-
Depreciation and amortisation	12,14	2,323	2,270
Finance costs	7	3,774	3,402
Taxation	11	1,060	-
		6,580	(4,051)
Working capital adjustments			
(Increase) in inventories	17	(20)	(79)
Decrease in trade and other receivables	18	1,843	899
Increase in trade and other payables	24,25	1,930	199
Increase in deferred income	26	4,909	1,085
Net cash flows from / (used in) operating activities		15,242	(1,947)
Cash flows used in investing activities			
Acquisitions of intangible assets	14	-	(218)
Acquisitions of property plant and equipment	12	(1,886)	(883)
Proceeds from disposal of intangible and tangible assets		25	636
Net cash flows used in investing activities		(1,861)	(465)
Cash flows from financing activities			
Interest paid		(2,460)	(2,534)
Proceeds from other borrowing draw downs		1,483	5,167
Repayment of other borrowing		(5,824)	(2,141)
Net cash flows (used in) / generated by financing activities		(6,801)	492
Net increase / (decrease) in cash and cash equivalents		6,580	(1,920)
Cash and cash equivalents at 1 July		(3,463)	(1,543)
Cash and cash equivalents at 30 June (note 19)		3,117	(3,463)

The accompanying notes are an integral part of these financial statements.

Wasps Holdings Limited

Company Statement of Cash Flows for the Year Ended 30 June 2019

		2019	2018
	Note	£'000	£'000
Cash flows from operating activities			
Profit / (loss) for the year		6,169	(7,199)
Net gain on financial asset at fair value through profit or loss		(4,141)	-
Depreciation	12	295	426
Finance costs		2,266	2,122
Taxation		1,060	-
		5,649	(4,651)
Working capital adjustments			
Decrease / (Increase) in inventories	17	81	(65)
Decrease in trade and other receivables	18	1,923	1,145
(Decrease) in trade and other payables	24,25	(141)	(829)
(Decrease) in deferred income	26	(424)	(585)
Net cash flows from / (used in) operating activities		7,088	(4,985)
Cash flows used in investing activities			
Acquisitions of property plant and equipment	12	(100)	(165)
Disposal of assets under construction	12	-	485
Net cash flows used in investing activities		(100)	320
Cash flows from financing activities			
Interest paid		(1,421)	(1,453)
Proceeds from other borrowing draw downs		500	4,968
Repayment of other borrowing		(1,209)	(1,533)
Net cash flows (used in) / generated by financing activities		(2,130)	1,982
Net increase / (decrease) in cash and cash equivalents		4,858	(2,683)
Cash and cash equivalents at 1 July		(3,844)	(1,161)
Cash and cash equivalents at 30 June (note 19)		1,014	(3,844)

The accompanying notes are an integral part of these financial statements

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:

Ricoh Arena
Judds Lane
Coventry
CV6 6AQ

2 Accounting policies

Statement of compliance

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules, as modified by the revaluation of land and buildings and financial assets measured as fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The areas involving a larger degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group financial statements are disclosed in note 3.

Standards adopted in the year

The following amendments to standards issued by the IASB have been adopted by the Group in the year:

- IAS 12 – Income taxes: Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses
- IAS 7 – Statement of Cash Flows: Disclosure initiative
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 4 Insurance Contracts: Amendment in relation to applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRSs (2014 - 2016)

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 30 June 2019. IFRS 15 has not had a material impact on the Group, and the impact of implementing IFRS 9 is noted below. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 June 2019 which have had a material impact on the Group.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Impact of transition to IFRS 9 (effective 1 July 2018)

IFRS 9 (effective 1 January 2018) standardises the treatment of financial assets by eliminating the accounting differences that would otherwise arise on measuring assets or liabilities or recognising gains or losses on them on different bases.

Previously, value changes for the Invested Units (previously P-Shares) held by Wasps in Premier Rugby Ltd were reflected in other comprehensive income. Under IFRS 9, equity investments are measured at fair value in the statement of financial position, with value changes now recognised within the profit and loss account. Following the commercial deal with CVC, the investment in Premier Rugby Limited has been revalued upwards from £9.7m to £13.9m and the increase in value has been presented as an exceptional item in the profit and loss account of the current year. Also, the Financial asset at fair value reserve, which previously held the changes in valuation relating to the P-Shares (£8.0m) were transferred to the accumulated losses reserve.

Impact of transition to IFRS 16 (effective 1 July 2019)

IFRS 16 (effective 1 July 2019) eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. It will require the Group to recognize substantially all of its current operating lease commitments on the Statement of Financial Position.

The Group has performed an impact assessment by collating all lease information and assessing relevant information against the IFRS 16 requirements. Material judgements and estimates are required in identifying and accounting for leases, determining the discount rate, as well as choosing the transition methodology. The Group is continuing to assess the impact of these, and based on current information and range of transition methodologies, expects an impact to the statement of financial position's assets in the range of £0.1m to £0.2m, liabilities in the range of £0.1m to £0.2m, and reserves in the range of £0.1m to £0.2m. However, due to the various judgements that remain under consideration and the possibility of entering into new leases or exiting existing leases without replacement between the date of the Annual Report and date of adoption of IFRS 16 on 1 July 2019, the final adjustment may be materially different to the ranges mentioned above.

The Group has decided not to early adopt this new standard.

Company profit / (loss) for the year

As permitted by section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The Group's results for the year includes the Company's profit after tax for the year of £6.2m (2018: £7.2m loss).

Going concern

The Financial Reporting Council's 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' (April 2018) provides guidance to directors on disclosures regarding the adoption of the going concern basis of accounting.

