QC Holdings Limited

Annual report and financial statements

Registered number 5647878

30 September 2018

Contents

Strategic report

Principal activities

The principal activity of QC Holdings Limited (the "**Company**") continues to be that of a holding company. The Company holds all the issued ordinary shares of The Queen's Club Limited (**the "Club"**, together, the "**Group**"). There were no significant adverse effects due to the economic uncertainties of Brexit. Like all UK companies, the Company is subject to levels of uncertainty of outcomes, with the full range of possible effects of Brexit unknown.

The Company redeemed 76 redeemable shares and issued 77 redeemable shares during the year ended 30 September 2018.

Business review

The Company owns the Club through its investment in its subsidiary, The Queen's Club Limited.

Prior-year restatement

Redeemable shares

During the current year, the auditor identified, and the directors accepted, that the redeemable shares of the Company, previously classified as equity, should have been classified as a liability. This classification is required as the Company's Articles of Association do not give the Company the unconditional right to avoid settling the liability in cash or other financial assets. Whilst the Company had previously recognised a liability for those redeemable shares expected to be redeemed in the next period, no liability had been recognised in respect of the balance of the redeemable shares that could be redeemed in subsequent periods. In addition, no liability was recognised for the fair value of rights of certain under 28 year old members to acquire a full redeemable share at a fixed price on their 28th birthdays. The prior-year figures have therefore been restated and a more detailed explanation is included in the notes to these financial statements.

Debentures

During the current year, it was also identified that some accounting entries had been omitted in the financial statements in relation to the debentures of the Company. The prior-year figures have therefore been restated and a more detailed explanation is included in the notes to these financial statements It is important to note that the above restatements in the Company's financial statements have no impact on the cash position of the Company.

The directors are undertaking a full review of the future implications of having made these changes and will keep members informed about the progress of the review.

Results for the year

The Company accounts show a profit of £169,117 *(2017: £185,028)* before tax and finance charges associated with the redeemable shares and debentures. After adjusting for the accounting entries associated with the redeemable shares, options and debentures, and for tax, the Company financial statements show a loss of £2,631,921 *(2017: loss £1,871,374)*.

Key performance indicators

The Company's current ratio (liquidity) is 36.4% *(2017: 36.0%)*.

Principal risks and uncertainties

Financial risk management

The Group's operations expose it to a variety of financial risks including credit, liquidity and interest rate risks. Following the restatement of the financial statements resulting from the reclassification of redeemable shares as a liability, the Company has in place a risk-management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance charges.

Strategic report *(continued)*

Principal risks and uncertainties (*continued*)

Price risk

The Company is exposed to price risk due to normal pressures of inflationary increases in the purchase price of the goods and services in the UK.

Credit risk

The Company has implemented policies that require appropriate status checks and/or references as necessary.

Liquidity risk

The Company monitors its liquidity risk to ensure that it has sufficient available funds and capital in order to operate and meet its planned commitments. Following the restatement of the financial statements resulting from the reclassification of redeemable shares as a liability, the Company will continue to monitor the levels of debt finance and related finance charges.

Market risk

The Company's approach to investment risk is to place the management of investments in the stock market in the hands of specialist asset managers. Asset managers have been provided with guidelines with the aim of providing better returns than cash deposits without undue risk.

Cash flow risk

The Company has interest-bearing assets. Interest-bearing assets comprise cash balances that earn interest at a variable or fixed rate.

By order of the board

P Mallinson
Chairman
12 March 2019

Directors' report

The directors present their Directors' report and financial statements, in addition to the Strategic report on page 1 and 2, for the Company for the year ended 30 September 2018.

The financial statements include prior-year adjustments in relation to both the redeemable shares, options and the debentures issued by the Company.

Dividend
The directors cannot recommend the payment of a dividend *(2017: £nil)*. The Company is restricted under the Articles of Association from paying any dividend.

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

P Begg
J A Cane
T Cockroft (resigned on 21 March 2018)
A E Jansen
A Lowenthal (appointed on 21 March 2018)
P Mallinson
S Mansfield (resigned on 21 March 2018)
N Mills (appointed on 21 March 2018)
C O'Donnell
K Phillipps
L Pierpont Engstrom
D J B Taylor
A Watson
R Wigley

Political contributions
The Company made no political donations nor did it incur any political expenditure during the year.

