

Company Registration No. 00175280 (England and Wales)

**CARLISLE UNITED ASSOCIATION FOOTBALL
CLUB (1921) LIMITED**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



MHA Moore & Smalley
Trusted Thinking

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

COMPANY INFORMATION

Directors	Mr J L Nixon Ms S C Kidd Mr N Clibbens Mr J A Mitchell
Secretary	Mr J L Nixon
Company number	00175280
Registered office	Brunton Park Warwick Road Carlisle CA1 1LL
Auditor	MHA Moore and Smalley Richard House 9 Winckley Square Preston PR1 3HP

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

CONTENTS

	Page
Strategic report	1 - 12
Directors' report	13 - 14
Directors' responsibilities statement	15
Independent auditor's report	16 - 18
Statement of comprehensive income	19
Balance sheet	20
Statement of changes in equity	21
Notes to the financial statements	22 - 37

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present the strategic report for the year ended 30 June 2018.

The Company's business and strategy

Carlisle United Association Football Club (1921) Limited's ("the Company" or "Club") principal activity is unchanged. It is a professional football club, being both a member of the EFL (currently in League 2) and the Football Association. We also operate business trading activities related to football. The Company holds the EFL Golden Share and is subsidiary of C.U.F.C Holdings Limited ("Holdings").

The Board believe it is important all the supporters and other stakeholders have clarity on the direction and progression of the Club. With this in mind, our annual Strategic Report is important in providing depth and detail alongside other ongoing information provided to supporters.

We have reiterated our established overall objectives as well as providing a comprehensive commentary on the financial performance, position and prospects. Also, we have again produced key performance indicators to track progress. We believe this is the right thing to do. It helps everyone's understanding of the Club.

The Club's overall objective remains *"working together; building a sustainable and successful Club that we can take pride in."*

Everyone within the Club is ambitious to improve and progress on and off the field, and the key priority is success in achieving progress up the football pyramid starting with promotion to League 1.

Strategic Objectives

Working together

This means the Club and its fans and community coming closer and having a common purpose.

Providing fans with more and detailed information about the Club is important, including in reports like this.

The Carlisle United Supporters Group (CUSG) is playing an important role. It is a forum of individual supporters and all our key supporter groups, where issues are raised and addressed and information is shared directly face-to-face with the Club and communicated to fans. Meetings continue to be held monthly with senior staff and directors and the minutes are issued publicly. Fans are encouraged to get involved and the impact is growing steadily. This is a long term initiative, but wider involvement by fans, better communication and the position of the Supporter Liaison Officer (SLO) are all areas of focus for 2018/19.

The Club's relationship with the Carlisle United Official Supporters Club (CUOSC) remains good. The appointed director continues to play his part in holding the executive directors to account and providing oversight. This contributes to good governance and is helping to create and promote a united approach which is beneficial to the Club and its fans. We understand it faces challenges in engaging and communicating with some fans and we hope it can grow and have stronger links to all fans. This inevitably will need new fans to join shape its approach.

At the same time, we are proud of relations with the wider community especially through the Carlisle United Community Trust and the many charities and non-for profit groups in our area.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Successful

We are striving for success in everything we do. Success in football on-the-field, by winning matches remains our clear and top priority. The immediate short-term target is promotion to League 1.

Up to a point, on-the-field success is influenced by expenditure on Football activities especially spending on Player Costs. However, this is not enough on its own and having the most resources is no guarantee of success either.

Our approach remains to grow and direct as much cash into our Football activities as we can without placing the Club in a high risk position or neglecting other areas and then, together with that cash, it is critical to get the maximum benefit from our spending, by being effective in our recruitment and football operations.

Effectiveness comes from focusing on first class player coaching, match tactics, player recruitment, team and player preparation and development. This requires the on and off the field activities of the Club and the Football and Academy departments all to be united and working together. We see this as the best approach for this Club. The appointment of our first Director of Football and a new football management coaching team in June 2018 have been crucial changes to address this. Again, this will take time to for the benefits to take effect.

Sustainable

We must continue to grow the Club's own financial resources therefore reducing the Club's risk and reliance on external cash support. Significant changes were made at the end of the year. This remains an on-going and difficult process and requires balancing our short and long term objectives for both Football and the wider Club, weighing all their needs and demands.

The world of football, especially at League 2 level, is inherently uncertain and unpredictable. There are lots of variable factors that influence events. This means often taking tough financial decisions which may on occasion be unpopular with some supporters. When we do so it is for the long-term interest of the Club.

We plan to operate within our financial resources, grow our recurring Business turnover, while keeping costs to a minimum, trading players for profit, developing players to be better and nurturing our Academy players and the young players we recruit.

It is critical to our sustainability and success to grow our Underlying Contribution (rather than rely on wind-falls). This is the net income the Club generates year on year from its normal trading before cup-runs and other one-offs. This is used to pay for all our Football activities including, crucially, first team Player Costs.

Pride

We aim to be open, honest and straight talking, making decisions and doing things for the right reasons.

We take pride in celebrating our successes, history and past achievements, learning from our experience to help us be more successful.

We aim to keep supporters informed about the Club though our website, social media and other media channels as well as direct communication via emails and open forums, the SLO and CUSG.

Our Community ticket scheme is a going from strength to strength with over 2,000 young fans coming to our games last season. These are the fans of the future and our feedback about the scheme is superb.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Financial review

Results and performance

The financial year ended 30 June 2018 incorporate our third consecutive season in League 2.

The 2017/18 season proved disappointing as after a poor start we were never able to improve beyond mid-table. Inconsistent results, lack of momentum and poor home form, combined with the football management team contract expiry led to a difficult second half of the year.

Overall our Business activities in Retail, Matchday and Commercial all suffered as attendances fell. With our main costs (Players and Football Management) fixed until 30 June 2018 this resulted in a significant loss and funding requirement.

Turnover £3.993m (2016/17: 4.273m)

Headline Turnover was £3.993m (2016/17: £4.273m). This includes Business turnover £1.973m (2016/17: £2.280m), Football income direct from EFL and Premier League of £960,000 (2016/17: £919,000), Academy grant income from EFL of £466,000 (2016/17: £424,000) and income from one-off non-recurring events. In 2017/18 £449,000 (2016/17: £484,000) of non-recurring Football Fortune income was earned from cup runs and player sales plus £79,000 (2016/17: £176,000) of other one-off income from insurance and donations.