The Wasps Holdings Group (the "Group") has net liabilities of £7.0m (2018: net liabilities of £0.2m) and made a profit after tax of £3.6m (2018: loss of £9.7m) in the current year and has net current liabilities of £5.3m (2018: net current liabilities of £12.9m).

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared medium term financial forecasts which show that the Group is dependent upon the financial support of its ultimate shareholder to remain within its committed lending facilities, and to meet the financial covenants, as amended in January 2018, associated with the Retail Bond. The board of directors and ultimate shareholder are committed to making the Group financially self-sustainable, including initiating a series of projects to increase both matchday and non-matchday revenues and manage costs accordingly.

The directors of the company have obtained a letter of support from the ultimate shareholder outlining a continued commitment to the Group and are satisfied that existing ultimate shareholder support will continue to be forthcoming.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

As with any company placing reliance on shareholders for financial support, the directors acknowledge that this letter of support is not legally binding. If ultimate shareholder support should not be forthcoming, the Group would have insufficient cash without securing additional funding to meet its ongoing liabilities, which include the payment of interest by the Group, and there would be a material uncertainty which may cast significant doubt about the Group's, and the Company's ability to continue as a going concern.

However, at the date of approval of the financial statements, the directors have no reason to believe that ultimate shareholder support will not be forthcoming and have continued to adopt the going concern basis in preparing the financial statements.

The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2019.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest they acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts. Revenue is recognised when performance obligations have been satisfied and when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. An asset is transferred when (or as) the customer obtains control of that asset.

The Group recognises revenue when:

- The amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the company activities.

An entity transfers control of a service over time and therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

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Notes to the Financial Statements for the Year Ended 30 June 2019

- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Revenue is recognised in respect of match-day income, including season tickets, match-day tickets, executive boxes, hospitality packages and other match-day income, when the relevant match takes place.

For annual income streams such as central funding and sponsorship arrangements, revenue is recognised in equal instalments across the relevant period.

Sponsorship, rental and service charge income are recognised over the period that services are offered. Hotel, hospitality, catering and facilities management services income is recognised at the point that the services are provided.

Income received relating to conference and exhibitions in future periods is included as deferred income until the revenue recognition criteria are met.

Revenue received in relation to license fees is included in deferred income and released to income over the life of the license.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Property, plant and equipment

Property, plant and equipment excluding the Arena leasehold is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Land and buildings comprise mainly the Arena. The Arena is shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed every 2 years by independent valuers and reviewed by management in the intervening years, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of the Arena are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'retained earnings' to 'revaluation reserve'.

Depreciation

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings - Arena	Over the life of the lease
Land and buildings - Other	Over the life of the lease
Fixtures, fittings and equipment	Between 2% and 50% per annum on a straight-line basis

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units (CGUs), or Groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets – software costs

Intangible assets – software costs are initially measured at cost less any accumulated amortisation and impairment losses.

These assets are amortised (and charged to administrative expenses) over its estimated useful life when the assets are completed and ready for use, as assessed by management. The estimated useful life of capitalised software costs is 3-5 years.

Investments in subsidiaries

Investments in subsidiaries are included at cost less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are amounts due from customers for conference and exhibitions sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the transaction price. Trade and other receivables are measured at amortized cost, using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

By their nature, provisions are dependent upon estimates and assessments as to whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for redundancy and exit costs involve management's judgment in estimating the expected cash outflows for severance payments and other exit costs.

Borrowings

Borrowings are recognised initially at fair value (usually recorded at the amount of proceeds received), net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an external valuation performed by an accredited external independent valuer in accordance with RICS Appraisal and Valuation Standards.

Rental income

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined contribution plan contributions are paid into publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at amortised cost and financial assets at fair value measured through profit and loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at amortised cost

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at fair value through profit and loss

The Group measures at fair value through profit and loss if the following conditions are met:

- The financial asset is not held within a business model with the objective of both holding to collect contractual cash flows and selling;
- The contractual terms of the financial asset do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments in equity are also measured at fair value through profit and loss

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is presented in the income statement in the period in which they arise.

Impairment

(a) Assets carried at amortised cost

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

3 Critical accounting judgements and key sources of estimation uncertainty

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.

Critical judgements in applying the Groups accounting policies

Going Concern

The going concern assumptions have been detailed in note 2, Accounting Policies, and the critical judgements outlined here are all based upon that policy.

Control of IEC Experience Limited ("IEC")

Assessing whether the Group controls IEC requires judgment. In the year ended 30 July 2018, Arena Coventry Limited held 77% of the voting rights of IEC and had a 67% majority representation on the board but through the shareholders agreement there were a number of decisions that required unanimous consent of all the shareholders. The Group has assessed that the decisions that required unanimous consent give protective rights only and that the control of the day to day operating decisions and strategic financial decisions was retained by the Group. Therefore, the Group considered that IEC was a subsidiary of Wasps Holdings Limited and the results of IEC are included in the Group's financial statements.

On the 14 July 2019, IEC Experience Limited agreed a long-term strategic partnership with global hospitality giants, Delaware North Companies (UK) Hospitality Services Limited. This arrangement ended the joint venture agreement between IEC Experience Limited and Compass Group UK Limited and as part of this termination Arena Coventry Limited purchased the 23 B shares held by the Compass group. From this date, IEC Experience became a wholly owned subsidiary of Arena Coventry Limited.

