

Newcastle United Limited
Financial statements
For the year ended 30 June 2018

Company no 02529667

Newcastle United Limited
Financial statements for the year ended 30 June 2018

Company information

Company registration number:	02529667
Registered office:	St. James Park NEWCASTLE UPON TYNE NE1 4ST
Director:	L. Charnley
Bankers:	Barclays Bank PLC Barclays House 5 St Ann's Street Quayside NEWCASTLE UPON TYNE NE1 3DX
Independent Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor 1 Holly Street SHEFFIELD S1 2GT

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Group strategic report

Principal activities and business review

The principal activities of the Group during the year were the operation of a professional football club together with related and ancillary activities.

The Director reports a profit after tax for the year of £18.6m (2017: loss £41.3m). Returning to the Premier League, and achieving a 10th place finish in 2017/18, had a significant impact on the Group's financial performance as the following KPIs illustrate:

	2018	2017	Inc/(Dec)
Turnover	£178.5m	£85.7m	£92.8m
Operating profit/(loss)	£17.6m	(£90.9m)	£108.5m
Profit/(loss) after tax	£18.6m	(£41.3m)	£59.9m
Wages to turnover ratio	52.4%	130.9%	(78.5%)
Loans/debt	£144.0m	£144.0m	-
Cash at year end	£33.8m	(£8.3m)	£42.1m
Average home league attendance	51,992	51,108	884

Future developments

Being a member of the Premier League is key to all aspects of the Club's operations and remains the number one objective of the Group.

Financial overview

Turnover rose by £92.8m (108%) from £85.7m to £178.5m

- Media income rose £79.0m to £126.4m (2017: £47.4m)
- Commercial income (including centrally distributed Premier League sponsors) rose £14.6m to £26.7m (2017: £12.1m)

Operating expenses (including provisions for onerous contracts) fell £21.2m to £119.6m (2017: £140.8m)

- Wages & salaries fell to £93.6m (2017: £112.2m)
- Other operating costs fell to £26.0m (2017: £28.6m). There were 21 home and 20 away league and cup games in the year (2017: 27 home and 26 away)

Player amortisation and trading

- Amortisation and impairment of players' registrations increased to £41.3m (2017: £35.8m)
- Profit on disposal of players' registrations fell to £3.6m (2017: £42.3m)

Interest

- Interest receivable and similar income fell to £1.9m (2017: £2.4m) in relation to accounting treatment of deferred transfer fees receivable (the discounting required) adopted under FRS 102

Group strategic report (continued)

Cash flow

- Operating activities (excluding player trading) resulted in a cash surplus during the year of £58.7m (2017: shortfall of £13.6m)
- Net cash outlay on player trading for the year was £15.7m (2017: £11.4m)
- A further cash injection of £10m from our owner mid-way through the season was repaid in full before the year end
- Debt at 30 June 2018 comprised an overdraft of £nil (2017: overdraft £8.3m) and amounts due to Mr MJW Ashley & companies under his control of £144.0m (2017: £144.0m)

Contingent liability

In April 2017 HMRC attended certain Group premises and executed a search warrant. Subsequent to these events, Newcastle United Football Company Limited ("NUFCL") received claims from HMRC relating to alleged underpayment of tax and national insurance, and interest to date thereon. The amount that has been claimed by HMRC has been assessed by the Director and an accrual has been made in the Group's financial statements. The amount accrued represents a best estimate at this time of the amount which may be payable. The amount claimed excludes any amount which may be payable in respect of penalties and only reflects amounts the Group has been made aware of. Claims have been lodged against these assessments, and the matter remains in the hands of the Group's legal advisers.

In the opinion of the Director, at this stage in the process, there is insufficient information available to enable him to make a reliable estimate of either the un-accrued amount of any liability which may ultimately arise in this regard, or when any such sums may become payable.

Principal risks and uncertainties

The Director considers the following to be the key business risks and uncertainties associated with the operation of a professional football club and will take such action as is considered necessary to manage and/or mitigate those risks:

- Not being in membership of the Premier League for any prolonged period due to the impact on revenue streams.
- Ability to recruit and retain playing staff and other key employees in what is a highly competitive market.
- Unavailability of key playing staff through injury.
- Changes to the rules and regulations of the FA, PL, EFL, UEFA and FIFA in areas such as: competition format, revenue distribution, profitability and sustainability and cost control rules, eligibility of players and operation of the transfer market.
- Negotiation of key commercial contracts.
- Health and safety risks associated with the stadium operation on match and non-match days.
- Cash management, including the impact of dealing with overseas customers and suppliers where transactions are subject to currency fluctuations.

This report was approved by the board on 5 March 2019 and signed on its behalf.



L Charnley
Director

Director's report

The Director presents his report and the financial statements for the year ended 30 June 2018.

Dividends

The Director does not recommend the payment of a dividend for the year ended 30 June 2018 (2017: £nil).

Director

The Director who served during the year was:

L Charnley

Director's responsibilities statement

The Director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Director is 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 the Group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political and charitable donations

The Group's charitable donations for the year amounted to £328,000 including an amount payable to Newcastle United Foundation in respect of bonuses for Foundation staff (2017: £377,180). There were no political contributions (2017: £nil).