Disclosure of information to auditor
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

P Mallinson
Chairman
12 March 2019

Palliser Road
West Kensington
London W14 9EQ

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements.

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of QC Holdings Limited ("the Company") for the year ended 30 September 2018 which comprise the Profit and Loss account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of Fixed Assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going-concern basis as they do not intend to liquidate the Company or to cease their operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Independent auditor's report to the members of the QC Holdings Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of the QC Holdings Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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 Glendenning

Paul Glendenning (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
12 March 2019

Profit and Loss Account

For the year ended 30 September 2018

	Notes	2018 £	As restated 2017 £
Administrative expenses		(25,485)	(19,660)
Operating loss		(25,485)	(19,660)
Other operating income	2	44,589	40,893
Interest receivable and similar income	5	150,013	163,795
Profit before tax, interest payable and similar charges		169,117	185,028
Interest payable and similar charges analysed as:			
Redeemable share - finance charge	6	(2,564,244)	(1,629,748)
Debenture - finance charge	6	(216,948)	(409,892)
Total - interest payable and similar charges	6	(2,781,192)	(2,039,640)
Loss before taxation		(2,612,075)	(1,854,612)
Tax on profit	7	(19,846)	(16,762)
Loss for the financial year		(2,631,921)	(1,871,374)

All of the Company's operations are classed as continuing.

There were no recognised gains or losses other than those stated above and therefore no separate statement of other comprehensive income has been prepared.

The notes on pages 11 to 22 form an integral part of these financial statements.

Balance Sheet
At 30 September 2018

	Note	2018		As restated 2017	
		£	£	£	£
Fixed assets					
Investments	8		37,907,939		37,907,939
			37,907,939		37,907,939
Current assets					
Debtors	9	5,510,917		4,857,036	
Cash at bank and in hand		393,630		937,904	
		5,904,547		5,794,940	
Creditors: amounts falling due within one year	10, 12	(16,204,348)		(16,116,393)	
Net current liabilities			(10,299,801)		(10,321,453)
Total assets less current liabilities			27,608,138		27,586,486
Capital, Reserves and Long-Term Creditors					
Creditors: amounts falling due after more than one year	11, 12		56,243,447		53,589,874
Called up share capital	13	1,796		1,796	
Share premium	13	1,034,000		887,500	
Profit and loss account	13	(29,671,105)		(26,892,684)	
Shareholders' funds			(28,635,309)		(26,003,388)
			27,608,138		27,586,486

The notes on pages 11 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 12 March 2019 and were signed on its behalf by:

P Mallinson
Chairman
Company registered number: 5647878

Company Statement of Changes in Equity

	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 October 2016	5,071	20,201,298	4,228,345	(1,473,082)	22,961,632
Prior-year restatement	(3,275)	(19,467,548)	(4,228,345)	(23,394,478)	(47,093,646)
Restated balance at 1 October 2016	1,796	733,750	-	(24,867,560)	(24,132,014)
Comprehensive loss for the period					
Loss for the year	-	-	-	(1,871,374)	(1,871,374)
Total comprehensive loss for the year	-	-	-	(1,871,374)	(1,871,374)
Share premium recognised on redemptions of shares classified as liability	-	153,750	-	(153,750)	-
Balance at 30 September 2017	**1,796**	**887,500**	**-**	**(26, 892,684)**	**(26,003,388)**

	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1 October 2017	1,796	887,500	-	(26,892,684)	(26,003,388)
Comprehensive loss for the period					
Loss for the year	-	-	-	(2,631,921)	(2,631,921)
Total comprehensive loss for the period	-	-	-	(2,631,921)	(2,631,921)
Share premium recognised on redemptions of shares classified as liability	-	146,500	-	(146,500)	-
Balance at 30 September 2018	**1,796**	**1,034,000**	**-**	**(29,671,105)**	**(28,635,309)**

The notes on pages 11 to 22 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

QC Holdings Limited (the "**Company**") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 5647878 and the registered address is Palliser Road, London W14 9EQ.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £.