In the year ended 30 June 2018, the Other Reserve within the Statement of Consolidated Equity, represented ACL's obligation to repurchase Compass Group's 23% shareholding in IEC in June 2030, discounted at 6.5%. On exit from the business in July 2019, this obligation was terminated and replaced by a deferred consideration liability to Compass.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Valuation and classification of the investment in Premier Rugby Limited ("PRL") as a financial asset at fair value measured through profit or loss

During the year PRL restructured and the company was awarded equivalent shares in the new holding company PRL Investors Limited. The Group follows the guidance of IFRS 9 to determine the classification of the A, B and P share investment in PRL Investors Limited. These different shares have contractual rights to income from the PRL through a license, service and commercial rights agreement that allocates income to different unit types, whose allocation to the different rugby clubs is linked to the different types of shares held in PRL Investors Limited, specifically Invested Units in relation to the P shares. The Group has evaluated that the investment in PRL Investors Limited meets the definition of an equity instrument measured at fair value through profit and loss in accordance with the accounting policy stated in note 2.

The valuation of the A, B and P shares was initially provided by PRL based on independent advice, sought at the time of the restructuring. The board has conducted its own review of the fair value of this investment and, given the recent timing of the transaction with CVC, concur with the valuation attributed to the P shares by the PRL. The A and B shares have been held at nil value as they cannot be independently sold and therefore allocated a fair value under International Financial Reporting Standards.

Whilst there is a belief the investment by CVC in PRL in March 2019, will enable PRL to significantly enhance the value of commercial income; this is in the early stages of development and, therefore in the judgement of the board should not be factored into the valuation.

Any changes to the expected future cash inflows, estimates made relating to the discount rate or changes to the share structure / percentage in the future could result in a materially different valuation to that recorded as at 30 June 2019.

Amortisation, depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all tangible and intangible fixed asset classes and have concluded that the asset lives and residual values are appropriate.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Valuation of the Arena and investment properties

The Group assesses the value of Arena on an annual basis in accordance with the accounting policy stated in note 2. This valuation follows the principles of IFRS 13 and is based on an income approach. This approach requires estimation of the future income streams, length of the leasehold and a number of other market-based assumptions. Any changes in these assumptions will impact the carrying value of the Arena. The Arena was revalued as at 31 March 2019 by an independent valuer, Gerald Eve LLP, at £51m (including £6.8m relating to the leasehold of the casino). This valuation was at a point in time and does not reflect changes in the business since that date. Management have prepared forecasts for future years which support the carrying value of the Arena. The projections show a continued improvement in the underlying trade, which if not achieved could result in a further downward revaluation. The next formal valuation is due in 2021.

Restructuring provisions

A restructuring provision of £130k has been recognised within the financial statements given that the criteria for the recognition of a restructuring provision under IAS 37 was met as at 30 June 2019. In calculating this restructuring provision there were a number of inherent judgements made by management.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

4 Revenue and other income

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2019	2018
	£'000	£'000
Sport income	15,636	16,253
Conference and events income	11,102	9,981
Entertainment income	1,580	1,278
Hotel income	2,424	2,293
Sponsorship and venue income	3,778	3,023
	34,520	32,827

Sponsorship and venue income includes £553k (2018: £467k) in respect of the release of deferred income for license fees received in advance.

5 Expenses by nature

The analysis of the Group's expenses by nature from continuing operations is as follows:

	2019	2018
	£'000	£'000
Wages and salaries	14,307	13,394
Food, drink and bought in goods and services	9,941	9,098
Utilities	2,347	1,984
Repairs and maintenance	1,135	1,035
Rent and rates	763	617
Concert / event / match day related	2,314	1,263
Legal and professional	463	496
Ticketing	177	252
Marketing	1,610	1,436
Retail	671	775
Insurance	287	499
Selling and administration	2,326	2,170
Other	3,341	1,957
Total	39,682	34,976

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Notes to the Financial Statements for the Year Ended 30 June 2019

6 Exceptional items and allocation to non-controlling interests / management fee

Exceptional items

	2019	2018
	£'000	£'000
Bond related costs	-	223
Premier Rugby income (CVC investment)	(12,532)	-
Revaluation of Premier Rugby investment (note 3)	(4,141)	-
Judicial review (income) / costs	(85)	380
Total	(16,758)	603

The Group's definition of exceptional includes the identification of non-recurring costs or revenues that enables the normal financial performance of the Group to be better understood. During the current year net, CVC income, revaluation of Invested Units and net income in relation to the ongoing judicial review have been deemed exceptional; and in the prior year the additional costs in relation to the bond solicitation process and the judicial review were deemed exceptional.

Allocation to non-controlling interests / management fee

The allocation to non-controlling interest relates to management fees payable to Compass under the IEC shareholder agreement. This agreement ended on 14 July 2018 and was replaced by an agreement with Delaware North. Whilst Delaware North does not have any shareholding interest, the management fee element is similar in substance to that which was in place with Compass.

7 Finance costs

	2019	2018
	£'000	£'000
Interest due to Wasps Finance PLC	2,275	2,275
Loan and overdraft interest	186	261
Amortisation of bond transaction costs	115	115
Shareholder interest on loan balance	818	638
Interest on deferred consideration	380	113
Total	3,774	3,402

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	12,582	11,946
Social security costs	1,508	1,218
Pension costs, defined contribution scheme	217	230
Total	14,307	13,394

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Notes to the Financial Statements for the Year Ended 30 June 2019

The average monthly number of persons employed by the Group (including directors) during the year, analysed by category was as follows:

	No	No
Players	58	52
Management and administration	193	181
	251	233

9 Directors' and key management remuneration

The directors' remuneration for the year was as follows:

	2019 £'000	2018 £'000
Aggregate emoluments	287	390
Contributions paid to money purchase scheme	9	8
	296	398

