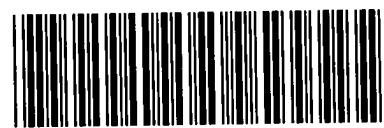


Newcastle United Football Company Limited
Financial statements
For the year ended 30 June 2019

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Company no 00031014

Company information

Company registration number:	00031014
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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Strategic report

Principal activities and business review

The principal activities of the Company 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 £34.7m (2018: £18.6m) after securing a 13th place finish in the Premier League. The Group's key financial performance indicators are listed below:

	2019	2018	Inc/(Dec)
Turnover	£176.4m	£178.5m	(£2.1m)
Operating profit before amortisation & impairment	£53.6m	£58.9m	(£5.4m)
Operating profit	£15.0m	£17.6m	(£2.6m)
Profit after tax	£34.7m	£18.6m	£16.1m
Wages to turnover ratio	54.9%	52.4%	2.5%
Loans/debt	£111.0m	£144.0m	(£33.0m)
Cash at year end	£9.8m	£29.6m	(£19.8m)
Average home league attendance	51,116	51,992	(876)

Financial overview

Turnover fell by £2.1m (1%) from £178.5m to £176.4m. An analysis of income by category is shown in Note 4 on page 22.

- Media income fell £2.5m, being the net of a lower merit award based on league position, offset against one additional live TV game, and an increase in international broadcasting income.
- Match income increased £0.9m (4%) from £23.9m to £24.8m as season ticket and Premier League matchday attendances averaged over 51,000 for the third successive season.
- Commercial income fell £0.5m (2%) from £26.7m to £26.2m, impacted by the success, in the prior year, of the three Ed Sheeran concerts. As disclosed in note 29 on page 30 the Company is now receiving income from Frasers Group plc (formerly Sports Direct International plc) for stadium advertising at St. James' Park.

Operating expenses increased £3.4m (3%) from £119.5m to £122.9m, due almost entirely to an increase in wages and salaries which accounted for £3.2m of the increase. At £96.8m, the wages to turnover ratio of 54.9% remains under the target 60%, although slightly up from last year (£93.6m, ratio 52.4%).

The net effect of the above is a fall of £5.4m in operating profit before player amortisation and impairment from £58.9m to £53.6m.

A fall in amortisation & impairment charges of £2.7m, combined with an increase in profit on disposal of players' registrations of £21.0m to £24.6m (2018: £3.6m) resulted in an increased profit before tax of £41.2m (2018: £22.9m) which, after corporation and deferred tax charges was reduced to £34.7m (2018: £18.6m).

Cashflow

Cash at the year end was £9.8m (2018: £33.8m), a net outflow in the year of £19.8m.

- Cash inflows from operating activities were £32.9m (2018: £58.7m), the main contributors to the fall from the previous year being lower operating profit, timing of annual bonus payments, and corporation tax instalments paid.
- Net cash outflow on player transfers in and out totalled £19.2m (2018: £15.7m).
- Repayment of short term debt was £33.0m (2018: £nil). The remaining £111.0m debt due to the owner continues to be interest free.

Strategic report (continued)

Contingent liability

In April 2017 HMRC attended certain Company 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 Company'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 Company has been made aware of. Claims have been lodged against these assessments, and the matter remains in the hands of the Company'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.

- Relegation from the Premier League (particularly if followed by a prolonged period of absence) 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, profitability and sustainability rules 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 2 March 2020 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 2019.

Dividends

The Board does not recommend the payment of a dividend for the year ended 30 June 2019 (2018: £nil).

Directors

The Directors who served during the year were:

L. Charnley
R Moncur (resigned 5 March 2018)

Director's responsibilities statement

The Director is responsible for preparing the Strategic report, the Director's report and the 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 Standards 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 of the profit or loss of the Company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Political and charitable donations

The Company's charitable donations for the year amounted to £243,000 including an amount payable to Newcastle United Foundation in respect of bonuses for Foundation staff (2018: £328,000). There were no political contributions (2018: £nil).

Director's report (continued)

Payment to suppliers

The Company 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 Company 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 Company has calculated creditor days excluding transfer fees payable. The number of creditor days was 36 at the year-end (2018: 32).

Going concern

The Director has prepared financial forecasts and expects to maintain suitable financial facilities from the Company'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 Company remains a going concern and has accordingly prepared these financial statements on the going concern basis.

Employee involvement

The Company 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 Company that may be of interest to them as employees.

Disabled employees

The Company ensures that all employees, and job applicants, are treated fairly, in accordance with its company 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 Company continues.