The Company's ultimate parent undertaking, QC Trustees Limited ("**QC Trustees**"), includes the Company in its consolidated financial statements. The consolidated financial statements of QC Trustees are available to the public and may be obtained from the Company Secretary, Palliser Road, London W14 9EQ. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of the ultimate parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgments made by the directors in the application of those accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 17.

Notes *(continued)*

1.1 Going concern

The Company is an intermediate holding company of The Queen's Club Limited and holds a liability by way of both redeemable shares and debentures that have been used to fund the Club. As a result of the structure of the Company's debt, the Company has net current liabilities of £10 million and net liabilities of £28.6m as at 30 September 2018 and shows a loss for the year then ended of £2.6 million. The financial statements have been prepared on a going-concern basis, which the directors consider to be appropriate for the following reasons.

Whilst the Company is loss-making, the losses arise principally due to the non-cash finance charges on both the members' redeemable shares and the debentures.

Whilst the debentures are only repayable in 2022, the Company is likely to be called upon to redeem a number of the redeemable shares each year for the foreseeable future. The Company's Articles of Association restrict the total number of members who are allowed to redeem their shares in each year. The Articles of association also require the Company to take into account, inter alia, the initial price paid by the redeeming members and also the current price charged to new members when deciding upon the amount that the Company will redeem the shares for. The amount payable on redemption to leaving members has been the same as the amount payable by new members during the year. The waiting list is significant and the directors believe that the Company will therefore be able to redeem the shares held by members wishing to leave the Club through issuing new memberships. The net effect is therefore expected to be cash neutral.

When the above is taken together with the fact that the Company has liquid investments of £5,406,825 with limited expected debts that will require a net cash outflow in the foreseeable future, and the fact that the Company's investment in the Club continues to grow in value, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

1.2 Prior-year restatement

Redeemable shares

During the current year, the auditors have identified, and the directors have agreed, that the redeemable shares of the Company, previously classified as equity, should have been classified as a liability. This classification is required as the Company's articles of association do not give the Company the unconditional right to avoid settling the liability in cash or other financial assets. Whilst the Company had previously recognised a liability for those redeemable shares that were expected to be redeemed in the next period, no liability had been recognised in respect of the balance of the redeemable shares that could be redeemed in subsequent periods. In addition, no liability was recognised for the fair value of rights of certain under 28 year old members to acquire a full redeemable share at a fixed price on their 28th birthdays. The prior-year figures have therefore been restated.

At 30 September 2017, the financial statements included 3,298 Redeemable Shares of £1 each, a Share Premium account of £21,477,277 and Other Reserve of £3,251,720. The Other Reserve was created from past capital reductions. The share capital and share premium arising on the issue of the shares should have been recognised as a liability. The capital reduction, whilst legally effective, would not have affected the carrying amount of the liabilities and the Other Reserve should not have been recognised.

The liability arising on the redeemable shares should have been subsequently recorded at the amount payable at the balance sheet date, with movements between one year-end and another taken through the Profit and Loss account. At 30 September 2017, the financial statements have been restated to include the liability for the redeemable shares of £46,735,484 and for rights to acquire shares of £211,142. These liabilities are included in 'Creditors due after more than one year'. The profit and loss account should have included a finance expense of £2,564,244 as a result of the re-measurement of the redeemable shares and options at the previous year-end.

Although the Company has, over the years, repaid a number of members for their liabilities arising from the redeemable shares, technically the redeemable shares may still legally exist because the Company did not have appropriate reserves with which to redeem the shares. It is expected that the Company will be able to resolve this situation. As a result of settling a number of the member liabilities, the amount of share premium initially arising on the issue of those shares, to the extent that it has not been previously reduced, should also have been recognised.

Notes *(continued)*

1.2 Prior-year restatement (continued)

Debentures

In 2007, the Company also issued 'A', 'B' and 'C' Debentures to raise the funds that allowed its subsidiary to acquire the Club. The consideration received from each debenture holder was initially recognised in the financial statements as a creditor. The terms of these debentures were:

i. 'A' debentures (£250,000 each) and 'B' debentures (£125,000 each)

The debentures were non-interest-bearing and only entitled to full repayment of the principal amount in 2022.