Business turnover is the most important measure of the underlying recurring income generated by the Club. By growing Business turnover, the sustainability of the Club is improved. In 2017/18 it was £1.973m (2016/17: £2.280m). The change was due to a £204,000 reduction in ticket income as league attendances decreased, £30,000 decrease in retail income and a £74,000 decrease (2016/17: £70,000 increase) across all Commercial income areas as the gains made in the previous year reversed.

Business Costs £482,000 (2016/17: £424,000)

Business trading costs before overheads, depreciation and interest increased mainly due to match-day staff costs from minimum wage and holiday pay legislation and retail cost of sales.

Overheads £960,000 (2016/17: £1.101m)

The overall decrease was due to cost reductions implemented to address the income reduction after the rising cost of stadium repairs and maintenance.

Underlying Contribution £1.389m (2016/17: £1.649m)

Underlying Contribution measures the Club's long-term ability to pay for its Football activities from its own trading resources, without extra funding provided by shareholders, external funders or windfall income (for example from cup runs).

As a result of the fall in Business turnover (mainly tickets and commercial) and increased business trading costs, despite reduced overheads, the Underlying Contribution in 2017/18 fell by £260,000. This demonstrates the importance of matchday ticket income and commercial income and the direct and immediate impact of any reductions in income from these areas when combined with a fixed Total Football Expenditure, which can only be changed twice a year.

Football Fortune £449,000 (2016/17: £484,000)

Income from Player trading was £223,000 (2016/17: £209,000). This came from the transfer of Sam Cosgrove and from transfer add-ons from prior year deals.

The balance between player trading and on-the-field improvement and success is always a difficult one, but it plays a part in the sustainability and viability of the Club. It is part of our strategy to increase the value of our players by developing their talent, to improve the team and sell them for profit to then reinvest. The sale proceeds add to Underlying Contribution of the Club, which then allows us to increase

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

our Total Football Expenditure. This requires effective recruitment and proactive player development through pathways and opportunities being given, and a wider and longer term perspective. Given the changes made in June 2018 we need to see improvement in this area.

Early exits were suffered in the Checkatrade Trophy and EFL Cup. We were knocked out of the FA Cup at the round 3 stage. Income from Cup matches and play-offs was £270,000 (2016/17: £223,000), this includes £30,000 prize money from the Checkatrade Trophy. The balance of other football fortune was from player loan income.

The total reduction in Football Fortune adversely impacted on our ability to fund exceptional additional expenditure and reinvestment, both in Football activities and the Club, from our own resources compared with both 2016/17 and 2015/16.

Other non-recurring income of £79,000 (2016/17: £176,000) was earned from donations and insurance.

In total, the Underlying Contribution and non-recurring net income was £1.918m (2016/17: £2.310m)

Total Football Expenditure £2.603m (2016/17: £2.767m)

Our top priority is to direct as much resources in Football activities as possible.

Despite the reduction of £392,000 in income earned to fund our football operations, Total Football Expenditure was still £2.603m (2016/17: £2.767m). The decrease of £164,000 spent on Football was only due to a fall in bonuses paid for results achieved compared with the play-off year 2016/17.

As a result, the Club incurred a very significant loss in supporting the spending on Player and Football management costs despite the poorer finish than 2016/17.

The Club complied with EFL Salary Cost Management Protocols (Player Wage Capping) rules for the 2017/18 season. Our spending was 96% (2016/17: 99%) of the EFL allowance. According to EFL independent benchmark data, our spending was in the top six of League 2 in 2017/18. In 2018/19 the EFL wage capping rules will tighten. We supported this change.

Loss before tax for the year

After interest costs of £31,000 (2016/17: £13,000) together with depreciation and amortisation of £265,000 (2016/17: £218,000) and the impact of a debt exchange and write off, the total loss for the year was £121,000 (2016/17: £209,000).

Balance sheet and Cash flow

The total assets of the Company at the year end are £8.82m (30 June 2017: £8.77m). Net assets are £4.75m (30 June 2017: £4.82m).

The Company continued to benefit from an external commercial Funding Facility arrangement with Edinburgh Woollen Mill supported by security over all the assets of the Company.

The total debt of the Company at 30 June 2018 was at £2.26m (30 June 2017: £2.01m).

£10,000 of bank loans and obligations under finance leases was repaid (2016/17: £33,000) in the year and £26,000 of vehicle leases taken out. At 30 June 2018 total bank and finance lease debt was £291,000 (30 June 2017: £250,000).

During the year £260,000 of new loans were received from Holdings shareholders and £860,000 of loans due to Holdings shareholders were exchanged for shares in Holdings. At 30 June 2018 loans due to Holdings shareholders were £135,000 (30 June 2017: £735,000).

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Other amounts payable to related parties also reduced by £85,000 to £493,000 (30 June 2017: £578,000).

Other loans secured on the assets of the Company at 30 June 2018 were £1.310m (30 June 2017: £450,000)

Going concern

The company has taken steps in 2017/18 to put in place sufficient funding facilities to support its forecast trading for 2018/19 and in future periods.

The Company will continue to take steps to improve its position, performance and prospects, both on and off-the-field, in order to be successful and create a climate where a positive succession of ownership can be achieved.

Further details on going concern are detailed in note 1.2.

Review of Strategic Activities

Football

In 2017/18 Keith Curle was in charge for his third full season as Manager and his fourth League 2 campaign. It proved a year of disappointment after reaching the play-offs in the prior year. Keith Curle left the club at the end of the season at the expiry of his contract along with his staff. He was replaced by John Sheridan and a new coaching team in June 2018.

In 2017/18 we targeted an improvement in the depth of our playing squad especially our strike force. With the spending on Total Football Expenditure planned to be maintained, despite commercial income and cost pressure, we sought to use player loans and development players to supplement the core squad to maximise the effectiveness of our budget.

We wanted the team to make further improvements in achieving the characteristics required for success in EFL League 2 including, conceding fewer goals, with more clean sheets and scoring first more often, converting leads into wins by getting two goals up and conceding less equalisers. We wanted to achieve improved home results and better results against the best teams. We hoped to continue our strong characteristics of securing points after going behind and scoring in most games. We needed to see more consistency to achieve back to back wins and create momentum.

Skybet League 2

Whilst the football budget (Total Football Expenditure) was maintained we didn't achieve our objectives and fell back versus 2016/17. This came at another large cost in terms of the financial loss. We underperformed despite being optimistic after 2016/17 and many of the key measures of success worsened as the gap to the top teams widened and the characteristics we needed to see improve didn't.

