

REGISTERED NUMBER: 00049116 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2018**

FOR

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB, LIMITED (THE)**

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FOR THE YEAR ENDED 31 JULY 2018**

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**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE)**

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 JULY 2018**

DIRECTORS:

S J Donald
Mrs A Lowes
C H F Methven
N J Fox
A J Davison

SECRETARY:

Mrs A Lowes

REGISTERED OFFICE:

The Sunderland Stadium Of Light
Sunderland
Tyne and Wear
SR5 1SU

REGISTERED NUMBER:

00049116 (England and Wales)

AUDITORS:

Jamesons Limited
Chartered Accountants and Statutory Auditors
Jamesons House
Compton Way
Witney
OX28 3AB

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2018**

The directors present their strategic report for the year ended 31 July 2018.

REVIEW OF BUSINESS

The financial results for the year ended 31 July 2018 show a decrease in turnover to £63.7 million (2017: £123.5 million). Profit from player trading decreased the loss before taxation to £19.9 million (2017: £10.3 million).

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the major risk of the business to be a continued absence from the Premier League. Ongoing restructuring of the playing squad aims to reduce this risk.

Key performance indicators ("KPIs")

The directors consider the KPI's of the business to be revenue levels (heavily reflecting league status), operating costs (particularly player costs) and the player performance. Other risks are recognised and managed appropriately, primarily by internal management. These include financial, commercial and health and safety issues.

Financial risk management

The Company's activities expose it to a wide variety of financial risks: credit risk and liquidity risk.

Credit risk arises from cash and deposits with financial institutions, as well as outstanding receivables. The credit risk to the business is managed by close monitoring of debts. Regular reviews of outstanding debts are performed by management and reported monthly to the directors.

The liquidity risk to the business is managed by the ongoing forecasting of the cash flows of the business.

ON BEHALF OF THE BOARD:

S J Donald - Director

25 April 2019

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2018**

The directors present their report with the financial statements of the company for the year ended 31 July 2018.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a professional football club.

DIVIDENDS

No dividends will be distributed for the year ended 31 July 2018.

DIRECTORS

Mrs A Lowes has held office during the whole of the period from 1 August 2017 to the date of this report.

Other changes in directors holding office are as follows:

S J Donald - appointed 26 May 2018
C H F Methven - appointed 26 May 2018
P Andersson - resigned 22 May 2018
M E Bain - resigned 22 May 2018
E Short - resigned 22 May 2018

N J Fox and A J Davison were appointed as directors after 31 July 2018 but prior to the date of this report.

EMPLOYEES

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the Company continues employment wherever possible and arranges retraining.

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. In addition, the Company encourages the involvement of employees by listening to their concerns.

Executive Management are regularly updated on the performance of the Company. This information is then communicated to staff via departmental briefings and internal announcements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in business.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2018**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Jamesons Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S J Donald - Director

25 April 2019

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SUNDERLAND ASSOCIATION FOOTBALL
CLUB, LIMITED (THE)**

Opinion

We have audited the financial statements of Sunderland Association Football Club, limited (The) (the 'company') for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 31 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SUNDERLAND ASSOCIATION FOOTBALL
CLUB, LIMITED (THE)**

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages three and four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 a Report of the Auditors 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 Report of the Auditors.

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 a Report of the Auditors 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.

Anita Lyon ACA FCCA (Senior Statutory Auditor)
for and on behalf of Jamesons Limited
Chartered Accountants and Statutory Auditors
Jamesons House
Compton Way
Witney
OX28 3AB