Subsequent events

Subsequent to the Statement of financial position date the Company has committed to a further maximum net spend of approximately £48m (2018: £6m) in respect of changes to the playing squad and team management.

Director's report (continued)

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's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information and to establish that the Company'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.

This report was approved by the board on 2 March 2020 and signed on its behalf.



L Charnley
Director

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

Opinion

We have audited the financial statements of Newcastle United Football Company Limited (the 'company') for the year ended 30 June 2019 which comprise the Statement of income and retained earnings, Statement of financial position 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 company's affairs as at 30 June 2019 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the 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, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties 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 associated with a course of action such as Brexit.

Conclusions relating to going concern

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

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



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

In our evaluation of the directors' conclusions, we considered the risks associated with the company's business model, including effects arising from Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, 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 judgements 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 company will continue in operation.

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 has 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 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, 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

Responsibilities of directors 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 is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

Michael Redfern

Michael Redfern (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Sheffield
2 March 2020

Statement of income and retained earnings

	Note	2019 £000	2018 £000
Turnover	4	176,448	178,495
Operating expenses		(122,880)	(119,547)
Amortisation and impairment of players' registrations	12	<u>(38,611)</u>	<u>(41,336)</u>
Operating profit	5	14,957	17,612
Analysed as:			
Operating profit before amortisation and impairment of players' registrations		53,568	58,948
Amortisation and impairment of players' registrations		<u>(38,611)</u>	<u>(41,336)</u>
		<u>14,957</u>	<u>17,612</u>
Profit on disposal of players' and staff registrations		<u>24,583</u>	<u>3,585</u>
Profit before interest and taxation		39,540	21,197
Interest receivable and similar income	9	2,179	1,911
Interest payable and expenses	10	<u>(505)</u>	<u>(127)</u>
Profit on ordinary activities before tax		41,214	22,981
Tax on profit	11	<u>(6,476)</u>	<u>(4,336)</u>
Profit and total comprehensive income for the year		34,738	18,645
Retained earnings at beginning of the year		<u>(26,503)</u>	<u>(45,148)</u>
Retained earnings at end of the year		<u>8,235</u>	<u>(26,503)</u>

All results are derived from continuing operations.

The notes on pages 11 to 30 form part of these financial statements.

Statement of financial position

	Note	£000	2019 £000	£000	2018 £000
Fixed assets					
Intangible assets	12		80,328		93,965
Tangible assets	13		<u>59,530</u>		<u>62,206</u>
			139,858		156,171
Current assets					
Stocks	14	27		21	
Debtors: amounts falling due within one year	15	48,124		40,944	
Debtors: amounts falling due after one year	15	18,789		23,973	
Cash at bank and in hand	16	<u>9,781</u>		<u>29,619</u>	
		76,721		94,557	
Creditors: amounts falling due within one year	17	<u>(38,092)</u>		<u>(101,124)</u>	
Net current assets/(liabilities)			38,629		(6,567)
Total assets less current liabilities			178,487		149,604
Creditors: amounts falling due after more than one year	18		(112,824)		(117,216)
Provisions for liabilities	21		(14,266)		(12,244)
Deferred income	23		(17,849)		(21,334)
Net liabilities			33,548		(1,190)
Capital and reserves					
Called up share capital	24		25,313		25,313
Retained earnings	25		<u>8,235</u>		<u>(26,503)</u>
			33,548		(1,190)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 March 2020.


 L. Charnley
 Director

The notes on pages 11 to 30 form part of these financial statements.

Notes to the financial statements

1 General information

Newcastle United Football Company Limited is a limited liability company incorporated in England and Wales. Its registered office is located at St. James' Park, Newcastle Upon Tyne, NE1 4ST.

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 management to exercise judgement in applying the Company's accounting policies (see note 3).

The 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 to all periods presented in these financial statements.

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 Company remains a going concern and has accordingly prepared these financial statements on the going concern basis.

2.3 Financial Reporting Standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Newcastle United Limited as at 30 June 2019 and these financial statements may be obtained from Companies House.

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. Turnover 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.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 player's 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 liability.

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 Company 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.

Depreciation is provided on the following basis:

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

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 Statement of income and retained earnings.

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 Statement of income and retained earnings 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 Statement of income and retained earnings 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 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.12 Financial instruments

The Company 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 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 Statement of income and retained earnings.

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 Company 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.

2.13 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.

2.14 Foreign currency translation

Functional and presentation currency

The Company'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.

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 Statement of income and retained earnings.

Notes to the financial statements (continued)

2 Accounting policies (continued)

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

2.15 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

2.16 Operating leases

Rentals paid under operating leases are charged to the Statement of income and retained earnings 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.