After a mediocre and inconsistent start, at the half-way point we were in 13th place (2016/17: 2nd) with 31 pts (2016/17: 46pts) averaging 1.35 Points Per Game (PPG) (2016/17: 2 PPG) and established in mid-table, but still only 4pts behind 7th place, with hope for improvement and a challenge in the second half of the season.

To support this, the January 2018 transfer window saw 5 new players join and 3 exits. We increased the Player Cost budget funded by cup run football fortune, in signing two permanent players (Stockton and Campbell-Ryce) and three loans players.

From mid-February we were able to win 4 games in a row for the first time in 16 months (and for only the second time since being back in L2), to get within one win of the play-offs. However, despite only 1 defeat in the last 10 games we gained only 13pts and won just two even though we led in eight of them. We couldn't turn leads into wins as we conceded equalisers. We failed to win any of the last 5 home games all of which cast a cloud.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

The Club finished in 10th place (2016/17: 6th) in League 2 with 67pts (2016/17: 71pts) at 1.34PPG (2016/17:1.54PPG). This was a -4pts (-6%) deterioration, 8pts below the League 2 play-offs and 17pts (2016/17: 14pts) short of automatic promotion. Our final record was P46 W17 D16 L13 GF62 GA54 GD+8 67pts PPG1.34.

After the optimism of 2016/17 we failed to compete with the top 7 of L2 or build momentum to sustain a challenge to break into the play-off race. We were in the top 7 for only 7 days of the entire season (2016/17: 216 days) and the top half for 43% of the season (2016/17: 100%). We only won 3 games in a row once all season (achieving 3 wins in a row just twice in 131 games) and seldom were we able to create or maintain consistency, especially at home.

Overall, when playing the best seven teams in League 2 (top 3 and 4 play-off teams), we were very poor and gained just 7pts (2016/17: 20pts) from 14 games at a rate of only 0.50PPG (2016/17: 1.43PPG) with just 1 clean sheet. We scored first 6 times but won only once. This demonstrated the very significant gap when playing against the division's best, one that was far wider than 2016/17. We showed no ability to beat the top 10 in the division either, winning only one game out of 20. P20 W1 D8 L11 GF21 GA38 GD-17 Pts 11 PPG0.55 (2016/17: 28pts at 1.40PPG).

When scoring first we accumulated an improved 54pts (2016/17: 45pts) at 2.25PPG (2016/17:1.96 PPG) which was better but still only 13th ranked (2016/17: 20th ranked towards the lower end of League 2), and still well below that required to compete at the top of League 2. This remained a key factor in us not gaining the points we could have. Too often winning positions became frustrating draws. Again 9 times (2016/17: 9) we scored first (8 times home) but then conceded equalisers and drew. We conceded 16 equalisers in total (2016/17: 17) the worst in L2, after also being the worst in L2 in 2016/17. The failure to address this fundamental long standing recurring weakness proved crucial for the second season in a row as we lost 25pts in 12 games from leading positions. We gave up 5 points in injury time to promoted Wycombe.

The underlying cause of this weakness was a failure to get 2 goals clear after taking the lead in games. We scored 2 or more goals on only 14 occasions (2016/17: 22). Whilst we were ahead in 29 games, only 9 times did we then get 2 goals up. 11 times we drew (including twice after leading 2-0 at home). We also gave up a net -6pts by conceding goals late in games (last 10 minutes) and only twice all season gained extra points late in games (both games against relegated Barnet) as we were unable to make late match rallies to get back ahead.

We scored only 8 equalisers all season (2016/17: 20) the third lowest in L2 (2016/17: 1st ranked best in L2) in a disappointing turnaround as one of our strengths became a major weakness. We lost 13 out of 20 and won only 2 games after conceding first.

When conceding first, we were only 11th best in League 2 (2016/17: 1st ranked best in L2) achieving just 11pts in 20 games at 0.55PPG (2016/17: 25pts in 22 games at 1.14PPG) in a disappointing turnaround as one of our other strengths became a major weakness.

We failed to score 9 times (2016/17: 8), making us again 3rd best in L2 (2016/17: 3rd best) as we maintained this core strength. Our goals scored fell by 7 to 62.

With 54 goals against conceded (2016/17: 68), we improved defensively and recorded the 9th best (2016/17: 18th) defensive record in the division. Again, this was a welcome improvement and one we needed. A much improved and very creditable 15 (2016/17: 8) clean sheets were recorded making us 5th best in L2 (2016/17: 2nd worse) and most for many years.

We suffered particularly from late goals conceded with 23% (2016/17: 18%) of goals against coming in the last 10 minutes and injury time. Overall, we lost -11 pts in 5 games (2016/17: lost -4 pts in 3 games) from goals in this crucial late period. This was especially disappointing at home where 8 pts (2016/17: 1 pt) slipped away in the last minute and injury time. This is another area of opportunity.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Home form

Our home form was disappointing and played a key part in our L2 performance. We ranked only 16th (2016/17: 9th) in L2 for home points won achieving 31pts (2016/17: 37pts). Our record of P23 W7 D10 L6 GF31 GA23 GD+8 Pts 31 meant only two L2 teams won fewer home games than us despite having the 4th best home defence and 6 home clean sheets (2016/17: 4). At the crucial end of the season, we won none of the last 5 home games and got no clean sheets.

However, no team drew more home games than us and just 31 home goals scored (2016/17: 34) proved key factors. Despite scoring first in 15 of 23 home games (2016/17: 10) we only won 7 games (2016/17: 7) and achieved just 1.93PPG (2016/17: 2.2PPG) as we allowed 10 (2016/17: 5) equalisers. At home 50% of goals conceded came in the 15 minutes before and after half time.

Away form

We ranked a creditable 4th (2016/17: 7th) in L2 for away points won achieving 36pts (2016/17: 34pts). Our record of was P23 W10 D6 L7 GF31 GA31 GD0 Pts 36. In contrast to our weak home form, we won 8 out of 9 after scoring first and improved to be second best in L2 with 2.78PPG (2016/17: 1.77PPG). We allowed just 6 equalisers (2016/17: 12 was worst in L2) plus achieved a L2 best of 9 away clean sheets (2016/17: 3). We scored only 5 first half away goals (2016/17: 20) and 26 in the second half. We had a -13GD in last 30 minutes of the first half.