Director's report (continued)

Payment to suppliers

The Group does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. The number of creditor days' calculation is distorted by transfer fees, which are payable over various agreed timescales. Accordingly, the group has calculated creditor days excluding transfer fees payable. The number of creditor days was 32 at the year-end (2017: 31).

Going concern

The Director has prepared financial forecasts and expects to maintain suitable financial facilities from the Group's bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements. The Company has received confirmation of continuing support from its ultimate parent company. The Director has concluded that the Group remains a going concern and has accordingly prepared these financial statements on the going concern basis.

Employee involvement

The Group recognises the importance of employee engagement and, within the bounds of commercial confidentiality, seeks to keep staff across the organisation informed of matters relating to the performance of the Group that may be of interest to them as employees.

Disabled employees

The Group ensures that all employees, and job applicants, are treated fairly, in accordance with its Group policies and values. Applications for employment by disabled persons are fully considered and assessed objectively against the requirements of the job, giving consideration to any reasonable adjustments that may be required for someone with a disability. In the event that an existing employee becomes disabled, all reasonable and practicable steps will be taken to ensure their employment with the Group continues.

Subsequent events

Subsequent to the Statement of financial position date the Group has committed to a further maximum net spend of approximately £6m (2017: £46m) in respect of changes to the playing squad.

Subsequent to the Statement of financial position date, and consistent with the Group's previously stated policy of repaying short term borrowing, £33m was repaid to Mr MJW Ashley and companies under his control.

Disclosure of information to auditor

The Director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

The Director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's Website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Director's report (continued)

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 5 March 2019 and signed on its behalf.



L Charnley
Director



Independent auditor's report to the members of Newcastle United Limited

Opinion

We have audited the financial statements of Newcastle United Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the Consolidated statement of income and retained earnings, Consolidated and Company statement of financial position, Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's profit 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 group and the parent 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 director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent auditor's report to the members of Newcastle United Limited (continued)

Other information

The director is 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of director for the financial statements

As explained more fully in the director's responsibilities statement set out on page 3, the director is 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 director determines 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 director is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Newcastle United Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of 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.

A handwritten signature in blue ink, appearing to read "Michael Redfern".

Michael Redfern (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Sheffield
5 March 2019

Consolidated statement of income and retained earnings

	Note	2018 £000	2017 £000
Turnover	4	178,495	85,685
Operating expenses		(119,593)	(140,844)
Amortisation and impairment of players' registrations	12	<u>(41,336)</u>	<u>(35,753)</u>
Operating profit/(loss)	5	17,566	(90,912)
Analysed as:			
Operating profit/(loss) before amortisation and impairment of players' registrations		58,902	(55,159)
Amortisation and impairment of players' registrations	12	<u>(41,336)</u>	<u>(35,753)</u>
		<u>17,566</u>	<u>(90,912)</u>
Profit on disposal of players' and staff registrations		<u>3,585</u>	<u>42,262</u>
Profit/(loss) before interest and taxation		21,151	(48,650)
Interest receivable and similar income	9	1,911	2,379
Interest payable and expenses	10	<u>(127)</u>	<u>(477)</u>
Profit/(loss) on ordinary activities before tax		22,935	(46,748)
Tax on (profit)/loss	11	<u>(4,336)</u>	<u>5,470</u>
Profit/(loss) and total comprehensive income for the year		18,599	(41,278)
Retained earnings at beginning of the year		<u>(86,771)</u>	<u>(45,493)</u>
Retained earnings at end of the year		<u>(68,172)</u>	<u>(86,771)</u>

The notes on pages 13 to 35 form part of these financial statements.

Consolidated statement of financial position

	Note	£000	2018 £000	£000	2017 £000
Fixed assets					
Intangible assets	12		93,965		93,500
Tangible assets	13		62,206		62,406
			<u>156,171</u>		<u>155,906</u>
Current assets					
Stocks	15	21		16	
Debtors: amounts falling due within one year	16	46,122		42,570	
Debtors: amounts falling due after one year	16	23,973		40,932	
Cash at bank and in hand	17	33,831		-	
			<u>103,947</u>	<u>83,518</u>	
Creditors: amounts falling due within one year	18	(101,066)		(86,315)	
Net current assets/(liabilities)			<u>2,881</u>		<u>(2,797)</u>
Total assets less current liabilities			159,052		153,109
Creditors: amounts falling due after more than one year	19		(117,216)		(118,412)
Provisions for liabilities	23		(12,244)		(21,997)
Deferred income	25		(21,334)		(23,041)
Net assets/(liabilities)			<u>8,258</u>		<u>(10,341)</u>
Capital and reserves					
Called up share capital	26		6,655		6,655
Share premium account	27		68,944		68,944
Capital redemption reserve	27		831		831
Retained earnings	27		(68,172)		(86,771)
			<u>8,258</u>		<u>(10,341)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 March 2019.



L. Charnley
 Director

The notes on pages 13 to 35 form part of these financial statements.