2.17 Pensions

Defined contribution plans

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

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of income and retained earnings 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 Company in independently administered funds..

Football League Limited Pension and Life Assurance Scheme

The Company is a member of the Football League Pension and Life Assurance Scheme, a multi employer plan. It is not possible for the Company 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 Company has formally agreed, with the plan, to participate in a deficit funding arrangement the Company 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 Income Statement. The unwinding of the discount is recognised as a finance cost.

2.18 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as they arise. An onerous contract is considered to exist where the Company 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.

2.19 Interest income

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

2.20 Borrowing costs

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company 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 Company 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 Company 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.

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also 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 operates and generates 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 renitance 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.

2.23 Exceptional items

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

The Company presents as exceptional items, on the face of the 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 Income Statement so as to facilitate comparison with prior periods and to better assess trends in financial performance.

2.24 Signing on fees

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

2.25 Deferred income

Deferred income comprises amounts received from capital grants, sponsorship, bond, corporate hospitality and season ticket income. Capital grants are released to the 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 Income Statement on a straight-line basis over the period to which it relates.

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.

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 Company is a member of a multi employer pension plan. In the judgement of the Director, the Company 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 27 for further details.

Impairment of Debtors

The Company 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 Company

The Company 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 company 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 Company 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 26 for details of a claim from HMRC.

4 Turnover

The Company 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 turnover 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 income.

Other Income

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

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

	2019 £000	2018 £000
Matchday	24,846	23,937
Media	123,936	126,406
Commercial	26,186	26,704
Other income	1,480	1,448
	<u>176,448</u>	<u>178,495</u>

All turnover arose within the United Kingdom.

5 Operating profit

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

	2019 £000	2018 £000
Change in stocks of goods for resale	(5)	(5)
Other operating income – release of capital gains	(87)	(87)
Depreciation and other amounts written off tangible fixed assets:		
– owned and long leasehold	2,817	1,956
Amortisation and impairment of player registrations	38,611	41,336
Operating lease payments	655	655
Foreign exchange gains	(11)	(151)
	<u> </u>	<u> </u>

6 Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>48</u>	<u>48</u>
Fees payable to the Company'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:

	2019 £000	2018 £000
Wages and salaries	84,944	82,557
Social security costs	11,776	10,767
Cost of defined contribution scheme	78	299
	<u>96,798</u>	<u>93,623</u>

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

	2019 No.	2018 No.
Playing squad, academy, team management and support	132	152
Business operations	142	119
	<u>274</u>	<u>271</u>

In addition, the Club employed an average of 476 (2018: 460) matchday stewards.

8 Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	267	334

Remuneration was paid to 1 director in the year and comprises salary and bonus.

During the year, retirement benefits were accruing to 1 director in respect of defined contribution pension schemes. The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,000 (2018: £500).

9 Interest receivable and similar income

	2019 £000	2018 £000
Other interest receivable	2,158	1,894
Bank interest receivable	21	17
	<u>2,179</u>	<u>1,911</u>

Notes to the financial statements (continued)

10 Interest payable and similar expenses

	2019 £000	2018 £000
Bank interest payable	10	23
Interest payable on multi employer pension scheme	15	19
Interest payable on hire purchase contracts and finance leases	18	12
Other interest payable	462	73
	<u>505</u>	<u>127</u>

11 Taxation

	2019 £000	2018 £000
Current tax		
Corporation tax	<u>342</u>	<u>2,172</u>
Deferred tax		
Origination and reversal of timing differences	<u>6,134</u>	<u>2,164</u>
Total tax charge/(credit) for the year	<u>6,476</u>	<u>4,336</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>41,214</u>	<u>22,981</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	7,831	4,366
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	602	455
Adjust closing deferred tax rate	(786)	(206)
Adjustments to tax charge in respect of prior periods	<u>(1,171)</u>	<u>(279)</u>
Total tax charge for the year	<u>6,476</u>	<u>4,336</u>

Factors that may affect future tax charges

The Company has unrelieved UK corporation tax losses of approximately £54 million (2018: £61 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 these had been enacted at that date, this would have had no material effect on the deferred tax asset.

Notes to the financial statements (continued)

12 Intangible assets

	Players' registrations £000
Cost	
At 1 July 2018	166,559
Additions	42,766
Disposals	(48,816)
At 30 June 2019	<u>160,509</u>
Amortisation	
At 1 July 2018	72,594
Charge for the year	38,611
On disposals	(31,024)
At 7 April 2019	<u>80,181</u>
Net book value	
At 30 June 2019	<u>80,328</u>
At 30 June 2018	<u>93,965</u>

The intangible asset that is material to the financial statements is the playing squad. The carrying value of the squad is £80,328,000 with a remaining amortisation period of 1-5 years. The amortisation charge for the current squad over this period will be;

2019/20 - £33,633,000
 2020/21 - £26,863,000
 2021/22 - £12,371,000
 2022/23 - £3,726,000
 2023/24 - £3,735,000

As the group is profitable and no overall triggers indicating impairment exist, an overall impairment review is not required. The director has reviewed individual players to assess whether any impairment trigger exists.