Cup competitions

Again, disappointingly and frustratingly, in the Cup competitions we failed to make any impact. After beating League 1 team Fleetwood, we lost in round two of the Carabao Cup to Championship side Sunderland (H). After beating L1 Oldham and Gillingham after a replay, in round three of the FA Cup we lost 0-2 to Championship team Sheffield Wednesday (A) after another replay. In the Checktrade Trophy we won just one group games and lost to Leicester U21 (H) and Fleetwood (H). This meant potentially financially lucrative cup runs were not secured.

Players

We had 28 different contracted players (2016/17: 34) during 2017/18 including five loans (2016/17: 3) and four development players.

Eight players joined in the Summer window (2016/17: 11) and two more signed before Christmas (2016/17: 3), making ten new signings in the first half of the season (2016/17: 14). Five more joined in January (2016/17: 10) and these signings played 36% of game minutes (2016/17: 46%).

Overall the 15 new joiners (2016/17: 24) played 56% (2016/17: 48%) of available minutes, which was less than the 13 existing players (2016/17: 10) who played 60% (2016/17: 71%).

11 out of 28 (40%) of the contracted players (2016/17: 17 of 34) made 10 starts or less, as fewer players made low contributions compared with the high number of 2016/17. The 11 most used players played 72% (2016/17: 68%) of their available minutes, as there was more consistent selection of starters.

The average age of the players used on the pitch was 28.3 (2016/17: 27.1) as the squad grew older from the retention of experienced players and large contribution from players aged over 30 balanced using younger loan players. This made us the 4th oldest (2016/17: 3rd) in L2. We had just 4 players aged under 25 in the 23 contracted players (excluding loans).

Injured players missed the equivalent of 150 games (2016/17: 92) as major long-term injuries were suffered to two key players. The equivalent of 13 games (2016/17: 12) were lost due to suspension. All three available substitutes were used in 43 of 46 L2 games (2016/17: 40) as the manager rarely didn't use all his bench changes. 9% of substitutions were made in the last 5 minutes (2016/17: 14%). Substitutes played 6.5% of game time (2016/17: 6.7%). In 12 games (2016/17: 9) a substitution was made at half time.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

We acquired striker Richie Bennett for £50,000 paying our first transfer fee for some years. He started 24 of 46 L2 games and played 57% of available minutes.

In the final analysis, we achieved the same L2 position as 2015/16 despite a Total Football Expenditure being £575,000 (28%) higher in 2017/18. We achieved a lower L2 position than 2016/17 despite a budget at similar levels. It remains the Club's position, that up to a point, on-the-field success is influenced in part by expenditure on Football activities especially spending on Player Costs. However, as was proved in 2017/18 this is not sufficient on its own and having the increased resources is no guarantee of improved prospect of success either.

We improved defensively in some key areas but deteriorated offensively and crucially we continued to lose points from winning position after regularly conceding equalisers and failing to build on leads. We were unable to mount late game turnarounds and our home form was poor and failed at the end of the season. Our inability to beat the top 10 made it almost impossible to build momentum or make up lost ground against the rest of L2. In matches often settled narrowly too often we just fell short and too often winning positions were not converted into wins.

Academy review

The four core objectives of the Academy are set out in the Club's Academy Performance Plan which is a key component of the Premier League and EFL's Elite Player Performance Plan ("EPPP"). These remain to develop:

- elite professional footballers to play in our First Team (in League 2 and be capable of playing higher in the league pyramid). This is the Academy's top priority
- players who add significant value to the first team squad for future sale
- players who have playing careers in the professional game
- individuals capable of forging successful careers after they leave us

This is a long term process with lots of work required. A further £119,000 of additional spending was made in the Academy funded in part by additional Academy EFL grant income but also by funding from the wider Club.

For the second year in a row no Academy player received an opportunity to start a first team L2 game. The four development players played zero minutes even as a substitute. It is a long process to see players developing and breaking through to make their mark in our first team squad, then being named in the first team '18' and finally making appearances on the field for us. This requires the Academy and Football departments to work together with a shared vision and common purpose and proactive desire to provide opportunities and succeed together. This is a priority area for cultural change within the club and by the new management team.

The board remains committed to Club Developed Players coming through, but this needs opportunities to be given wherever possible and a commitment to doing all we can to support and develop our young players.

We earned £10,900, the 18th lowest ranked in L2 (2016/17: £6,800 ranked 16th lowest in L2) through the EFL Football Futures scheme. The largest pay-out in L2 was £50,000 (2016/17: £23,000).

Business review

Commercial

Commercial activities had a difficult year. Business turnover from Commercial activities was £698,000 (2016/17: £764,000). Sponsorship and match-day hospitality were particularly challenging. Thank you to all our commercial sponsors and partners and those who attended events. Commercial Director Phil King left the club in March 2018. He was not directly replaced, with his role being taken over by other staff with further changes made after the year end to reorganise the commercial team and add to it with additional external support.

The Lionel Richie concert proved a success but was not as lucrative as prior years.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Match day

Total match-day income primarily comprises Season Card income and Match ticket income. This was £937,000 in 2017/18 (2016/17: £1.140m and 2015/16: £1.094m) and represents 47% (2016/17: 50%) of total Business turnover. Match day income is driven by the number of tickets sold, ticket prices and the mix of full and concession prices for both Season Cards and Match tickets.

Season Card income was £374,000 (2016/17: £327,000). Season Card income was increased by +14.4% (2016/17: +4.5% increase). This was a result of an increase in Season Cards being sold rising from 1,858 to 2,236. Season Cards continue to offer the best value for fans regularly attending home fixtures.

Match-day ticket income was £563,000 (2016/17: £813,000) from 23 league games.

League game gates were an average of 4,600 (2016/17: 5,113).

We are grateful for every fan who supports us and spends hard earned money backing the team and Club.

The on-the-pitch home performances and results were damaging to match ticket sales in the second half of the season and on season tickets for 2018/19. The deterioration in gates is a major risk creating higher losses and putting pressure on Total Football Expenditure and Player Costs.

Other business trading activities

Retail had a tough year with falling sales and gross profit. Sales and profits from the match day programme were poor as the demand continues its long term downward trend. Income from Lotteries and Promotions continued to be stable which is creditable as discretionary spending, especially on match day was reduced.