During the year the number of directors who were receiving benefits was as follows:

In respect of the highest paid director:

	2019 £'000	2018 £'000
Remuneration	170	170
Contributions paid to money purchase scheme	1	1
	171	171

Key management includes the statutory directors of the Group and other members of the executive board. The compensation paid or payable to key management for employee services is shown below:

	2019 £'000	2018 £'000
Aggregate emoluments	1,046	1,146
Contributions paid to money purchase scheme	24	15
	1,070	1,161

10 Auditor's remuneration

	2019 £'000	2018 £'000
Audit of these financial statements	52	42
Additional scope in relation to the prior year	26	-
Audit of the financial statements of subsidiaries of the company pursuant to legislation	48	39
Additional scope in relation to the prior year for subsidiaries	24	-
	150	81

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

11 Taxation

Income Tax

	2019	2018
	£'000	£'000
Current tax	<u>-</u>	<u>-</u>
Deferred tax:		
On tax profit / (loss) for the year	-	(1,368)
Adjustment in respect of prior periods	-	1,368
Revaluation of financial assets at fair value	704	-
Decrease in available losses available for use against deferred tax liabilities	<u>356</u>	<u>-</u>
Total tax charge	<u>1,060</u>	<u>-</u>

The tax on loss before tax for the year is different to the standard rate of corporation tax in the UK (2019: the same as the standard rate of corporation tax in the UK) of 19.00% (2018: 19.00%). The differences are reconciled below:

	2019	2018
	£'000	£'000
Profit / loss before tax	<u>4,624</u>	<u>(9,723)</u>
Corporation tax at standard rate	879	(1,847)
Increase from effect of capital allowances depreciation	326	361
(Decrease) / increase from effect of expenses not deductible in determining taxable loss	(436)	118
Increase from tax losses for which no deferred tax asset was recognised	-	1,368
Relief for losses brought forward	(769)	-
Tax effect of revaluation of financial assets	704	-
Tax effect of utilisation of tax losses	<u>356</u>	<u>-</u>
Total tax charge	<u>1,060</u>	<u>-</u>

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

11 Taxation

Deferred Tax

Group - Deferred tax assets and (liabilities)

2019	Asset £'000	Liability £'000
Revaluation of property	-	(5,452)
Financial assets at Fair Value	-	(2,358)
Trading losses	1,298	-
	1,298	(7,810)

2018	Asset £'000	Liability £'000
Revaluation of property	-	(6,936)
Financial assets at Fair Value	-	(1,654)
Trading losses	1,654	-
	1,654	(8,590)

Deferred tax movement during the year:

	At 1 July 2018 £'000	Recognised in other comprehensive income £'000	Charged to the income statement £'000	At 30 June 2019 £'000
Revaluation of property	(6,936)	1,484	-	(5,452)
Financial assets at Fair Value	(1,654)	-	(704)	(2,358)
Trading losses	1,654	-	(356)	1,298
Net tax liabilities	(6,936)	1,484	(1,060)	(6,512)

Deferred tax movement during the prior year:

	At 1 July 2017 £'000	Recognised in other comprehensive income £'000	Charged to the income statement £'000	At 30 June 2018 £'000
Revaluation of property	(6,936)	-	-	(6,936)
Financial assets at Fair Value	(1,654)	-	-	(1,654)
Trading losses	1,654	-	-	1,654
Net tax liabilities	(6,936)	-	-	(6,936)

There are £47.4m of unused tax losses (2018: £47.8m) for which no deferred tax asset is recognised in the statement of financial position.

There is an unrecognised deferred tax asset of £3.2m (2018: £2.9m) relating to unclaimed capital allowances.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

11 Taxation

Deferred Tax

Company - Deferred tax assets and (liabilities)

	Asset £'000	Liability £'000
2019		
Financial assets at Fair Value	-	(2,358)
Trading losses	1,298	-
	1,298	(2,358)
2018		
Financial assets at Fair Value	-	(1,654)
Trading losses	1,654	-
	1,654	(1,654)

Deferred tax movement during the year:

	At 1 July 2018 £'000	Recognised in other comprehensive income £'000	Charged to the income statement £'000	At 30 June 2019 £'000
Financial assets at Fair Value	(1,654)	-	(704)	(2,358)
Trading losses	1,654	-	(356)	1,298
Net tax liabilities	-	-	(1,060)	(1,060)

Deferred tax movement during the prior year:

	At 1 July 2017 £'000	Recognised in other comprehensive income £'000	Charged to the income statement £'000	At 30 June 2018 £'000
Financial assets at Fair Value	(1,654)	-	-	(1,654)
Trading losses	1,654	-	-	1,654
Net tax liabilities	-	-	-	-

There are £38.0m of unused tax losses (2018: £38.3m) for which no deferred tax asset is recognised in the statement of financial position.

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Notes to the Financial Statements for the Year Ended 30 June 2019

12 Property, Plant & Equipment

Group

	Long-term leasehold property	Other land and buildings - leasehold	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 July 2017	60,000	3,456	9,749	536	73,741
Disposals	-	-	-	(636)	(636)
Additions	-	51	732	100	883
At 30 June 2018	60,000	3,507	10,481	-	73,988
Transfers to investment properties (see note 13)	(6,800)	-	-	-	(6,800)
Disposals	-	-	(18)	-	(18)
Additions	-	595	1,281	10	1,886
Revaluation	(9,000)	-	-	-	(9,000)
At 30 June 2019	44,200	4,102	11,744	10	60,056
Accumulated Depreciation					
At 1 July 2017	63	903	3,260	-	4,226
Charge for the year	251	346	1,560	-	2,157
At 30 June 2018	314	1,249	4,820	-	6,383
Charge for the year	235	462	1,506	-	2,203
Revaluation	(502)	-	-	-	(502)
At 30 June 2019	47	1,711	6,326	-	8,084
Carrying Value					
At 30 June 2019	44,153	2,391	5,418	10	51,972
At 30 June 2018	59,686	2,258	5,661	-	67,605

The net book value of tangible fixed assets held under finance leases as at 30 June 2019 was £709k (2018: £138k).