Company statement of financial position

	Note	£000	2018 £000	£000	2017 £000
Fixed assets					
Investments	14		<u>69,946</u>		<u>69,946</u>
Current assets					
Debtors: amounts falling due within one year	16	5,321		5,321	
Cash at bank and in hand	17	<u>3,988</u>		<u>3,655</u>	
		9,309		8,976	
Creditors: amounts falling due within one year	18	<u>(477)</u>		<u>(106)</u>	
Net current assets			<u>8,832</u>		<u>8,870</u>
Total assets less current liabilities			<u>78,778</u>		<u>78,816</u>
Net assets			<u>78,778</u>		<u>78,816</u>
Capital and reserves					
Called up share capital	25		6,655		6,655
Share premium account	26		68,944		68,944
Capital redemption reserve	26		831		831
Retained earnings	26		<u>2,348</u>		<u>2,386</u>
			<u>78,778</u>		<u>78,816</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Income Statement in these financial statements. The loss after tax of the parent Company for the year was £38,000 (2017: loss £557,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 March 2019.



L Charnley
 Director

The notes on pages 13 to 35 form part of these financial statements.

Consolidated statement of cash flows

	2018 £000	2017 £000
Cash flow from operating activities		
Profit/(loss) for the financial year	18,599	(41,278)
Adjustments for:		
Amortisation of intangible assets	41,336	35,753
Depreciation of tangible assets	1,956	3,478
Loss on disposal of tangible assets	-	294
Profit on disposal of intangible assets	(3,585)	(42,262)
Interest paid	127	477
Interest received	(1,911)	(2,379)
Taxation charge/(credit)	4,336	(5,470)
Grants	(87)	(87)
(Increase)/decrease in stocks	(5)	6
(Increase)/decrease in debtors	(4,972)	1,385
Increase in creditors	14,256	10,262
(Decrease)/increase in deferred income	(1,620)	4,181
(Decrease)/increase in provisions	(9,752)	21,997
Net cash generated/(used) from operating activities	<u>58,678</u>	<u>(13,643)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(46,222)	(55,472)
Sale of intangible assets	30,511	44,356
Purchase of tangible fixed assets	(667)	(236)
Sale of tangible assets	-	4
Interest received	17	1
Net cash used in investing activities	<u>(16,361)</u>	<u>(11,347)</u>
Cash flows from financing activities		
New loans	10,000	33,000
Repayment of existing loans	(10,000)	(18,000)
Repayments of obligations under finance leases and hire purchase	(154)	-
Interest paid	(37)	(33)
Net cash (used)/generated from financing activities	<u>(191)</u>	<u>14,967</u>
Net increase/(decrease) in cash and cash equivalents	42,126	(10,023)
Cash and cash equivalents at beginning of year	<u>(8,295)</u>	<u>1,728</u>
Cash and cash equivalents at the end of year	<u>33,831</u>	<u>(8,295)</u>

The notes on pages 13 to 35 form part of these financial statements.

Notes to the financial statements

1 General information

Newcastle United Limited (The Company) is a company incorporated in the United Kingdom. Its registered office is St. James' Park, Newcastle Upon Tyne, NE1 4ST. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are prepared under the historical cost convention, and in accordance with accounting principles generally accepted in the United Kingdom. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved financial statements. The Company's loss for the year was £38,000 (2017: £557,000).

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise stated.

The accounting policies set out below have, unless otherwise stated, been applied consistently for both the Group and the Company to all periods presented in these consolidated and Company financial statements.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Director has prepared financial forecasts and expects to maintain suitable financial facilities from the Group's bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements. The company has received confirmation of continuing support from its ultimate parent company. The Director has concluded that the Group remains a going concern and has accordingly prepared these financial statements on the going concern basis.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, using the acquisition method of accounting.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.4 Revenue

Revenue represents income arising from sales to third parties, and excludes transfer fees receivable, which are dealt with in the profit or loss on disposal of players' registrations, and value added tax. Revenue can be analysed into four major streams, within which significant amounts are accounted for, as follows:

Matchday

Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played. Any revenues received in respect of future games are held as deferred income.

Media

Fixed elements of central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played. Appearance fees are accounted for as earned. The merit based payment is recognised at the end of the league season, when the final league position is known.

Commercial

Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate based on the terms of the contract. Catering revenues are recognised on an earned basis. Revenue from the sale of branded products is recognised at the point of despatch when significant risks and rewards of ownership are deemed to have been transferred to the buyer.

Other Income

Other income includes grants, monies received from insurance claims and fees in respect of players' international duties. Grants are accounted for under the accruals model and all other income is recognised on an accruals basis.

2.5 Intangible assets

Acquired players' registrations

The costs associated with the acquisition of players' registrations are capitalised at cost at the date of acquisition as intangible fixed assets. These costs are fully amortised, on a straight line basis, over the period of the respective players' contracts.

For the purposes of impairment reviews, acquired players' registrations are classified as a single cash-generating unit until the point at which it is clear that, in the opinion of the Director, the player is no longer expected to remain an active member of the playing squad. In these circumstances the carrying value of that individual player's registration is reviewed against a measurable net realisable value.