Whilst earning no interest, a holder of an 'A' and 'B' debenture was entitled to (i) acquire a redeemable share at any point over a 15-year period for a nominal amount; and (ii) free membership for life ('A' debenture) or 15 years ('B' debenture) of the Club for the holder and certain family members.

ii. 'C' Debentures (£75,000 each)

The debentures were non-interest bearing and were only entitled to full repayment of the principal amount in 2017 (repaid in September 2017).

The holders of 'C' debentures were also entitled to (i) acquire one redeemable share at any point over a 10 year period for a nominal amount and (ii) free membership of the Club for ten years.

All except one of the 'C' debentures were repaid in September 2017; the final debenture was repaid in October 2017.

When issued, the Company recognised as a liability the amount of consideration received for each debenture issued. The Company should have recognised:

i. a liability at the present value of the discounted amount of the debenture repayable in 2022 or 2017. The liability to the debenture holder should have been recognised subsequently at amortised cost, resulting in an interest charge to the profit and loss account over the ten or 15-year period.

ii. a derivative liability, measured at fair value, for the issued option to acquire each redeemable share. The options should have been measured at fair value through the profit and loss account, giving rise to a redeemable share liability measured at amortised cost when the options were exercised.

iii. a liability to the Club. This arises because, in law, the Club was due compensation from QC Holdings as it has taken on the requirement to service new lifetime members without receiving any membership fees in return.

As a result of the above, financial statement captions have been restated as follows:

	Previously stated	Restated
	£	£
Finance expense (including derivative fair-value changes)	6,954	2,039,640
Profit / (loss) for the year	161,312	(1,871,374)
Financial liability to members - debentures	6,840,223	5,102,623
Financial liability to members – redeemable shares	-	46,735,484
Other creditors	1,127,375	1,338,517
Derivative liability	-	413,250
Intercompany liability	10,977,330	14,780,763
Retained earnings brought forward at 1 October 2016	(1,473,082)	(24,867,560)

The combined effect of the above non-cash adjustments on the results to 30 September 2017 has been to increase 'creditors falling due within one year' and 'creditors falling due after more than one year' to £16,116,393 and £53,589,874, to reduce the Company's net assets from £23,422,321 to net liabilities of £26,003,388, reduce Share capital, Share premium and Other reserve from a total of £24,734,091 to £889,296 and Retained earnings from a deficit of (£1,311,770) to (£26,892,684). Results for the year have reduced from a profit of £161,312 to a loss of £1,871, 374.

Notes *(continued)*

1.3 Measurement convention

The financial statements are prepared on the historical-cost basis except that the following assets and liabilities are stated at their fair value: redeemable shares and related options to acquire redeemable shares are classified at fair value through the profit or loss.

1.4 Basic financial instruments

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Investments in subsidiaries
These are separate financial statements of the Company. Investments in subsidiaries are carried at cost.

1.5 Other financial instruments

Financial instruments not considered to be Basic Financial Instruments (Other financial instruments)
Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition, other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

1.6 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.7 Interest

Interest receivable
Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.8 Expenses

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities.

Notes *(continued)*

1.9 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.10 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.11 Investments

Investments are stated at the lower of cost and net realisable value at the balance sheet date.

Notes *(continued)*

2 Other operating income

	2018	2017
	£	£
Administrative fees charged on redeemed shares	44,589	40,893

3 Expenses and auditor's remuneration

	2018	2017
	£	£
Audit of these financial statements	3,830	3,715

4 Staff numbers and costs

No staff were employed by the Company during the year *(2017: nil).*

There was no directors' remuneration and none was borne by other group companies *(2017: £nil).*

5 Interest receivable and similar income

	2018	2017
	£	£
Bank interest received	2,091	4,590
Investment income	147,922	159,205
Total interest receivable and similar income	150,013	163,795

6 Interest payable and similar charges

		As restated
	2018	2017
	£	£
Debenture - finance charge and options	216,948	409,892
Redeemable shares - finance charge and options	2,564,244	1,629,748
Total interest payable and similar charges	2,781,192	2,039,640

Notes *(continued)*

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

	2018	2017
	£	£
Current tax		
Current tax on income for the period	19,962	14,302
Adjustments in respect of prior period	(116)	2,460
Total current tax	19,846	16,762