The Company revalued the Arena during the current year, this was performed by professional valuers, Gerald Eve LLP, an accredited independent valuer, as at 31 March 2019, and which valued the Arena leasehold interest at £51m. £6.8m of this valuation has been classified as an investment property (see note 13). The valuation was carried out in accordance with RICS Appraisal and Valuation Standards. Management have reviewed the valuation and have no reason for it not to be adopted and as at 30 June 2019 have no reason for the carrying amount to differ from its fair value. In the absence of level 1 and 2 information (prices based on quoted information); the valuation of the Arena has been based using the best information available to management (level 3). See note 3 for further detail around the valuation methodology. The next formal valuation is due in 2021.

The Group (excluding IEC) are guarantors of the Retail Bond held within Wasps Finance PLC. The bond raised is secured against the leasehold property.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

12 Property, Plant & Equipment

Company

	Land and Buildings	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2017	250	1,654	485	2,389
Additions	-	165	-	165
Disposals	-	-	(485)	(485)
At 30 June 2018	250	1,819	-	2,069
At 1 July 2018	250	1,819	-	2,069
Additions	-	100	-	100
At 30 June 2019	250	1,919	-	2,169
Accumulated Depreciation				
At 1 July 2017	250	1,006	-	1,256
Charge for the year	-	422	-	422
At 30 June 2018	250	1,428	-	1,678
At 1 July 2018	250	1,428	-	1,678
Charge for the year	-	295	-	295
At 30 June 2019	250	1,723	-	1,973
Carrying Value				
At 30 June 2019	-	196	-	196
At 30 June 2018	-	391	-	391

13 Investment properties

	Investment properties £'000	Total £'000
Fair value and carrying value		
At 30 June 2018	-	-
Transfers from fixed assets (see note 12)	6,800	6,800
At 30 June 2019	6,800	6,800

The Group's investment properties consist of the share of the Arena which is currently leased to Rank Group Gaming Division Limited for its casino operations at the Ricoh Arena. In prior periods, this share was not valued separately and was classified within tangible fixed assets.

The valuation was carried out by Gerald Eve LLP as at 31 March 2019, an accredited independent valuer, which valued the investment property interest at £6.8m. The valuation was carried out in accordance with RICS Appraisal and Valuation Standards. See note 12 for further information regarding the valuation methodology.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

14 Intangible Assets

	Software costs £'000	Goodwill £'000	Total £'000
Cost			
At 1 July 2017	391	389	780
Additions	218	-	218
At 30 June 2018	609	389	998
Disposals	(7)	-	(7)
Additions	-	-	-
At 30 June 2019	602	389	991
Amortisation			
At 30 June 2018	113	-	113
Charge for the year	120	-	120
At 30 June 2019	233	-	233
Net Book Value			
At 30 June 2019	369	389	758
At 30 June 2018	496	389	885

The net book value of intangible assets held under finance leases as at 30 June 2019 was £211k (2018: £387k).

Goodwill represents the benefits and synergies acquired by the Group as a result of the acquisition of Arena Coventry Limited on 8 October 2014. Management have prepared forecasts and cashflow projections based upon the value in use method, using a discount rate of 6.5% and a steady state 2% increase in underlying profits and determined that no adjustments are required.

15 Investments in subsidiaries

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the group	
			2019	2018
Arena Coventry Limited*	Management of the Ricoh Arena	England and Wales	100%	100%
Arena Coventry (2006) Limited	Management of the lease of the Ricoh Arena	England and Wales	100%	100%
IEC Experience Limited	Hospitality, catering and facilities management	England and Wales	100%	77%
Canmango Limited*	Dormant	England and Wales	100%	100%

* indicates direct investment of Wasps Holdings Limited.

The registered address for each of the subsidiaries is Ricoh Arena, Judds Lane, Coventry, CV6 6AQ. For information on the financial information of the above subsidiaries, please refer to their financial statements available at Companies House.

On the 14th July 2018, the Board ended the joint venture agreement between IEC Experience Limited and Compass Group UK Limited and purchased their 23% shareholding in the company.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Summary of the company investments	2019 £'000	2018 £'000
Investments in subsidiaries	<u>5,917</u>	<u>5,917</u>
Subsidiaries	2019 £'000	2018 £'000
Carrying amount	<u>5,917</u>	<u>5,917</u>

16 Financial assets at fair value

	Group and Company	
	2019 £'000	2018 £'000
Non-current financial assets		
Financial assets at fair value through profit or loss	<u>13,865</u>	<u>9,725</u>

Movement in financial assets at fair value through profit or loss

	Group and Company	
	2019 £'000	2018 £'000
Cost		
At 1 July	9,725	9,725
Revaluation	<u>4,140</u>	<u>-</u>
At 30 June	<u>13,865</u>	<u>9,725</u>
Carrying amount		
At 30 June	<u>13,865</u>	<u>9,725</u>

Financial assets at fair value through profit or loss represent the Group's holding of Invested Units (previously P shares). These have been presented at their fair value following their revaluation in 2019. See note 3 for the basis of this valuation.