Contingent payments

Under the conditions of certain transfer agreements, further fees may become payable to the selling club in the event of the player concerned making a certain number of first team appearances, or on the occurrence of certain other specified future events. Liabilities in respect of these additional payments are accounted for when, in the opinion of the Director, it becomes probable that the number of required appearances will be achieved or the specified future event will occur. The balance of potential costs is included as a contingent liability.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long leasehold property	-	over the shorter of the unexpired term of the lease and 50 years
Fixtures and equipment	-	3 – 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Income Statement.

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Leased assets

Finance leases are those which transfer substantially all of the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised as property, plant and equipment and are depreciated over the shorter of the lease term or their useful economic life. The capital elements of future lease obligations are included within borrowings, while the interest elements are charged to the Consolidated Income Statement over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

All other leases are operating leases, the rentals on which are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ('CGU') to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in the Consolidated Income Statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

2.10 Grants

Grants are accounted for under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

2.11 Deferred income

Deferred income comprises amounts received from capital grants, sponsorship, bond, corporate hospitality and season ticket income. Capital grants are released to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of the assets to which they relate. Other deferred income is released to the Consolidated Income Statement on a straight-line basis over the period to which it relates.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans from other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Foreign currency translation

Functional and presentation currency

The Group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Income Statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of consolidated income within 'operating costs'.

2.17 Finance costs

Finance costs are charged to the Consolidated Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.18 Operating leases

Rentals paid under operating leases are charged to the Consolidated Income Statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

2.19 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as they arise. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.20 Pensions

Defined contribution plans

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Football League Limited Pension and Life Assurance Scheme

The Group is a member of the Football League Pension and Life Assurance Scheme, a multi employer plan. It is not possible for the Group to obtain sufficient information to enable it to account for the plan as a defined benefit plan. It accounts for the plan as a defined contribution plan. Where the plan is in deficit and where the Group has formally agreed, with the plan, to participate in a deficit funding arrangement the Group recognises a liability for this obligation. The amount recognised is the net present value of the obligation payable under the agreement that relates to the deficits. The amount is expensed in the Income Statement. The unwinding of the discount is recognised as a finance cost.

2.21 Interest income

Interest income is recognised in the Consolidated Income Statement using the effective interest method.

2.22 Borrowing costs

All borrowing costs are recognised in the Consolidated Income Statement in the year in which they are incurred.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.23 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.24 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The charge for taxation is based upon the result for the year and comprises current taxation and taxation deferred through timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable on the taxable profits for the period, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements (continued)

2 Accounting policies (continued)

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Statement of financial position date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Statement of financial position date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the Statement of financial position date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the Director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of financial position date.

2.25 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

The Group presents as exceptional items, on the face of the Consolidated Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Amortisation and impairment of intangibles is also presented separately on the face of the Consolidated Income Statement so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

2.26 Loans

Loans are initially stated at the amount of the net proceeds after deducting any issue costs which are amortised over the life of the loan. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

2.27 Signing on fees

Signing on fees are charged to the Consolidated Income Statement over the period of the player's contract.

Notes to the financial statements (continued)

3 Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant estimates and judgements. The items in the financial statements where these judgements and estimates have been made include:

Impairment of Player Registrations

Under certain circumstances (as outlined in note 2.5) the Director may be required to estimate a net realisable value for an individual player's registration. This value will take in to account any offers received for that player, as well as the Director's knowledge and experience of recent trading and market conditions. When considered necessary, an impairment charge will be made to reduce the carrying value of the player's registration to their fair value less any costs of disposal.

Player Registrations

Under the conditions of certain transfer agreements, further fees may become payable to the selling club. Liabilities in respect of these additional payments are accounted for when, in the opinion of the Director, it becomes probable that the specified future event will occur. See note 2.5 for further information.

Multi Employer Defined Benefit Pension Scheme

The Group is a member of a multi employer pension plan. In the judgement of the Director, the Group does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 29 for further details.

Impairment of Debtors

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the ageing of the debtors and historical experience.

Claims against the Group

The Group assesses claims made against it taking into account all information supporting those claims. To the extent that the claim is more likely than not to require Group resources to settle the claim an assessment of an appropriate provision is made. To the extent that a fixed liability can be reliably measured then the Group makes a provision. Any claim where it is possible that resources will be required to settle is disclosed as a contingent liability to the extent that a provision is made. See note 28 for details of a claim from HRMC.

4 Turnover

The Group has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, the United Kingdom and accordingly no additional geographical segment information is required to be provided.

Notwithstanding this, a voluntary analysis of the revenue streams is given below to assist with an understanding of the business:

Turnover streams comprise:

Matchday

Season and matchday tickets and corporate hospitality income.

Media

Television and broadcasting income, including distributions from broadcasting agreements, cup competitions and local radio.

Notes to the financial statements (continued)

4 Turnover (continued)

Commercial

Sponsorship income, merchandising, conference and banqueting, catering and other sundry revenue.