Notes to the financial statements (continued)

13 Tangible fixed assets

	Land and buildings £000	Fixtures and equipment £000	Total £000
Cost or valuation			
At 1 July 2018	97,731	14,012	111,743
Additions	-	141	141
At 30 June 2019	<u>97,731</u>	<u>14,153</u>	<u>111,884</u>
Depreciation			
At 1 July 2018	38,326	11,211	49,537
Charge for period on owned assets	1,971	846	2,817
At 30 June 2019	<u>40,297</u>	<u>12,057</u>	<u>52,354</u>
Net book value			
At 30 June 2019	<u>57,434</u>	<u>2,096</u>	<u>59,530</u>
At 30 June 2018	<u>59,405</u>	<u>2,801</u>	<u>62,206</u>

Cumulative finance costs capitalised in prior years, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2018: £3,964,000).

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

	2019 £000	2018 £000
Long leasehold	<u>57,434</u>	<u>59,405</u>

Fixtures and equipment with a carrying value of £681,000 (2018: £835,000) are held under HP agreements.

14 Stocks

	2019 £000	2018 £000
Goods for resale	<u>27</u>	<u>21</u>

Notes to the financial statements (continued)

15 Debtors

Amounts falling due within one year

	2019 £000	2018 £000
Trade debtors	35,617	28,126
Amounts owed by group undertakings	313	143
Other debtors	5,283	6,065
Prepayments and accrued income	6,868	6,574
Amounts owed by Newcastle United Foundation	43	36
	<u>48,124</u>	<u>40,944</u>

Amounts falling due after one year

	2019 £000	2018 £000
Trade debtors	18,789	23,925
Deferred tax asset (see note 22)	-	48
	<u>18,789</u>	<u>23,973</u>

Included within trade debtors are amounts totalling £48.0m (2018: £43.9m) relating to the consideration receivable for the sale of player registrations, including £18.8m (2018: £23.9m) expected to be recovered in more than twelve months.

The amount of debtors written off to the Income statement in the year was £2,000 (2018: £6,000). The impairment included against debtors at the year end is £nil (2018: £nil).

16 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	9,781	29,619
Less: bank overdrafts	-	-
	<u>9,781</u>	<u>29,619</u>

Notes to the financial statements (continued)

17 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Obligations under finance leases and HP	250	250
Other loans	-	33,000
Trade creditors	11,865	19,239
Amounts owed to group undertakings	1,626	1,695
Corporation tax	375	2,172
Taxation and social security	10,220	11,653
Other creditors	967	537
Accruals and deferred income	12,789	32,578
	<u>38,092</u>	<u>101,124</u>

Term and other loans shown above represent outstanding loan balances from Mr MJW Ashley and companies under his control of £nil (2018: £33.0m) which is interest free and repayable on demand.

Included within the above are amounts totalling £11.2m (2018: £22.8m) relating to consideration payable for player registrations.

18 Creditors: amounts falling due after than one year

	2019 £000	2018 £000
Term and other loans	111,000	111,000
Obligations under finance leases and HP	290	521
Trade creditors	-	3,451
Accruals	1,534	2,244
	<u>112,824</u>	<u>117,216</u>

Included within the above are amounts totalling £0.9m (2018: £5.5m) relating to consideration payable for player registrations.

19 Hire purchase & finance leases

The Company's future minimum finance lease payments are as follows:

	2019 £000	2018 £000
Within one year	250	250
Between one and five years	333	582
	<u>583</u>	<u>832</u>
Less: finance charges	(43)	(61)
	<u>540</u>	<u>771</u>

Notes to the financial statements (continued)

20 Loans

Analysis of the maturity of loans is given below:	2019	2018
	£000	£000
Amounts falling due within one year		
Other loans	-	33,000
Amounts greater than one year		
Other loans	<u>111,000</u>	<u>111,000</u>
	<u>111,000</u>	<u>144,000</u>

The Company's total outstanding loan balances from Mr MJW Ashley and companies under his control were £111.0 million (2018: £144.0 million). £33.0 million is repayable on demand and £111.0 million repayable after more than one year. All amounts are interest free.