25 April 2019

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2018**

| | Notes | 2018 £'000 | 2017 £'000 |
|---|-------|---------------------------|----------------------------|
| TURNOVER | 3 | 63,691 | 123,504 |
| Cost of sales | | <u>1,745</u> | <u>2,333</u> |
| GROSS PROFIT | | 61,946 | 121,171 |
| Net operating expenses before exceptional items | | <u>82,219</u> (20,273) | <u>150,709</u> (29,538) |
| Exceptional operating expense | | <u>-</u> | <u>(9,721)</u> |
| OPERATING LOSS | 5 | (20,273) | (39,259) |
| Profit on disposal of players | 6 | <u>6,563</u> (13,710) | <u>33,102</u> (6,157) |
| Interest receivable and similar income | | <u>62</u> (13,648) | <u>3,762</u> (2,395) |
| Interest payable and similar expenses | 7 | <u>6,264</u> (19,912) | <u>7,853</u> (10,248) |
| LOSS BEFORE TAXATION | | | |
| Tax on loss | 8 | <u>-</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR | | (19,912) | (10,248) |
| OTHER COMPREHENSIVE INCOME | | | |
| Share capitalisation costs | | (6,475) | - |
| Income tax relating to other comprehensive income | | <u>-</u> | <u>-</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX | | <u>(6,475)</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | <u>(26,387)</u> | <u>(10,248)</u> |

The notes form part of these financial statements

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**BALANCE SHEET
31 JULY 2018**

| | Notes | 2018 £'000 | £'000 | 2017 £'000 | £'000 |
|--|-------|---------------|---------------------|----------------|-------------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 9 | | 9,924 | | 46,741 |
| Tangible assets | 10 | | 12,997 | | 14,109 |
| Investments | 11 | | - | | 23,198 |
| | | | <u>22,921</u> | | <u>84,048</u> |
| CURRENT ASSETS | | | | | |
| Stocks | 12 | 1,408 | | 1,115 | |
| Debtors | 13 | 33,368 | | 23,797 | |
| Cash at bank | | <u>11,164</u> | | <u>35,711</u> | |
| | | 45,940 | | 60,623 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | 14 | <u>56,094</u> | | <u>150,245</u> | |
| NET CURRENT LIABILITIES | | | <u>(10,154)</u> | | <u>(89,622)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>12,767</u> | | <u>(5,574)</u> |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | 15 | | <u>3,625</u> | | <u>111,169</u> |
| NET ASSETS/(LIABILITIES) | | | <u><u>9,142</u></u> | | <u><u>(116,743)</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 18 | | 152,302 | | 30 |
| Share premium | 19 | | 105,596 | | 105,596 |
| Revaluation reserve | 19 | | 82 | | 82 |
| Other reserves | 19 | | - | | 6,699 |
| Retained earnings | 19 | | <u>(248,838)</u> | | <u>(229,150)</u> |
| SHAREHOLDERS' FUNDS | | | <u><u>9,142</u></u> | | <u><u>(116,743)</u></u> |

The financial statements were approved by the Board of Directors on 25 April 2019 and were signed on its behalf by:

S J Donald - Director

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2018**

| | Called up share capital £'000 | Retained earnings £'000 | Share premium £'000 |
|---------------------------------|--|-------------------------------|---------------------------|
| Balance at 1 August 2016 | 30 | (218,902) | 105,596 |
| Changes in equity | | | |
| Total comprehensive income | - | (10,248) | - |
| Balance at 31 July 2017 | 30 | (229,150) | 105,596 |
| Changes in equity | | | |
| Issue of share capital | 152,272 | - | - |
| Total comprehensive income | - | (19,688) | - |
| Balance at 31 July 2018 | 152,302 | (248,838) | 105,596 |
| | Revaluation reserve £'000 | Other reserves £'000 | Total equity £'000 |
| Balance at 1 August 2016 | 82 | 6,699 | (106,495) |
| Changes in equity | | | |
| Total comprehensive income | - | - | (10,248) |
| Balance at 31 July 2017 | 82 | 6,699 | (116,743) |
| Changes in equity | | | |
| Issue of share capital | - | - | 152,272 |
| Total comprehensive income | - | (6,699) | (26,387) |
| Balance at 31 July 2018 | 82 | - | 9,142 |

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2018**

1. STATUTORY INFORMATION

Sunderland Association Football Club,limited(The) is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

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 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 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