Other Income

Other income consists of insurance income, grant income and international fees.

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
Matchday	23,937	23,449
Media	126,406	47,411
Commercial	26,704	12,136
Other income	1,448	2,689
	<u>178,495</u>	<u>85,685</u>

All turnover arose within the United Kingdom.

5 Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2018 £000	2017 £000
Change in stocks of goods for resale	(5)	6
Other operating income – release of capital gains	(87)	(87)
Depreciation and other amounts written off tangible fixed assets:		
- owned and long leasehold	1,956	3,478
Amortisation and impairment of intangible assets	41,336	35,753
Operating lease payments	655	630
Foreign exchange gains	(151)	(604)
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>48</u>	<u>47</u>
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related regulatory reporting	<u>7</u>	<u>7</u>

The Company has entered into a proportionate liability agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the period ended 30 June 2018. The proportionate liability agreement follows the terms of Appendix B to the Financial Reporting Council's June 2008 Guidance on Audit Liability Agreements, and was approved by written resolution.

Notes to the financial statements (continued)

7 Employees

Staff costs (including promotion related payments and provisions for onerous contracts) were as follows:

	2018 £000	2017 £000
Wages and salaries	82,557	97,794
Social security costs	10,767	14,362
Other pension costs	299	31
	<u>93,623</u>	<u>112,187</u>

The total staff costs including director's remuneration for the company was £nil (2017: £nil).

The average monthly number of full time equivalent employees, including the Director, during the year was as follows:

	2018 No.	2017 No.
Playing squad, academy, team management and support	152	152
Business operations	119	127
	<u>271</u>	<u>279</u>

In addition, the Group employed an average of 460 (2017: 444) matchday stewards.

The average monthly number of employees, including the Director, for the company was nil (2017: nil).

8 Director's remuneration

	2018 £000	2017 £000
Director's emoluments	<u>300</u>	<u>150</u>

Remuneration was paid to 1 director in the year, and comprises basic salary and bonus (2017: basic salary only).

Remuneration of the highest paid director amounted to £300,000 (2017: £150,000).

Other than as disclosed above, the Director received no remuneration from MASH Holdings Limited and/or any of its subsidiary and/or associated companies.

9 Interest receivable

	2018 £000	2017 £000
Other interest receivable	1,894	2,378
Bank interest receivable	17	1
	<u>1,911</u>	<u>2,379</u>

Notes to the financial statements (continued)

10 Interest payable and similar charges

	2018 £000	2017 £000
Bank interest payable	23	33
Interest payable on multi employer pension scheme	19	5
Interest payable on hire purchase contracts and finance leases	12	-
Other interest payable	73	439
	<u>127</u>	<u>477</u>

11 Taxation

	2018 £000	2017 £000
Current tax		
Corporation tax	<u>2,172</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>2,164</u>	<u>(5,470)</u>
Total tax charge/(credit) for the year	<u>4,336</u>	<u>(5,470)</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.75%). The differences are explained below:

	2018 £000	2017 £000
Profit/(loss) on ordinary activities before tax	<u>22,935</u>	<u>(46,748)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.75%)	4,358	(9,233)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	463	1,996
Tax rate adjustments	(206)	1,007
Adjustments to tax charge in respect of prior periods	<u>(279)</u>	<u>760</u>
Total tax charge/(credit) for the year	<u>4,336</u>	<u>(5,470)</u>

Factors that may affect future tax charges

The Group has unrelieved UK corporation tax losses of approximately £61 million (2017: £82 million) at the end of the year.

A reduction in the rate of corporation tax to 17% effective from 1 April 2020 was substantively enacted after the Statement of financial position date. If this had been enacted at 30 June 2018, this would not have had a material effect on the deferred tax asset.

Notes to the financial statements (continued)

12 Intangible assets

Group	Players' registrations £000
Cost	
At 1 July 2017	146,548
Additions	50,617
Disposals	(30,606)
At 30 June 2018	<u>166,559</u>
Amortisation and impairment	
At 1 July 2017	53,048
Charge for the year	41,336
On disposals	(21,790)
At 30 June 2018	<u>72,594</u>
Net book value	
At 30 June 2018	<u>93,965</u>
At 30 June 2017	<u>93,500</u>

The intangible asset that is material to the financial statements is the first team squad. The carrying value of the squad is £93,965,000 with a remaining amortisation period of 1.5 years. The amortisation charge for the current squad over this period will be;

2018/19 - £32,861,000
2019/20 - £30,421,000
2020/21 - £22,240,000
2021/22 - £7,966,000
2022/23 - £477,000

Notes to the financial statements (continued)

13 Tangible fixed assets

Group

	Land and buildings £000	Fixtures and equipment £000	Total £000
Cost or valuation			
At 1 July 2017	99,400	18,085	117,485
Additions	-	1,756	1,756
Disposals	(34)	(472)	(506)
Reclassifications and write offs	(1,635)	(5,357)	(6,992)
At 30 June 2018	<u>97,731</u>	<u>14,012</u>	<u>111,743</u>
Depreciation			
At 1 July 2017	38,295	16,784	55,079
Charge for period on owned assets	1,177	779	1,956
On disposals	(34)	(472)	(506)
Reclassifications and write offs	(1,112)	(5,880)	(6,992)
At 30 June 2018	<u>38,326</u>	<u>11,211</u>	<u>49,537</u>
Net book value			
At 30 June 2018	<u>59,405</u>	<u>2,801</u>	<u>62,206</u>
At 30 June 2017	<u>61,105</u>	<u>1,301</u>	<u>62,406</u>

Cumulative finance costs capitalised in prior years, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2017: £3,964,000).