Community review

Our community activities are aimed at "making a difference" both to the Club and the city and wider Cumbria region. This is an important part of what we do and bring pride to all of us – Club, players, staff and fans alike. The CUCST engages with over 25,000 young people every year. As a Club we continue to support community and charitable causes wherever possible.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Key performance indicators

	YE 2018	YE 2017	Change		YE 2016	YE 2015	
Headline turnover	£ 3,993,252	£ 4,273,085	-£ 279,833	<i>Turnover reporting in the profit and loss account</i>	£ 4,415,070	£ 3,063,515	
Business turnover	£ 1,973,440	£ 2,280,337	-£ 306,897	<i>Recurring turnover from business activities</i>	£ 2,073,749	£ 1,901,632	
<i>Business turnover growth %</i>	-13.5%	10.0%			9.1%	-1.9%	
Business margin	£ 1,491,562	£ 1,856,837	-£ 365,275	<i>Business turnover less business costs</i>	£ 1,697,937	£ 1,511,513	
<i>Business margin growth %</i>	-19.7%	9.4%			12.3%	-1.7%	
<i>Business margin %</i>	76%	81%		<i>Business margin / business turnover</i>	82%	79%	
<i>Overhead cover</i>	2.55	2.52		<i>Business margin + recurring football income / overheads</i>	2.52	2.78	
Underlying contribution	£ 1,388,888	£ 1,649,380	-£ 260,492	<i>Recurring income - recurring costs</i>	£ 1,485,676	£ 1,409,868	
<i>Underlying contribution growth %</i>	-15.8%	11.0%			5.4%	-3.1%	
Non-recurring net income £	£ 528,775	£ 660,542	-£ 131,767	<i>Football Fortune + other non-recurring net income</i>	£ 1,281,730	£ 113,157	
Total football expenditure (TFE)	£ 2,602,654	£ 2,767,169	-£ 164,515	<i>Expenditure on total player costs (pay and all bonuses) and football operation (football management pay, bonuses and overheads)</i>	£ 2,549,421	£ 2,026,854	
<i>TFE growth %</i>	-5.9%	8.5%			25.8%	-0.4%	
<i>TFE ratio</i>	1.87	1.68		<i>Total football expenditure / underlying contribution</i>	1.72	1.44	
EBITDA £	-£ 684,991	-£ 457,246	-£ 227,745	<i>Profit/(loss) before interest, tax, depreciation and amortisation</i>	£ 217,985	-£ 503,829	
Institutional debt £	£ 290,508	£ 250,119	£ 40,389		£ 314,974	£ 334,502	
Related party debt £	£ 640,525	£ 1,313,234	-£ 672,709		£ 1,704,828	£ 1,810,750	
Total debt £	£ 2,258,623	£ 2,013,353	£ 245,270		£ 2,019,802	£ 2,145,252	
<i>Change in total debt £</i>	£ 245,270	-£ 6,449			-£ 125,450	£ 529,183	
Attendances (League 2 games only)				Community Ticket Scheme - complimentary tickets issued to groups			
2017/18	4,600	Decrease -10.0%		2017/18	2,585	Increase of +22.0%	
2016/17	5,113	Increase +8.7%		2016/17	2,119	Increase of 30.5%	
2015/16	4,704	Increase +6.9%		2015/16	1,623		
2014/15	4,376						
Season Ticket numbers				Player Community Appearances			
2017/18	2,238	Increase +19.4%		2017/18	368	Decrease of -14.4%	
2016/17	1,858	Increase +7.3%		2016/17	430	Increase of 25.7%	
2015/16	1,584	Increase +6.3%		2015/16	342		
2014/15	1,490						
Final League 2 position				SCMP Player Related Expenditure as % EFL Relevant Income			
2017/18	10			Pre-Season	2017/18	97%	
2016/17	6			Pre-Season	2016/17	99%	
2015/16	10			Pre-Season	2015/16	86%	
				Mid-Season	2017/18	99%	
				Mid-Season	2016/17	96%	
				Mid-Season	2015/16	99%	

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

Principal risks and uncertainties

Competitive risk

The football industry continues to be highly uncertain, volatile and subject to random events. Professional football in League 2 has intense rivalry with generally evenly balanced competition. The EFL Salary Cost Management Protocol rules and similarity of size of clubs contribute to this.

This makes additional funding available from Football Fortune a key factor - cash from Cup success and player sales can make a big difference. Beyond that, success is heavily dependent on non-financial factors such as player recruitment, coaching, effective use of budget and player development. Absolutely critical is football coaching and management. Since resources, wages paid and ability to attract players are broadly similar across many clubs in League 2 the pool of player skills is also evenly spread.

As a Board, we continue to believe there is nothing to fear and no need to look enviously at others about us in League 2. The events of recent seasons clearly demonstrate we must learn from our experiences and have our own strategy and approach. We can be successful by working both hard and smart, with a positive and ambitious approach and finding improvements in every activity. The increased levels of spending on players, even when club income has been falling has not brought success and is not sustainable.

As we reported last year, for us, the key and starting point has to be first class coaching and management, to get the very best from the players we have, to forge a team that is better than its individual parts that punches above its weight and over performs. We will at the same time seek to add to that good recruitment and real commitment to player development to make us better. The events of 2017/18 have reinforced that view.

Legislative risks

The company is governed by a wide range of legislation and regulation and takes great care to keep up to date with all relevant to ensure that it can maintain its business.

Financial risks

The main financial risk for the company is liquidity risk which is the risk that the Company will encounter difficulty in meeting its financial obligations. The Company mitigates liquidity risk by the continual review of its cash management and the source and sufficiency of funding to support its plans and activities.

Prospects for 2018/19 and beyond

The stadium remains in a high-risk area for flooding and most areas of the buildings are well over 50-years old. The facilities are now, more than ever before, struggling to keep up with the passage of time, the expectations of supporters and the ever-growing regulations of all authorities we come into contact with.

We have made it clear the stadium issue is one which is a top priority to make progress on. CUOSC and all other shareholders and directors share this view. There is no ability for the Company to self-fund a new stadium. This severely constrains the options for the Club. We are continuing to review the options ahead but at present for any meaningful progress this will need a united and community based approach, with fans and public and private sector working together.

The spending on Total Football Expenditure 2015-2018 helped us progress but resulted in very significant financial losses. After further welcome progress in 2016/17, with a resurgent end to that season and with football spending maintained, we disappointedly went back in 2017/18.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

In order to restore the viability of the club, after the spending funded by debt did not bring the promotion we wished for, we need to reduce our Total Football Expenditure and Player Costs to affordable levels in 2018/19. With a number of senior and high earning, player contracts expiring in June 2018 this gave an opportunity and flexibility to both improve and reshape the squad again and achieve a more effective use of our available playing budget.