Reconciliation of effective tax rate

	2018	2017
	£	£
Loss before taxation	(2,612,075)	(1,854,612)
Tax using the UK corporation tax rate of 19% *(2017: 19.5%)*	(496,294)	(361,649)
Disallowable expenditure	528,426	397,730
Effect of revaluation of investments	146	(1,671)
Under/(over) provision in respect of prior years	(116)	2,460
Gain on capital assets	(3,533)	(1,752)
Effect of non-taxable dividend income	(7,462)	(17,115)
Other adjustments	(1,321)	(1,241)
Total tax expense included in profit or loss	19,846	16,762

Reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) has been enacted at the reporting date. This will reduce the Company's future tax charge accordingly. The main adjustment in the disallowable expenditure is the finance charge. This has not been deducted from the overall tax charge as it is not business related.

8 Fixed asset investments

	Shares in group undertakings
	£
Cost and Net Book Value	
At 1 October 2017 and 30 September 2018	30,771,949

	Loans to group undertakings
	£
Cost and Net Book Value	
At 1 October 2017 and 30 September 2018	7,135,990
Total investments	37,907,939

Notes *(continued)*

8 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries:

	Registered address and country of incorporation	Ownership 2018	Ownership 2017
The Queen's Club Limited	Palliser Road, London W14 9EQ, United Kingdom	100%	100%
QC Ground Limited	Palliser Road, London W14 9EQ, United Kingdom	100%	100%

9 Debtors

	2018 £	2017 £
Amounts owed by group undertakings	1,749	1,749
Prepayments and accrued income	102,343	69,186
Short-term investments	5,406,825	4,786,101
	5,510,917	4,857,036

The total capital invested in short-term investments with third-party asset managers is £5,000,000 (2017: £4,500,000) of which £2,000,000 was invested in 2015, £1,250,000 in 2016, £1,250,000 in 2017 and £500,000 in 2018. The gains to date on investments were £406,825 (2017: £286,101).

10 Creditors: amounts falling due within one year

	2018 £	As restated 2017 £
Amounts owed to group undertakings	14,786,098	14,780,763
Taxation and social security	19,962	14,302
Other creditors	176,663	135,703
Shares classified as liability	1,221,625	1,110,625
Debenture loans	-	75,000
	16,204,348	16,116,393

Included in 'Other creditors' are amounts totalling £151,875 *(2017: £111,750)* due to some members aged under 28 years old, who have made a 50 per cent down-payment to have the right to acquire a redeemable share. If the member fails to make a payment for the remaining 50 per cent when they turn 28 years old, the initial down-payment will be repaid by QC Holdings without interest.

Also included in 'Other creditors' are amounts totalling £1,070,201 *(2017: £976,697)* payable to members who had expressed a wish to redeem their shares as at 30 September 2018.

Notes *(continued)*

11 Creditors: amounts falling due after more than one year

	2018	As restated 2017
	£	£
Debenture loans	5,417,821	5,102,623
Other creditors	1,334,347	1,338,517
Redeemable shares classified as liability	49,176,279	46,735,484
Other financial liabilities	315,000	413,250
	56,243,447	53,589,874

Other financial liabilities relate to the option that 'A' and 'B' debenture holders have to acquire redeemable shares for a consideration of £1 each. At 30 September 2018, there were 21 *(2017: 29)* options outstanding. The year-end value of a redeemable share was £15,000 *(2017: £14,500).*

Included in 'Other creditors' are amounts due to some members aged under 28 years old, who have made a 50 per cent down-payment to have the right to acquire a redeemable share. If the member fails to make a payment for the remaining 50 per cent when they turn 28 years old, the initial down-payment will be repaid by QC Holdings without interest. At the year-end date, an amount of £1,062,944 *(2017: £1,045,569)* may be due after more than five years to these members who are under 22 years old.