The net book value of land and buildings may be further analysed as follows:

	2018 £000	2017 £000
Long leasehold	<u>59,405</u>	<u>61,105</u>

Fixtures and equipment with a carrying value of £835,000 (2017: £nil) are held under HP agreements.

Notes to the financial statements (continued)

14 Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 July 2017	69,946
At 30 June 2018	69,946
Net book value	
At 30 June 2018	69,946
At 30 June 2017	69,946

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Newcastle United Football Company Limited	England and Wales	Ordinary	100%	Professional football club
Newcastle United Enterprises Limited	England and Wales	Ordinary	100%	Dormant
St. James' Park Newcastle Limited	England and Wales	Ordinary	100%	Dormant
nufc.co.uk Limited	England and Wales	Ordinary	100%	Exploitation of internet and media rights
Newcastle United 1892 Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Catering Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Employment Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Entertainment Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Group Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Licensing Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Promotions Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Publications Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Sports Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Sportswear Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Telecoms Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Television Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Ventures Limited	England and Wales	Ordinary	100%	Dormant
NUFC Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United FC Limited	England and Wales	Ordinary	100%	Dormant
Newcastle United Football Club Limited	England and Wales	Ordinary	100%	Dormant
The Football Channel Limited	England and Wales	Ordinary	100%	Dormant
Balmbra's Limited	England and Wales	Ordinary	100%	Dormant

The Group owns 100% of the ordinary share capital in each of its subsidiary undertakings.

All subsidiary undertakings are registered in, and operate in, England and Wales and have their registered offices at St James' Park, Newcastle upon Tyne, NE1 4ST.

Notes to the financial statements (continued)

15 Stocks

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Goods for resale	21	16	-	-

16 Debtors

Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	28,126	27,490	-	-
Amounts owed by group undertakings	5,321	5,321	5,321	5,321
Amounts owed by Newcastle United Foundation	36	60	-	-
Other debtors	6,065	6,100	-	-
Prepayments and accrued income	6,574	3,599	-	-
	<u>46,122</u>	<u>42,570</u>	<u>5,321</u>	<u>5,321</u>

Amounts falling due after one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Trade debtors	23,925	38,720	-	-
Deferred tax asset (see note 24)	48	2,212	-	-
	<u>23,973</u>	<u>40,932</u>	<u>-</u>	<u>-</u>

Included within trade debtors are amounts totalling £43.9m (2017: £60.7m) relating to the consideration receivable for the sale of player registrations, including £23.9m (2017: £38.7m) expected to be recovered in more than twelve months.

The amount of debtors written off to the Consolidated Income Statement in the year was £6,000 (2017: £9,000). The impairment included against debtors at the year end is £nil (2017: £nil).

17 Cash and cash equivalents

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Cash at bank and in hand	33,831	-	3,988	3,655
Less: bank overdrafts	-	(8,295)	-	-
	<u>33,831</u>	<u>(8,295)</u>	<u>3,988</u>	<u>3,655</u>

Notes to the financial statements (continued)

18 Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank overdrafts	-	8,295	-	-
Obligations under finance leases and HP	250	-	-	-
Term and other loans	33,000	33,000	-	-
Trade creditors	19,239	14,600	-	-
Amounts owed to group undertakings	1,303	1,591	143	106
Corporation tax	2,172	-	-	-
Taxation and social security	11,653	3,318	-	-
Other creditors	870	106	334	-
Accruals	32,579	25,405	-	-
	<u>101,066</u>	<u>86,315</u>	<u>477</u>	<u>106</u>

Term and other loans shown above represent an outstanding loan balance from Mr MJW Ashley and companies under his control of £33.0m (2017: £33.0m) which is interest free and repayable on demand.

Included within the above are amounts totalling £22.8m (2017: £17.1m) relating to consideration payable for player registrations.

19 Creditors: amounts falling due after than one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Term and other loans	111,000	111,000	-	-
Obligations under finance leases and HP	521	-	-	-
Trade creditors	3,451	3,584	-	-
Accruals and deferred income	2,244	3,828	-	-
	<u>117,216</u>	<u>118,412</u>	<u>-</u>	<u>-</u>

Included within the above are amounts totalling £5.5m (2017: £7.4m) relating to consideration payable for player registrations.