Preparation of consolidated financial statements

Consolidated financial statements are not submitted as the Company is exempt from the obligation to prepare consolidated financial statements under Section 400 of the Companies Act 2006. The results of subsidiary undertakings are dealt with in the consolidated financial statements of the parent undertaking SJD Leisure Holdings Limited.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

There are no critical judgements in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

(i) Impairment of intangible assets

The company considers whether intangible assets are impaired on a regular basis throughout the year. Where an indication of impairment is identified the estimation of recoverable value requires estimate of future cash flows.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

2. ACCOUNTING POLICIES - continued

Turnover

Turnover comprises gate receipts, television and media, sponsorship and royalties, conference banqueting and catering, retail and merchandising and invoiced sales, exclusive of value added tax. Television and media income is recognised in equal instalments during the season and gate receipt income is taken to the statement of comprehensive income when the matches are played. Sponsorship and royalties income is recognised over the life of the relevant agreements, catering and retail income is recognised upon sale of the goods.

Accrued Income

Income from match day activities, media and commercial contracts, which is invoiced after the period to which it relates, is treated as accrued income.

Deferred income

Income from match day activities, media and commercial contracts which has been invoiced prior to the period end in respect of future football seasons, is treated as deferred income.

Tangible fixed assets and depreciation

Tangible fixed assets are held at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation has been calculated to write down the cost or valuation, less estimated residual value, of tangible fixed assets over their expected useful lives at the following rates:

| | |
|----------------------------------|--|
| Freehold property | 25 - 50 years in equal annual instalments to an estimated residual value |
| Fixtures, fittings and equipment | 3 - 10 years in equal annual instalments |
| Tractors | 5 - 8 years in equal annual instalments |
| Motor vehicles | 4 years in equal annual instalments |

Freehold land and assets in the course of construction are not depreciated.

Costs of ongoing capital projects are held as assets under construction in the balance sheet and are transferred to the appropriate fixed asset categories upon completion.

Grants receivable

Grants received as a contribution towards specific expenditure on fixed assets are held in a deferred income account and recognised in the profit and loss account over the expected useful lives of the related assets. Other grants received are held in a deferred income account and recognised in the profit and loss account so as to match them with the expenditure to which they are intended to contribute.

Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost includes all direct costs attributable to bringing the inventory to its present location and condition.

Where necessary, provision is made for slow moving inventory.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction which is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

2. ACCOUNTING POLICIES - continued

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

Previously employed staff of the Company are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Pension and Life Assurance Scheme, a defined benefit scheme. The Company also contributes to individuals private pension schemes.

Pension costs relating to defined benefit schemes are charged to the profit and loss account as if they were defined contribution pension costs. This is due to the Company being unable to identify its share of the assets and liabilities of the schemes, which are held separately in administered funds.

Pension costs relating to defined contribution schemes are charged to the profit and loss account in the year to which they relate.

Going concern

The ultimate controlling party has indicated their willingness to continue to support the operations of the Company for the foreseeable future, which is at least, but is not limited to, twelve months from the date of these financial statements.

Signing on fees

Contractual amounts of fees payable to players are spread evenly over the term of the contract. In accordance with guidance from an FA Premier League working party, unamortised signing on fees are disclosed net of amounts due to players in the balance sheet. The net balance of signing on fees relating to players sold is included within the calculation of the profit or loss on disposal of players' contracts.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

| | 2018 | 2017 |
|---------------------------|---------------|----------------|
| | £'000 | £'000 |
| Gate receipts | 6,559 | 8,943 |
| Television and media | 48,849 | 95,626 |
| Sponsorship and royalties | 1,901 | 9,776 |
| Conference and banqueting | 2,724 | 4,440 |
| Retail and merchandising | 2,307 | 3,586 |
| Other | <u>1,351</u> | <u>1,133</u> |
| | <u>63,691</u> | <u>123,504</u> |

All sales are within the United Kingdom.