At the same time, this inevitably needs a new football approach and new football management team to implement it. We have appointed a new manager, coaching staff and David Holdsworth as Director of Football to take us forward. This improves the football expertise inside the Club.

We expect 2018/19 to be even more challenging, commercially and in terms of ticket income and attendances with a further resultant fall in Underlying Contribution.

The general upward trend in attendances and total ticket income reversed in 2017/18 and this is the major Business issue facing the Club. We need to provide entertainment and winning football that our fans, especially at home, want to see and can afford to pay to watch.

The overall loss in 2018/19 is expected to be much reduced but it will be more than we can afford and therefore will require external funding. Even this level of spending can still only be funded from outside the business. Holdings and the Company have funding agreements in place for 2018/19 season. However, if the recent trend in falling attendances and associated income continues to be downward, then it is inevitable, that even with the funding support in place, there will be a need to take further remedial action to address any unplanned losses.

Personally, and on behalf of everyone at the Club, I would like to thank all the fans, businesses and community who supported the Club and its player and staff, at all levels of involvement and financial commitment in the past year.

On behalf of the board



.....
Mr N Clibbens

Director

12/12/19
.....

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2018

The directors present their annual report and financial statements for the year ended 30 June 2018.

Principal activities

The principal activity of the company continued to be that of a Professional Football Club.

Directors

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

Mr J L Nixon

Ms S C Kidd

Mr P P King

(Resigned 9 March 2018)

Mr N Clibbens

Mr J A Mitchell

Results and dividends

The results for the year are set out on page 19.

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

Disabled persons

The company's policy with regard to the employment of disabled persons is that equal consideration is given to all applications from both able and disabled persons, subject only to the overriding consideration of safety. The special needs of disabled employees for training and advancement, including employees who become disabled, are kept under review.

Employee involvement

The company recognises the importance of good communication with employees and has encouraged the development of employee involvement in various operating departments. The details of direct involvement processes are different in each operating department and have been developed over the year by management working with their employees in ways that suit their particular needs and environment.

Post reporting date events

There have been no significant events affecting the Company since the year end.

Future developments

The Board continue to support the First Team Manager and invest in playing staff in order to build a competitive team with the target of achieving promotion to League 1.

Auditor

The auditor, MHA Moore and Smalley, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

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

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

On behalf of the board



.....
Mr N Clibbens

Director

12/2/19
.....

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

Opinion

We have audited the financial statements of Carlisle United Association Football Club (1921) Limited (the 'company') for the year ended 30 June 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Williams (Senior Statutory Auditor)
for and on behalf of MHA Moore and Smalley
Chartered Accountants
Statutory Auditor

Richard House
9 Winckley Square
Preston
PR1 3HP

12/2/19

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 £	2017 £
Turnover	3	3,993,252	4,273,085
Cost of sales		(3,546,159)	(3,544,376)
Gross profit		447,093	728,709
Administrative expenses		(1,431,179)	(1,517,048)
Other operating income		34,550	113,012
Operating loss	4	(949,536)	(675,327)
Interest receivable and similar income	7	5	750
Interest payable and similar expenses	8	(31,328)	(13,981)
Amounts written off financial liabilities	9	860,000	480,000
Loss before taxation		(120,859)	(208,558)
Tax on loss	10	(4)	(4)
Loss for the financial year		(120,863)	(208,562)
Other comprehensive income			
Tax relating to other comprehensive income		53,000	90,000
Total comprehensive income for the year		(67,863)	(118,562)

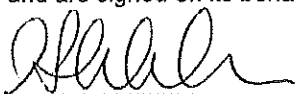
The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

BALANCE SHEET AS AT 30 JUNE 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	11		26,000		-
Tangible assets	12		8,388,135		8,474,277
			<u>8,414,135</u>		<u>8,474,277</u>
Current assets					
Stocks	13	23,881		21,890	
Debtors	14	377,220		269,862	
Cash at bank and in hand		5,352		6,412	
			<u>406,453</u>		<u>298,164</u>
Creditors: amounts falling due within one year	15	(3,105,591)		(2,921,220)	
Net current liabilities			<u>(2,699,138)</u>		<u>(2,623,056)</u>
Total assets less current liabilities			<u>5,714,997</u>		<u>5,851,221</u>
Creditors: amounts falling due after more than one year	16		(135,568)		(124,351)
Provisions for liabilities	19		(147,000)		(200,000)
Deferred income	22		(683,888)		(710,466)
Net assets			<u>4,748,541</u>		<u>4,816,404</u>
Capital and reserves					
Called up share capital	23		144,891		144,891
Revaluation reserve			5,716,281		5,749,998
Profit and loss reserves			(1,112,631)		(1,078,485)
Total equity			<u>4,748,541</u>		<u>4,816,404</u>

The financial statements were approved by the board of directors and authorised for issue on 12/8/19 and are signed on its behalf by:



Mr N Clibbens
Director

Company Registration No. 00175280

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 July 2016	144,891	5,741,939	(951,864)	4,934,966
Year ended 30 June 2017:				
Loss for the year	-	-	(208,562)	(208,562)
Other comprehensive income:				
Tax relating to other comprehensive income	-	90,000	-	90,000
Total comprehensive income for the year	-	90,000	(208,562)	(118,562)
Transfers	-	(81,941)	81,941	-
Balance at 30 June 2017	144,891	5,749,998	(1,078,485)	4,816,404
Year ended 30 June 2018:				
Loss for the year	-	-	(120,863)	(120,863)
Other comprehensive income:				
Tax relating to other comprehensive income	-	53,000	-	53,000
Total comprehensive income for the year	-	53,000	(120,863)	(67,863)
Transfers	-	(86,717)	86,717	-
Balance at 30 June 2018	144,891	5,716,281	(1,112,631)	4,748,541

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

Company information

Carlisle United Association Football Club (1921) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Brunton Park, Warwick Road, Carlisle, CA1 1LL.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of C.U.F.C Holdings Limited. These consolidated financial statements are available from its registered office, Brunton Park, Warwick Road, Carlisle, CA1 1LL.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.2 Going concern

In accordance with their responsibilities the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements.

The company's ability to remain a going concern is dependent on the on-going support of its directors and current financiers due to the loss of £120,863 in the year and the company's net current liabilities of £2,699,138 as at 30 June 2018.