20 Hire purchase & finance leases

	2018 £000	2017 £000
Within one year	250	-
Between one and five years	582	-
	<u>832</u>	<u>-</u>
Less: finance charges	(61)	-
	<u>771</u>	<u>-</u>

Notes to the financial statements (continued)

21 Loans

Analysis of the maturity of loans is given below:

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Amounts falling due within one year				
Other loans	33,000	33,000	-	-
Amounts greater than one year				
Other loans	111,000	111,000	-	-
	<u>144,000</u>	<u>144,000</u>	<u>-</u>	<u>-</u>

The company's total outstanding loan balances from Mr MJW Ashley and companies under his control were £144.0m (2017: £144.0m). £33.0m is repayable on demand and £111.0m is repayable after more than one year. All amounts are interest free.

22 Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets measured at amortised cost				
Trade receivables	52,051	66,210	-	-
Other debtors	6,065	6,100	-	-
Group companies	5,357	5,381	5,321	5,321
	<u>63,473</u>	<u>77,691</u>	<u>5,321</u>	<u>5,321</u>
Financial liabilities measured at amortised cost				
Trade creditors	(22,690)	(18,184)	-	-
Other loans	(144,000)	(144,000)	-	-
Obligations under finance leases & HP	(771)	-	-	-
Other creditors	(870)	(106)	(334)	-
Group companies	(1,303)	(1,591)	(143)	(106)
Accruals	(34,823)	(29,233)	-	-
Bank overdraft	-	(8,295)	-	-
	<u>(218,282)</u>	<u>(204,727)</u>	<u>(477)</u>	<u>(106)</u>
Other assets and liabilities				
Prepayments	6,574	3,599	-	-
Tangible assets	62,206	62,406	-	-
Intangible assets	93,965	93,500	-	-
Cash	33,831	-	3,988	3,655
Stock	21	16	-	-
Corporation tax	2,172	-	-	-
Taxation and social security	11,653	3,318	-	-
Deferred income	(21,334)	(23,041)	-	-
Deferred tax asset	48	2,212	-	-
Investments	-	-	69,946	69,946
Provisions for liabilities	(12,244)	(21,997)	-	-
Net assets/(liabilities)	<u>8,258</u>	<u>(10,341)</u>	<u>78,778</u>	<u>78,816</u>

Notes to the financial statements (continued)

23 Provisions for liabilities

Group

	Onerous employment contracts & other charges £000	Total £000
At 1 July 2017	21,997	21,997
Provisions utilised/released in year	(9,753)	(9,753)
At 30 June 2018	<u>12,244</u>	<u>12,244</u>

24 Deferred taxation

	2018 £000	2017 £000
At beginning of year	2,212	(3,258)
Charged to the Income Statement	(2,164)	5,470
At end of year	<u>48</u>	<u>2,212</u>

Deferred taxation is included as:

	2018 £000	2017 £000
Provisions	-	-
Debtors: amounts falling due after one year	48	2,212
	<u>48</u>	<u>2,212</u>

The provision for deferred taxation is made up as follows:

	2018 £000	2017 £000
Accelerated capital allowances	840	466
Tax losses carried forward	10,307	13,955
Intangible rollover	(13,530)	(14,878)
Other timing differences	2,431	2,669
	<u>48</u>	<u>2,212</u>

Notes to the financial statements (continued)

25 Deferred income

	Group 2018 £000	Group 2017 £000
Capital grants	2,038	2,125
Other deferred income	19,296	20,916
	<u>21,334</u>	<u>23,041</u>

Other deferred income comprises sponsorship, bond, executive scheme and season ticket income received in advance. The maturity profile of deferred income is as follows:

	2018 £000	2017 £000
Group		
Less than one year	16,947	18,534
One to two years	120	120
Two to five years	393	393
More than five years	3,874	3,994
	<u>21,334</u>	<u>23,041</u>

26 Share capital

	2018 £000	2017 £000
Shares classified as equity		
Authorised		
186,442,232 Ordinary shares of £0.05 each	<u>9,322</u>	<u>9,322</u>
Allotted, called up and fully paid		
133,107,121 Ordinary shares of £0.05 each	<u>6,655</u>	<u>6,655</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

27 Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Capital redemption

Following the re-purchase of shares by the company this is the nominal value of the re-purchased shares that are non-distributable to shareholders.

Retained earnings

Includes all current and prior period profits and losses.

Notes to the financial statements (continued)

28 Contingent liabilities

Under the terms of certain contracts for the signing of players, additional amounts may become payable to other football clubs. The maximum unprovided liability which may arise in respect of these players at 30 June 2018 is £6,976,000 (2017: £3,871,000). The Director does not currently think that it is probable that such sums will be payable, on the basis that the qualifying criteria are not currently expected to be met.

In April 2017 HMRC attended certain Group premises and executed a search warrant. Subsequent to these events, Newcastle United Football Company Limited ("NUFCL") received claims from HMRC relating to alleged underpayment of tax and national insurance, and interest to date thereon. The amount that has been claimed by HMRC has been assessed by the Director and an accrual has been made in the Group's financial statements. The amount accrued represents a best estimate at this time of the amount which may be payable. The amount claimed excludes any amount which may be payable in respect of penalties and only reflects amounts the Group has been made aware of. Claims have been lodged against these assessments, and the matter remains in the hands of the Group's legal advisers.