17 Inventories

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Merchandise	149	231	149	231
Consumables	380	278	-	-
Inventories	<u>529</u>	<u>509</u>	<u>149</u>	<u>231</u>

Stock is stated after provision for impairment of £23k (2018: £15k).

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

18 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade Receivables	3,985	3,191	1,588	1,150
Provision for the impairment of trade receivables	(214)	(7)	(5)	(5)
Net trade receivables	3,771	3,184	1,583	1,145
Accrued income	213	234	-	164
Prepayments	648	940	81	353
Other receivables	1,190	3,307	1,050	2,975
Total current trade and other receivables	5,822	7,665	2,714	4,637

In applying the simplified approach, the Group uses a 'probability of default' ('PD') approach. Under the PD approach, the expected credit losses are calculated using three main parameters:

- a counterparty PD (probability of default),
- expected LGD (loss given default) and;
- EAD (expected exposure at default).

In calculating the expected credit loss, the following formula is applied: Expected Credit Loss (ECL) = PD x LGD x EAD.

Probability of default - the Group's trade and other receivables materially arise from three counterparties, all of which are supported by the national government of the country in which they operate. On this basis management has concluded that the probability of default is very low, this being estimated at less than 1%.

Loss given default - it is known to the Group that the counterparties have liquid resources available and access to finance. For this reason, in the event of a default situation, it is expected that any loss would be limited.

Exposure at default - the exposure at default is represented by the carrying amount of trade receivables.

Expected credit loss - applying the PD approach outlined above, management has concluded that the expected credit loss on trade and other receivables is not material at the reporting date.

An aged analysis of trade receivables that are overdue and have not been impaired has been disclosed below:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Up to 3 months	337	624	202	393
3 to 6 months	143	212	124	212
6 months to 1 year	516	32	67	29
Over 1 year	32	34	24	33
	1,028	902	417	667

At 30 June 2018, the Group trade receivables of £902k and Company trade receivables of £667k were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Further information on the impairment provision for trade receivables has not been provided on the basis of materiality.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

19 Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank	3,117	-	1,014	-
	3,117	-	1,014	-

20 Share Capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£'000	No.	£'000
Allotted, called up and fully paid shares				
Ordinary shares of £1 each	760,039	760	760,039	760
"B" Ordinary shares of £1 each	15,511	16	15,511	16
	775,550	776	775,550	776

The share classes in issue have separate rights to dividends. In all other respects the shares rank pari passu.

21 Loans and other creditors

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Non-current loans and Creditors				
Other borrowings	52,384	52,287	46,525	46,721
Unamortised borrowing costs	(330)	(446)	(330)	(446)
	52,054	51,841	46,195	46,275
	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current loans and borrowings				
Bank overdraft (net)	-	3,463	-	3,844
Other borrowings	772	563	242	25
	772	4,026	242	3,869

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Group

The balance of the loan from Wasps Finance PLC was £33.8m (2018: £33.8m). The loan is repayable in a lump sum repayment in 2022 and is subject to an interest rate of 6.5%.

In the current year the Group borrowed £0.3m from Close Finance, the balance at 30 June 2019 was £0.05m (2018: £0.025m).

The balance of monies owed to companies for other assets under finance leases as at 30 June 2019 was £1.0m (2018: £0.6m).

In the current year the Group had net overdrafts totalling £Nil at the year-end (2018: £3.5m), at Barclays Bank plc £Nil (2018: Overdrawn - £3.8m) and HSBC £Nil (2018: Overdrawn - £0.3m).

The balance of the loan from HSBC at 30 June 2019 was £Nil (2018: £0.2m). This unsecured loan was repayable over a 36-month period.

The Group has also been provided with a loan of £18.3m (2018: £18.6m) from D A Richardson. The loan is at 4% above Barclays Bank PLC base rate and is repayable after giving 12 months and one day's notice.

Company

In the year the Company's balance as borrowed from Wasps Finance PLC is £19.4m (2018: £19.4m). The loan is repayable in a lump sum repayment in 2022 and is subject to an interest rate of 6.5%.

The Company has also been provided with a loan of £16.6m (2018: £16.7m) from D A Richardson. The loan is repayable after giving 12 months and one day's notice.

The Company had an overdraft at Barclays bank Plc of £Nil at the year-end (2018: overdrawn £3.8m). The Company has also been provided with a loan of £10.6m (2018: £10.6m) from a subsidiary Company, Canmango Limited. The loan is interest free and repayable after 12 months and one day's notice.

22 Leases

Group

Operating leases

The total future value of minimum lease payments is as follows:

	2019	2018
	£'000	£'000
Within one year	87	100
In two to five years	132	191
	219	291

The amount of non-cancellable operating lease payments recognised as an expense during the year amounted to £70k (2018: £107k).

Finance lease and hire purchase commitments

The Group has finance leases and hire purchase contracts for various items of plant and equipment. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	2019		2018	
	£'000	£'000	£'000	£'000
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	323	323	228	228
After one year but not more than five years	609	550	330	294
Total minimum lease payments	931	873	559	522

Rental income

Future minimum rentals receivable under non-cancellable operating leases is as follows:

	2019 £'000	2018 £'000
Within one year	515	553
After one year but not more than five years	1,798	700
More than five years	1,589	276
	3,902	1,529

Rental income recognised in the year end 30 June 2019 amounted to £1,644k (2018: £1,756k).

23 Pension and other schemes

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £170k (2018: £108k).