As detailed in the strategic report, the company is seeking to grow its own financial resources to reduce its reliance on external cash support required from its shareholders and other financial supporters. However, the company recognises the inherent uncertainty in trading as a football club and has taken steps to put in place sufficient funds from external financiers, including agreements that adequate resources will be made available to the company to ensure that it has sufficient funds to be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approving the accounts.

The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approving these accounts. For this reason, and for the reasons referred to in the strategic report, the directors continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover comprises net gate and ticket receipts, television and sponsorship revenue, shop programmes, receipts from the Football League and Premier League and other commercial and miscellaneous income exclusive of Value Added Tax. Season ticket and sponsorship income received prior to the year end in respect of the following football season is treated as deferred income.

1.4 Intangible fixed assets other than goodwill

Player registration fees are capitalised as intangible assets and are initially recognised at cost. After recognition, under the cost model, the registrations are measured at cost less accumulated amortisation and accumulated impairment losses.

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

Player registrations	straight line over the period of the initial contract
----------------------	---

1.5 Tangible fixed assets

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

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

Freehold land and buildings	2% per annum straight line
Plant and machinery	33%, 25% and 10% per annum straight line
Motor vehicles	25% per annum straight line

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

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence, normally undertaken by professionally qualified valuers. The fair value of the Football Stadium has been calculated using its depreciated replacement cost due to the specialised nature of the property and lack of market-based evidence due to such assets rarely being sold except as part of a continuing business. This is in accordance with paragraph 17.15D of FRS 102.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

Basic financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.10 Equity instruments

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

1.11 Taxation

The tax expense represents the sum of the tax payable.

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

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

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

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

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

1 Accounting policies

(Continued)

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

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

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.15 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing the asset lives, factors such as physical condition are taken into account. Residual values consider matters such as future market conditions and the remaining estimated life of the premises to calculate their net present values.

Individual freehold properties are carried at revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair values are determined from market based evidence such as future market conditions.

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Relating to principal activity	3,993,252	4,273,085
	<u> </u>	<u> </u>
	2018 £	2017 £
Other significant revenue		
Rent receivable	6,000	5,750
Insurance claims receivable	1,972	80,684
	<u> </u>	<u> </u>

4 Operating loss

	2018 £	2017 £
Operating loss for the year is stated after charging/(crediting):		
Government grants	(26,578)	(26,578)
Fees payable to the company's auditor for the audit of the company's financial statements	12,625	11,250
Depreciation of owned tangible fixed assets	251,960	240,678
Depreciation of tangible fixed assets held under finance leases	10,164	3,982
(Profit)/loss on disposal of tangible fixed assets	-	1,776
Amortisation of intangible assets	29,000	-
Cost of stocks recognised as an expense	166,151	148,654
Operating lease charges	70,121	75,350
	<u> </u>	<u> </u>

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

5 Employees

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

	2018 Number	2017 Number
Number of administrative staff	162	177
Number of football staff	54	46
	<u>216</u>	<u>223</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	2,960,274	3,136,770
Social security costs	277,753	285,813
Pension costs	14,035	11,063
	<u>3,252,062</u>	<u>3,433,646</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	165,804	173,117
Company pension contributions to defined contribution schemes	2,334	850
	<u>168,138</u>	<u>173,967</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 1).

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Interest on bank deposits	5	750
	<u>5</u>	<u>750</u>

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	28,120	13,152
Interest on finance leases and hire purchase contracts	3,208	829
	<u>31,328</u>	<u>13,981</u>

9 Amounts written off financial liabilities

	2018	2017
	£	£
Amounts written back to financial liabilities	<u>860,000</u>	<u>480,000</u>

During the year, the company and parent company agreed the capitalisation of loans from shareholders of the parent company.

As part of this process, £860,000 (2017: £480,000) of loans previously owed by the company to the shareholders of the parent company became payable to the parent company. The parent company has agreed to write off this amount owed to it by the company.

10 Taxation

	2018	2017
	£	£
Current tax		
Adjustments in respect of prior periods	<u>4</u>	<u>4</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2018	2017
	£	£
Deferred tax arising on:		
Revaluation of property	<u>(53,000)</u>	<u>(90,000)</u>

Factors affecting future tax and charges

In his budget speech on 16 March 2016, the UK Chancellor of the Exchequer announced changes which have an effect on the company's future tax position. He announced a reduction in the rate of UK corporation tax to 17% from 1 April 2020. A reduction in the rate of UK corporation tax from 20% to 19% from 1 April 2017 had previously been announced.

As at the balance sheet date, the reductions in the rate of corporation tax had been substantively enacted and therefore any deferred tax has been provided at the appropriate rates.

At the year end the company had estimated tax losses of £2,800,168 (2017: £1,957,180) available to carry forward against future taxable trading profits.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

10 Taxation

(Continued)

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

	2018 £	2017 £
Loss before taxation	(120,859)	(208,558)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%)	(22,963)	(41,190)
Tax effect of expenses that are not deductible in determining taxable profit	3,132	3,863
Tax effect of income not taxable in determining taxable profit	(163,400)	(94,800)
Unutilised tax losses carried forward	160,168	133,742
Change in unrecognised deferred tax assets	(5,158)	(29,010)
Adjustments in respect of prior years	4	4
Depreciation on assets not qualifying for tax allowances	33,271	32,644
Grants released not taxable	(5,050)	(5,249)
Taxation charge for the year	4	4

11 Intangible fixed assets

	Player registrations £
Cost	
At 1 July 2017	-
Additions - separately acquired	55,000
At 30 June 2018	55,000
Amortisation and impairment	
At 1 July 2017	-
Amortisation charged for the year	29,000
At 30 June 2018	29,000
Carrying amount	
At 30 June 2018	26,000
At 30 June 2017	-

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

12 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation				
At 1 July 2017	8,283,336	547,255	2,250	8,832,841
Additions	84,412	59,569	32,000	175,981
At 30 June 2018	8,367,748	606,824	34,250	9,008,822
Depreciation and impairment				
At 1 July 2017	165,287	191,026	2,250	358,563
Depreciation charged in the year	172,131	81,993	8,000	262,124
At 30 June 2018	337,418	273,019	10,250	620,687
Carrying amount				
At 30 June 2018	8,030,330	333,805	24,000	8,388,135
At 30 June 2017	8,118,049	356,228	-	8,474,277

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018 £	2017 £
Plant and machinery	15,857	15,156
Motor vehicles	24,000	-
	39,857	15,156
Depreciation charge for the year in respect of leased assets	10,164	3,982

Following the extensive flood damage and subsequent repairs and improvement work performed, a valuation of all land and building assets was undertaken by Robson & Liddle (Rural) Limited, external valuers and members of The Institute of Chartered Surveyors. Due to ongoing construction work at 30 June 2016 and the fact that all capital costs were covered by the company's insurance policy, the valuation was performed as at 1 February 2017 when all construction work had been completed. In the opinion of the directors, this is a true and fair reflection of the value of the property at both 30 June 2017 and 30 June 2018.