4. EMPLOYEES AND DIRECTORS

| | 2018 | 2017 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 41,443 | 73,570 |
| Social security costs | 5,179 | 8,742 |
| Other pension costs | <u>212</u> | <u>379</u> |
| | <u>46,834</u> | <u>82,691</u> |

The average number of employees during the year was as follows:

| | 2018 | 2017 |
|-----------------|------------|------------|
| Administration | 245 | 292 |
| Football | 71 | 71 |
| Match day staff | <u>222</u> | <u>226</u> |
| | <u>538</u> | <u>589</u> |

Aggregate directors' emoluments during the year, for services to The Sunderland Association Football Club Limited totalled £2,042,052 (2017: £1,736,877), including compensation for loss of office amounting to £1,064,498 (2017: £nil). Also included within the directors' emoluments are pension contributions of £81,591 (2017: £101,417) accruing to 2 directors (2017: 3). The pension contributions are company contributions to money purchase pension schemes that are the directors' personal pension plans, they are not company schemes. The emoluments of the highest paid director amounted to £1,881,478 (2017: £1,243,829) which includes £1,064,498 (2017: £nil) relating to compensation for loss of office and £67,924 (2017: £80,000) of pension contributions.

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

6. ACCOUNTING FOR PLAYERS CONTRACTS

7. INTEREST PAYABLE AND SIMILAR EXPENSES

8. TAXATION

No liability to UK corporation tax arose for the year ended 31 July 2018 nor for the year ended 31 July 2017.

The Company has considerable tax losses which are available for offset against future trading profits. A deferred tax asset has not been recognised in respect of these losses on the basis that they may only be offset against future taxable profits generated by the company. There is currently insufficient evidence that any asset would be recoverable.

NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 JULY 2018

9. INTANGIBLE FIXED ASSETS

| | Players contracts £'000 |
|------------------------|-------------------------------|
| COST | |
| At 1 August 2017 | 109,206 |
| Additions | 1,108 |
| Disposals | (60,993) |
| At 31 July 2018 | <u>49,321</u> |
| AMORTISATION | |
| At 1 August 2017 | 62,465 |
| Amortisation for year | 10,525 |
| Eliminated on disposal | (45,958) |
| Impairments | 12,365 |
| At 31 July 2018 | <u>39,397</u> |
| NET BOOK VALUE | |
| At 31 July 2018 | <u>9,924</u> |
| At 31 July 2017 | <u>46,741</u> |

Amortisation of intangible assets is included within net operating expenses in the statement of comprehensive income.

During the year players' contracts of £12,365,287 (2017 : £14,379,000) were impaired. The carrying value of the players' contracts exceeded the recoverable value.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018

10. TANGIBLE FIXED ASSETS

| | Freehold property £'000 | Assets under construction £'000 | Fixtures and fittings £'000 | Totals £'000 |
|-----------------------|-------------------------------|--|--------------------------------------|-----------------|
| COST | | | | |
| At 1 August 2017 | 14,603 | 108 | 17,779 | 32,490 |
| Additions | - | - | 65 | 65 |
| Disposals | (65) | (108) | - | (173) |
| At 31 July 2018 | <u>14,538</u> | <u>-</u> | <u>17,844</u> | <u>32,382</u> |
| DEPRECIATION | | | | |
| At 1 August 2017 | 2,217 | - | 16,164 | 18,381 |
| Charge for year | 311 | - | 693 | 1,004 |
| At 31 July 2018 | <u>2,528</u> | <u>-</u> | <u>16,857</u> | <u>19,385</u> |
| NET BOOK VALUE | | | | |
| At 31 July 2018 | <u>12,010</u> | <u>-</u> | <u>987</u> | <u>12,997</u> |
| At 31 July 2017 | <u>12,386</u> | <u>108</u> | <u>1,615</u> | <u>14,109</u> |

On an historical cost basis, freehold land and buildings would have been included at a net book amount of £7,899,000 (2017: £8,098,000).