12 Interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

Due within one year

	2018	2017
Creditors falling due within less than one year	£	£
One 'C' debenture due on demand	-	75,000

Due after more than one year

	2018	As restated 2017
	£	£
Creditors falling due after more than one year		
11 'A' debentures due in 2022	2,178,258	2,054,960
33 'B' debentures due in 2022	3,267,386	3,082,440
	5,445,644	5,137,400
Less finance costs	(27,823)	(34,777)
Total	5,417,821	5,102,623

Notes *(continued)*

12 Borrowings (continued)

The above debentures are included at amortised cost and interest is being charged at six per cent per annum. 'A' debentures are in denominations of £250,000, 'B' debentures are in denominations of £125,000, and 'C' debentures were in denominations of £75,000. In addition to the right to redemption, the debentures carry certain benefits.

- Option to subscribe for a redeemable share at a price of £1;
- Exemption from paying an annual subscription;
- Participation in a priority court-booking system;
- Benefits relating to the June Championship;
- Designation on an honourees' board.

13 Capital and reserves

Share capital	**2018**	2017
	£	£
Authorised		
2,000 ordinary shares of £1 each	2,000	2,000
1 special share of £1	1	1
5,000 redeemable shares of £1 each	5,000	5,000
	7,001	7,001

		As restated
	2018	2017
	£	£
Allotted, called up and fully paid		
1,795 ordinary shares of £1 each	1,795	1,795
1 special share of £1	1	1
	1,796	1,796

On 22 May 2007, The All England Lawn Tennis Ground plc (**"AELTG"**) acquired 45 ordinary shares in QC Holdings for £360,000. In return, AELTG was issued one special share in each of QC Trustees, the Company, The Queen's Club and QC Ground Limited. These special shares do not carry any voting rights or rights to dividends. The special shares give AELTG a right of first refusal to acquire the companies' assets and liabilities at market price discounted by 10 per cent in the event of a sale of the Club.

Under the articles of association, the Company is restricted from making any dividend distribution to ordinary shareholders.

Redeemable shares

Each redeemable share ranks pari passu with each ordinary share with the exception of the redemption rights attached to the redeemable share. All classes of share carry a voting right.

The Company issued 77 redeemable shares of £1 each during the year ended 30 September 2018, raising £1,029,255.

Notes *(continued)*

13 Capital and reserves *(continued)*

As at 30 September 2018, redeemable shares issued by QC Holdings can be redeemed up to an annual limit of 5 per cent of the total number of redeemable shares in issue as at the beginning of the current financial year. Seventy-six members had expressed a wish to redeem their share as of 30 September 2018. Actual redeemable shares in issue at 30 September 2018 are 3,299 *(2017: 3,298)*.

As to future redemptions, the directors are undertaking a full review and will consider the implications before the end of the next period.

Reserves

	As restated Share capital £	As restated Share premium £	As restated Profit and loss account £	As restated Shareholders' funds £
As at 1 October 2017	1,796	887,500	(26,892,684)	(26,003,388)
Loss for the financial year	-	-	(2,631,921)	(2,631,921)
Share premium recognised on redemptions of shares classified as liability	-	146,500	(146,500)	-
As at 30 September 2018	1,796	1,034,000	(29,671,105)	(28,635,309)

14 Related parties

The Company has taken advantage of the exemption contained in FRS 102 not to disclose transactions with other wholly owned members of the group headed by QC Trustees.

There were no transactions with other related parties.

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of QC Trustees. The ultimate controlling party is the Trustees of the immediate parent QC Trustees Limited, whose registered address is at Palliser Road, London W14 9EQ.

16 *Subsequent events*

Subsequent to the balance sheet date, there are no material events to report.

17 Accounting estimates and judgments

The following are the key judgments that management have made in the process of applying the Company's accounting policies and that have the most significant impact on the financial statements.

Impairment of fixed assets
The Company is required to review fixed assets for impairment if events or changes in circumstance indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value-in-use calculations or the fair value (market value), which are prepared on the basis of management assumptions and estimates.

The directors are not aware of any events or material changes in value of its subsidiary undertaking and have not identified any potential impairment triggers. Therefore, they do not consider an impairment review to be necessary.

Notes *(continued)*

17 Accounting estimates and judgments *(continued)*

Taxation

Tax benefits are not recognised unless it is probable that they will be obtained. Tax provisions are made if it is probable that a liability will arise. The Company reviews each significant tax liability or benefit to assess the appropriate accounting treatment.