The basis of the revaluation was depreciated replacement cost for the football stadium and open market value for residential property and the club shop.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

12 Tangible fixed assets (Continued)

If freehold property were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2018 £	2017 £
Cost	4,270,690	4,186,278
Accumulated depreciation	(2,103,640)	(2,018,226)
Carrying value	<u>2,167,050</u>	<u>2,168,052</u>

Tangible fixed assets with a carrying amount of £8,388,135 (2017 - £8,474,277) have been pledged to secure borrowings of the company.

Included within freehold property is land with a valuation of £6,000 (2016 - £6,000) which is not depreciated.

13 Stocks

	2018 £	2017 £
Finished goods and goods for resale	<u>23,881</u>	<u>21,890</u>

14 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	208,306	199,646
Other debtors	86	590
Prepayments and accrued income	96,463	69,626
	<u>304,855</u>	<u>269,862</u>

Amounts falling due after more than one year:	2018 £	2017 £
Trade debtors	<u>72,365</u>	<u>-</u>
Total debtors	<u>377,220</u>	<u>269,862</u>

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	140,397	119,538
Obligations under finance leases	18	14,543	6,230
Trade creditors		344,021	462,378
Other taxation and social security		149,398	180,127
Other creditors		1,968,115	1,764,718
Accruals and deferred income		489,117	388,229
		<u>3,105,591</u>	<u>2,921,220</u>

Included within other creditors is £1,310,000 (2017: £450,000) which is secured by way of a fixed and floating charge over Brunton Park and land around Brunton Park.

16 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	119,973	119,973
Obligations under finance leases	18	15,595	4,378
		<u>135,568</u>	<u>124,351</u>

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	-	119,973
	<u>-</u>	<u>119,973</u>

17 Loans and overdrafts

	2018 £	2017 £
Bank loans	119,973	123,293
Bank overdrafts	140,397	116,218
	<u>260,370</u>	<u>239,511</u>
Payable within one year	140,397	119,538
Payable after one year	119,973	119,973
	<u>140,397</u>	<u>119,538</u>

The first bank loan is secured by a first legal charge on 269 Warwick Road, Carlisle. This was fully repaid by the company during the year.

The second bank loan is secured by a first legal charge on 257 Warwick Road, Carlisle.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

17 Loans and overdrafts (Continued)

The second bank loan is an interest only arrangement to 31 January 2023, interest is charged at 0.49% above the bank's base rate.

18 Finance lease obligations

	2018	2017
	£	£
Future minimum lease payments due under finance leases:		
Within one year	14,543	6,230
In two to five years	15,595	4,378
	30,138	10,608
	30,138	10,608

Finance lease obligations are secured against the assets to which they relate.

19 Provisions for liabilities

	Notes	2018	2017
		£	£
Deferred tax liabilities	20	147,000	200,000
		147,000	200,000
		147,000	200,000

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2018	Liabilities 2017
	£	£
Balances:		
Freehold property revaluations	147,000	200,000
	147,000	200,000
		2018
		£
Liability at 1 July 2017		200,000
Credit to other comprehensive income		(53,000)
		147,000
Liability at 30 June 2018		147,000

As at the signing date of these financial statements, the company has not finalised its capital expenditure programme for the forthcoming year and therefore an assessment as to the likely movement of other relating timing differences cannot be made.

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

21 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	14,035	11,063

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company by NEST. The pension cost charge represents contributions payable by the company. An amount of £1,137 (2017: £1,140) is included in other creditors at the year end and is to be paid to NEST.

22 Government grants

Arising from government grants	683,888	710,466
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23 Share capital

	2018	2017
Ordinary share capital Issued and fully paid	£	£
144,891 Ordinary shares of £1 each	144,891	144,891

24 Financial commitments, guarantees and contingent liabilities

Transfer agreements sometimes involve additional payments or receipts depending upon the future performance of the player and club. At the year end, possible future payments amounting to £nil (2017: £nil) existed under such agreements.

Included within this amount is £nil (2017: £nil) in relation to players sold post year end before the relevant performance criteria were met. Any future payments will be capitalised and amortised, straight line, over the remaining period of the player's contract.

25 Operating lease commitments

Lessee

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

	2018	2017
	£	£
Within one year	14,983	12,048
Between two and five years	18,699	18,019

CARLISLE UNITED ASSOCIATION FOOTBALL CLUB (1921) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

26 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods	
	2018	2017	2018	2017
	£	£	£	£
Other related parties	44,543	62,530	3,162	8,266
	<u>44,543</u>	<u>62,530</u>	<u>3,162</u>	<u>8,266</u>

The following amounts were outstanding at the reporting end date:

	2018	2017
	£	£
Amounts owed to related parties		
Key management personnel	135,000	735,000
Other related parties	493,392	578,234
	<u>628,392</u>	<u>1,313,234</u>

The following amounts were outstanding at the reporting end date:

	2018
	Balance
	£
Amounts owed by related parties	
Other related parties	18,405
	<u>18,405</u>
Amounts owed in previous period	
Other related parties	28,185
	<u>28,185</u>

The company has received personal guarantees from certain directors of the parent company, in respect of an asset financing agreement. The amount of the guarantee is £4,378 (2017: £10,608).

The company has received personal guarantees from certain directors of the parent company, in respect of a loan provided to the company. The amount of the guarantee is £1,310,000 (2017: £450,000).

During the year debts of £860,000 (2017: £480,000) due to the parent company were written off.

27 Controlling party

The company is a 93.5% subsidiary of C.U.F.C Holdings Limited, a company incorporated in England and Wales and whose registered office is Brunton Park, Warwick Road, Carlisle, Cumbria, CA1 1LL.

C.U.F.C. Holdings Limited prepares consolidated financial statements incorporating this company and copies of these financial statements can be obtained from Companies House, Cardiff. This is the only group in which the results of the company are consolidated.