In the opinion of the Director, at this stage in the process, there is insufficient information available to enable him to make a reliable estimate of either the un-accrued amount of any liability which may ultimately arise in this regard, or when any such sums may become payable.

The Company is party to cross guarantees for the bank borrowings of Newcastle United Football Company Limited and nufc.co.uk Limited.

29 Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £55,000 (2017: £31,000).

Newcastle United Football Company Limited also participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. Newcastle United Football Company Limited is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2017 where the total deficit on the on-going valuation basis was £30.4 million. The key assumptions used to calculate the deficit at the 31 August 2017 actuarial valuation are:

Discount Rate:	3.5% per annum for the 1st 4 years, 2.5% per annum for the following 10 years and 1.5% per annum thereafter
RPI inflation:	3.4% per annum
Pension Increases:	3.7% per annum, for benefits accrued prior to 6 April 1997, and 3.7% per annum for benefits accrued after 6 April 1997
Mortality (pre-retirement):	None
Mortality (post-retirement):	SAPS CMI 2016 1.5%

The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accrual. Newcastle United Football Company Limited pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

Notes to the financial statements (continued)

29 Pension commitments (continued)

Newcastle United Football Company Limited currently pays total contributions of £47,000 per annum and from September 2018 pays total contributions of £66,000, which based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 August 2021.

As at 30 June 2018, based on an appropriate discount rate of 6.125% per annum, the present value of Newcastle United Football Company Limited's outstanding contributions (i.e. their future liability) is £268,000 (2017: £52,000). This amounts to £63,000 (2017: £47,000) due within one year and £205,000 (2017: £6,000) due after more than one year and is included within other payables.

A finance cost of £19,000 (2017: £5,000) is made to the Income Statement during the year, representing the interest cost on the outstanding deficit of the Scheme.

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2017), deficit contributions are payable by all participating clubs. Payments are made in accordance with a pension contribution schedule. As the Scheme is closed to accrual, there are no additional costs associated with the accruing of members' future benefits. In the case of a club being relegated from the Football League and being unable to settle its debt then the remaining clubs may, in exceptional circumstances, have to share the deficit.

Upon the wind-up of the Scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the clubs in line with their contribution schedule. Should an individual club leave the Scheme, they may be required to pay their share of the deficit based on a proxy buyout basis (i.e. valuing the benefits on a basis consistent with buying out the benefits with an insurance company).

30 Commitments under operating leases

At 30 June 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Land and buildings		
Not later than 1 year	655	663
Between one and five years	2,580	2,599
After five years	51,612	52,214
	<u>54,847</u>	<u>55,476</u>

During the year £655,000 was recognised as an expense in the Consolidated Income Statement in respect of operating leases (2017: £630,000).

Notes to the financial statements (continued)

31 Related party transactions

Transactions between the Company and its group undertakings are not disclosed as permitted by Section 33 of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

During the year, matchday hospitality to the value of £113,000 (2017: £78,000) was provided to members of Mr MJW Ashley's family. The amount outstanding as at 30 June 2018 was £113,000 (2017: £78,000). This amount has been paid in full after the year end.

During the current and prior year, advertising and promotional services were provided to Sports Direct International Plc ("Sports Direct") and subsidiary companies, being companies associated with the Ultimate owner of the company Mr MJW Ashley. Subsequent to the year end, an agreement has been put in place under which the Group will receive payment from Sports Direct for stadium advertising at St. James' Park.

The Group made sales of £385,000 (2017: £572,000) and purchased goods to the value of £1,448,000 (2017: £1,281,000) from Sports Direct and subsidiary companies, being companies connected with Mr MJW Ashley. These transactions were on normal commercial terms. The balance owing at 30 June 2018 to Newcastle United Football Company Limited was £105,000 (2017: £180,000). The balance owing at 30 June 2018 to Sports Direct was £226,000 (2017: £418,000).

Mr MJW Ashley and companies under his control continued to provide loan facilities to the Group during the year. The total balance outstanding at 30 June 2018 was £144.0 million (2017: £144.0 million). The maximum amount outstanding during the year was £154.0 million (2017: £144.0 million). No interest was payable on the loans for either the current or prior year.

The key management personnel of the Group during the year comprised of the Director of Newcastle United Limited and its subsidiaries. The total employee benefits of the key management personnel of the Group were £371,000 (2017: £534,000).

32 Subsequent events

Subsequent to the Statement of financial position date the Group has committed to a further maximum net spend of approximately £6 million (2017: £46 million) in respect of changes to the playing squad.

Subsequent to the Statement of financial position date, and consistent with the Group's previously stated policy of repaying short term borrowing, £33 million was repaid to Mr MJW Ashley and companies under his control.

33 Ultimate parent undertaking and controlling parties

The immediate parent undertaking is St James Holdings Limited.

The smallest and largest Group in which the results will be consolidated is that headed by MASH Holdings Limited. The ultimate controlling party is Mr MJW Ashley.

MASH Holdings Limited is incorporated in England and Wales and its registered office is Grenville Court, Britwell Road, Burnham, Buckinghamshire, England, SL1 8DF.