24 Trade and other payables

Current trade and other payables:

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade Payables	4,955	9,468	504	5,536
Accrued expenses	2,355	1,716	698	513
Social security and other taxes	1,127	1,056	737	764
Amounts owed to group companies	-	-	3,902	-
Other payables	1,674	428	824	126
	10,111	12,668	6,665	6,939

The fair value of the trade and other payables classified as financial instruments are disclosed in the financial instruments note. The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 27 "Financial risk management and impairment of financial assets."

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Non-current other payables:

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Other payables	6,231	1,879	-	-
	6,231	1,879	-	-

In the year ended 30 June 2019, non-current other payables represent the deferred consideration for the purchase of the Compass shareholding in IEC and payable in full by June 2024. In the prior year, non-current other payables represented ACL's obligation to repurchase Compass Group's 23% shareholding in IEC in June 2030. In both years, these liabilities have been discounted at 6.5%.

25 Provisions

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Restructuring provision	130	-	130	-
	130	-	130	-

A group re-organisation was announced to employees of the Group in June 2019, and a provision has been created accordingly.

26 Deferred income

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Non-current Deferred Income				
Licence fee	10,372	4,867	-	-
	10,372	4,867	-	-

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Current Deferred Income				
Licence fee	575	467	-	-
Season tickets	1,038	1,419	1,038	1,419
Sponsorship	945	800	345	424
Other	1,187	1,655	731	695
	3,745	4,341	2,114	2,538

Revenue received in relation to license fees is included in deferred income and released to income over the life of the license.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

27 Financial instruments

Group

Financial assets

	Carrying value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	3,117	-	3,117	-
Loans and receivables	4,961	6,491	4,961	6,491
	8,078	6,491	8,078	6,491

Valuation methods and assumptions

There is no difference between the total carrying amount and the fair value of trade receivables and cash and cash equivalents. Further detail of cash and cash equivalents and trade and other receivables can be found in notes 18 and 19.

Financial assets measured at fair value through profit or loss

	Carrying value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investment in Premier Rugby Limited	13,865	9,725	13,865	9,725
	13,865	9,725	13,865	9,725

Investment in Premier Rugby Limited: The Group's and the Company's Investment Units in Premier Rugby Limited have been valued by reference to the 2019 investment in Premier Rugby by CVC. There is no difference between the total carrying value and the fair value of Financial assets measured at fair value measured through profit or loss. Further detail can be found in note 3.

Financial liabilities (held at amortised cost)

	Carrying value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	12,860	11,775	12,860	11,775
Borrowings	53,156	56,313	53,156	56,312
	66,016	68,087	66,016	68,087

Description of instruments

Trade and other payables:

Further details of Group trade and other payables can be found in note 24.

Borrowings:

Further details of Group borrowings can be found in note 21.

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Notes to the Financial Statements for the Year Ended 30 June 2019

Financial liabilities are measured at amortised cost. There is no difference between the total carrying value and the fair value of trade and other payables.

Company

Financial assets

	Carrying value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash and cash equivalents	1,014	-	1,014	-
Trade and other receivables	2,633	4,120	2,633	4,120
	3,647	4,120	3,647	4,120

Valuation methods and assumptions: There is no difference between the total carrying amount of trade receivables and cash and cash equivalents. Further detail of cash and cash equivalents and trade and other receivables can be found in notes 18 and 19.

Financial liabilities (held at amortised cost)

	Carrying value		Fair Value	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	5,229	5,662	5,229	5,662
Borrowings	46,767	50,589	46,767	50,589
	51,996	56,251	51,996	56,251

Trade and other payables:

Further details of company trade and other payable can be found in note 24.

Borrowings:

Further details of company borrowings can be found in note 21.

Financial liabilities measured at fair value.

Financial risk management and impairment of financial assets

The Group is exposed to risks arising from the use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

The principal financial instruments used by the Group, from which financial instruments risk arises, are trade receivables, cash and cash equivalents, trade and other receivables and financial liabilities. The Group is exposed through its operations to the following financial instrument risk: credit risk and liquidity risk. The policy for managing these risks is set by the Board. The overall objective of the Board is to set policies that reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The policy for each of the above risks is described in more detail below.

Credit risk and impairment

Credit risk arises from the Group's trade and other receivables. It is the risk that the counterparty fails to discharge their obligation in respect of the instrument. The Group is mainly exposed to credit risk from credit sales. It is the Group's policy, implemented locally, to assess the credit risk of new customers before entering into contracts. Such credit ratings are then factored into the credit assessment process to determine the appropriate credit limit for each customer. The

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Group does not enter into derivatives to manage credit risk. The carrying amount represents managements view of the best estimate of the Group's maximum exposure. All cash is held with A-rated banks.

Capital risk management

Capital components

The Group is both equity and debt funded, and these two elements combine to make up the capital structure of the business. Equity comprises share capital, share premium and reserves and is equal to the amount shown as 'Total equity' in the balance sheet. Debt comprises non-convertible loans as set out in note 21.