21 Provisions for liabilities

	Deferred tax	Onerous employment contracts & other charges	Total
	£000	£000	£000
At 1 July 2018	-	12,244	12,244
Additions in year	6,086	-	6,086
Provisions utilised/(released in) year	-	(4,064)	(4,064)
At 30 June 2019	<u>6,086</u>	<u>8,180</u>	<u>14,266</u>

22 Deferred taxation

	2019	2018
	£000	£000
At beginning of year	48	2,212
(Charged)/credited to the Statement of income and retained earnings	<u>(6,134)</u>	<u>(2,164)</u>
At end of year	<u>(6,086)</u>	<u>48</u>

Deferred taxation is included as:

	2019	2018
	£000	£000
Provisions	(6,086)	-
Debtors: amounts falling due after one year	-	48
	<u>(6,086)</u>	<u>48</u>

The provision for deferred taxation is made up as follows:

	2019	2018
	£000	£000
Decelerated capital allowances	872	840
Tax losses	9,105	10,307
Intangible rollover	(17,539)	(13,530)
Other timing differences	1,476	2,431
	<u>(6,086)</u>	<u>48</u>

Notes to the financial statements (continued)

23 Deferred income

	2019 £000	2018 £000
Capital grants	1,951	2,038
Other deferred income	15,898	19,296
	<u>17,849</u>	<u>21,334</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:

	2019 £000	2018 £000
Less than one year	13,341	16,947
One to two years	200	120
Two to five years	553	393
More than five years	3,755	3,874
	<u>17,849</u>	<u>21,334</u>

24 Share capital

	2019 £000	2018 £000
Shares classified as equity		
Allotted, called up and fully paid		
7,990,000 – Ordinary shares of £0.50 each	3,995	3,995
21,318,000 – Redeemable shares of £1 each	21,318	21,318
	<u>25,313</u>	<u>25,313</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 Company.

25 Reserves

Retained earnings
 Includes all current and prior period profits and losses.

Notes to the financial statements (continued)

26 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 2019 is £6,563,000 (2018: £6,976,000). 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 company premises and executed a search warrant. Subsequent to these events, Newcastle United Football Company Limited ("NUFC") 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 Company'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 Company has been made aware of. Claims have been lodged against these assessments, and the matter remains in the hands of the Company'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 Limited and nufc.co.uk Limited.

27 Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £78,000 (2018: £55,000).

The Company 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. The Company 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. The Company pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

Notes to the financial statements (continued)

27 Pension commitments (continued)

The Company currently pays total contributions of £66,000 per annum and from September 2019 pays total contributions of £70,000 per annum, 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 2019, based on an appropriate discount rate of 6.125% per annum, the present value of the Company's outstanding contributions (i.e. their future liability) is £220,000 (2018: £268,000). This amounts to £69,000 (2018: £63,000) due within one year and £151,000 (2018: £205,000) due after more than one year and is included within other payables.

A financial cost of £15,000 (2018: £19,000) 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)

28 Commitments under operating leases

At 30 June 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Land and buildings		
Within one year	655	655
In the second to fifth years inclusive	2,537	2,580
Over five years	51,000	51,612
	<u>54,192</u>	<u>54,847</u>

During the year £655,000 was recognised as an expense in the Income Statement in respect of operating leases (2018: £655,000).

Notes to the financial statements (continued)

29 Related party transactions

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

During the year, matchday hospitality to the value of £109,000 (2018: £113,000) was provided to members of Mr MJW Ashley's family. The amount outstanding as at 30 June 2019 was £109,000 (2018: £113,000). The amount outstanding at the year end was £nil.

The Company made sales, including stadium advertising income, of £1,113,000 (2018: £385,000) and purchased goods to the value of £1,057,000 (2018: £1,448,000) from Frasers Group plc (formerly Sports Direct International plc) and subsidiary companies ("Frasers Group") companies connected with Mr MJW Ashley. These transactions were on normal commercial terms. The balance owing at 30 June 2019 to Newcastle United Football Company Limited was £1,297,000 (2018: £105,000). The balance owing at 30 June 2019 to Frasers Group was £49,000 (2018: £226,000).

Mr MJW Ashley and companies under his control continued to provide loan facilities to the Company during the year. The total balance outstanding at 30 June 2019 was £111.0 million (2018: £144.0 million). The maximum amount outstanding during the year was £144.0 million (2018: £154.0 million). No interest was payable on the loans for either the current or prior year.

30 Subsequent events

Subsequent to the Statement of financial position date the Company has committed to a further maximum net spend of approximately £48 million (2018: £6 million) in respect of changes to the playing squad and team management.

31 Controlling party

The Company is a subsidiary undertaking of Newcastle United Limited. The 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.