Capital management

The Group's objectives when maintaining capital are:

To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During the year ended 30 June 2019, the Group's strategy, which is unchanged from the previous year, was to keep net debt to a minimum, through profitable trading and prudent cash management.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges on its borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The liquidity of each Group company is managed locally and monitored by the Board at Group level. The level of the Group's facilities is approved periodically by the Board and negotiated with the Group's current bankers. At the balance sheet date, cash flow projections were considered by the Board and the Group is forecast to have sufficient funds available funding facilities to meet obligations as they fall due, under all reasonably expected circumstances. We continue to monitor the working capital requirements and tailor the financing requirements to ensure the Group will have sufficient funds to finance its ongoing trading requirements.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Maturity analysis

2019	Group (£'000)			Total
	Within 6 months	After 1 year	After 1 to 15 years	
Trade and other payables	10,111	-	6,231	16,342
Other borrowings	772	-	52,054	52,826
	10,883	-	58,285	69,168

2018	Group (£'000)			Total
	Within 6 months	After 1 year	After 1 to 15 years	
Trade and other payables	12,668	-	1,879	14,547
Other borrowings	4,026	18,459	33,828	56,313
	16,694	18,459	35,707	70,860

Changes in liabilities arising from financing activities

Movement in net debt

	Group (£'000)			2019
	2018	Cash flows	Other	
Short-term borrowings	4,026	(3,254)	-	772
Long-term borrowings	51,841	(272)	485	52,054
Total liabilities from financing activities	55,867	(3,526)	485	52,826

	Group (£'000)			2018
	2017	Cash flows	Other	
Short-term borrowings	1,942	2,084	-	4,026
Long-term borrowings	46,364	2,862	2,615	51,841
Total liabilities from financing activities	48,306	4,946	2,615	55,867

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

	2018	Company (£'000)		2019
		Cash flows	Other	
Short-term borrowings	3,869	(3,627)	-	242
Long-term borrowings	46,275	(565)	485	46,195
Total liabilities from financing activities	50,144	(4,192)	485	46,437

	2017	Company (£'000)		2018
		Cash flows	Other	
Short-term borrowings	1,243	2,626	-	3,869
Long-term borrowings	40,169	3,491	2,615	46,275
Total liabilities from financing activities	41,412	6,117	2,615	50,144

In the year ended 30 June 2019 for the Group and Company, the "Other" column represents payments received after the year-end and the effect of the amortisation of transaction costs relating to the Wasps Finance PLC bond being amortised over the period to May 2022. In the year ended 30 June 2018 for the Group and Company, the "Other" column represents payments received after the year end and the effect of the amortisation of transaction costs relating to the Wasps Finance PLC bond being amortised over the period to May 2022.

28 Related party transactions

Loans from related parties - D A Richardson

2019	£'000
1 July 2018	18,612
Capital projects	(290)
30 June 2019	18,322
2018	£'000
1 July 2017	12,855
Capital projects	(745)
Community expenditure	(758)
Advanced and committed	7,260
30 June 2018	18,612

Dallaglio 8 LLP (a company in which L Dallaglio is a director)

The Group incurred costs of £30k (2018: £30k). The amount outstanding at the year-end was £9k (2018: £36k). Usual commercial terms of business apply.

Hottinger Private Office Limited (a company in which M Robertson is a director)

The Group incurred costs of £75k (2018: £Nil). The amount outstanding at the year-end was £Nil (2018: £Nil). Usual commercial terms of business apply.

Wasps Holdings Limited

Notes to the Financial Statements for the Year Ended 30 June 2019

Keith Prowse Limited (a company in which C Nicol and M Jones of IEC Experience Limited sit on the Board)

The Group received income of £Nil (2018: £4k). There were no outstanding amounts at the year-end (2018: £Nil). Usual commercial terms of business apply.

Kennedys Law LLP (an LLP in which R Dawbarn has an interest)

The Group received income of £20k (2018: £1k) and at the year-end was owed £20k (2018: £Nil). The Group incurred costs of £10k (2018: £391k), and at the year-end owed £Nil (2018: £162k). Usual commercial terms of business apply.

Letheby & Christopher Ltd (a company in which C Nicol and M Jones of IEC Experience Limited sit on the Board)

The Group received income of £352k (2018: £664k) and at the year-end was owed £Nil (2018: £Nil). The Group incurred costs of £317k (2018: £7,775k) and at the end of the year owed £148k (2018: £5,746k). Usual commercial terms of business apply.

Orion Security Solutions Ltd (a company in which C Holland has an interest)

The Company incurred costs of £83k (2018/19: £41k), and at the period end owed £13k (2018: £35k). Normal commercial terms of business apply.

Premier Rugby Limited (a company in which N Eastwood of Wasps Holdings Limited sits on the Board)

The Group received income of £17,656k (2018: £5,339k), incurred costs of £97k (2018: £277k) and at the year-end was owed £581k (2018: £250k). Usual commercial terms of business apply.

Scutum International S.A. (previously Orion Security Limited and company in which C Holland of Wasps Holdings Limited sits on the Board)

The Group received income of £162k (2018: £147k) in the year. The amount outstanding at the year-end was £1k (2018: £Nil). Usual commercial terms of business apply.

Twickenham Experience Limited (a company in which C Nicol and M Jones of IEC Experience Limited sit on the Board)

The Group incurred costs of £Nil (2018: £4k). There were no outstanding amounts at the year-end (2018: £Nil). Usual commercial terms of business apply.

Wasps Finance PLC (a company with the same controlling party as Wasps Holdings Limited)

The Group incurred, and paid, finance charges of £2,275k (2018: £2,275k) in the year. Usual commercial terms of business apply.

WNTG Ltd (a company in which a director of Wasps Holdings Limited sits on the Board)

The Group incurred costs of behalf of WNTG Ltd of £223k (2018: £25k) in the year. The amount outstanding at the year-end was £248k (2018: £26k). Usual commercial terms of business apply.

WPS Trading Ltd (a company in which a director of Wasps Holdings Limited sits on the Board)

The Group received income of £Nil (2018: £22k) in the year. The amount outstanding at the year-end was £26k (2018: £26k). Usual commercial terms of business apply.

29 Control

The Company's immediate parent is Moonstone Holdings Limited, a company incorporated in Malta, which is ultimately controlled by D A Richardson (the ultimate shareholder).