11. FIXED ASSET INVESTMENTS

| | Unlisted investments £'000 |
|-----------------------|----------------------------------|
| COST | |
| At 1 August 2017 | 23,198 |
| Disposals | (23,198) |
| At 31 July 2018 | <u>-</u> |
| NET BOOK VALUE | |
| At 31 July 2018 | <u>-</u> |
| At 31 July 2017 | <u>23,198</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

11. FIXED ASSET INVESTMENTS - continued

The company's investments at the Balance Sheet date in the share capital of companies include the following:

SAFC.COM PLC

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Dormant

| | % holding | 2018 £'000 | 2017 £'000 |
|--------------------------------|--------------|---------------|---------------|
| Class of shares: | | | |
| Ordinary | 100.00 | 50 | 50 |
| Aggregate capital and reserves | | <u>50</u> | <u>50</u> |

Sunderland AFC.COM Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Dormant

| | % holding | | |
|------------------|--------------|--|--|
| Class of shares: | | | |
| Ordinary | 100.00 | | |

Sunderland AFC.COM Limited is a wholly owned subsidiary of SAFC.COM PLC.

1879 Events Management Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Events management services

| | % holding | 2018 £'000 | 2017 £'000 |
|--------------------------------|--------------|---------------|---------------|
| Class of shares: | | | |
| Ordinary | 100.00 | 284 | 284 |
| Aggregate capital and reserves | | - | (124) |
| Loss for the year | | <u>-</u> | <u>(124)</u> |

Sunderland Association Football Club Ladies Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Professional football club

| | % holding | 2018 £'000 | 2017 £'000 |
|--------------------------------|--------------|---------------|---------------|
| Class of shares: | | | |
| Ordinary | 100.00 | (218) | (1,462) |
| Aggregate capital and reserves | | 1,244 | (424) |
| Profit/(loss) for the year | | <u>1,244</u> | <u>(424)</u> |

| | 2018 | 2017 |
|--------|-------|-------|
| | £'000 | £'000 |
| Stocks | 1,408 | 1,115 |

| | 2018 | 2017 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts falling due within one year: | | |
| Trade debtors | 13,657 | 12,979 |
| Other debtors | 11,371 | 3,379 |
| Prepayments | <u>3,902</u> | <u>7,439</u> |
| | 28,930 | 23,797 |

| | | |
|---------------|-------|---|
| Trade debtors | 4,438 | - |
|---------------|-------|---|

| | 2018 | 2017 |
|---------------------------------|---------------|----------------|
| | £'000 | £'000 |
| Trade creditors | 20,116 | 24,435 |
| Social security and other taxes | 6,620 | 9,690 |
| Other creditors | 1,812 | 73,447 |
| Accruals and deferred income | 27,546 | 42,673 |
| | <u>56,094</u> | <u>150,245</u> |

Within other creditors is an amount owed to group undertakings of £731,414 (2017: £36,162).

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2018 | 2017 |
|------------------------------|--------------|----------------|
| | £'000 | £'000 |
| Trade creditors | 3,500 | 21,975 |
| Other creditors | - | 88,427 |
| Accruals and deferred income | 125 | 767 |
| | <u>3,625</u> | <u>111,169</u> |

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £3,500,000 (2017 : £21,975,000).

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2018 | 2017 |
|----------------------------|------------|------------|
| | £'000 | £'000 |
| Within one year | 158 | 132 |
| Between one and five years | 159 | 246 |
| In more than five years | 3 | 301 |
| | <u>320</u> | <u>679</u> |

17. SECURED DEBTS

As at 31 July 2018 a fixed charge was in place over Land and buildings on the east and west sides of Sunderland Road and the company bank account. The charges have been satisfied in full on 25 April 2019.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 2018 £'000 | 2017 £'000 |
|-------------|----------|-------------------|----------------|---------------|
| 152,301,657 | Ordinary | £1 | <u>152,302</u> | <u>30</u> |

152,271,154 Ordinary shares of £1 each were allotted and fully paid for cash at par during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 JULY 2018

19. RESERVES

| | Retained earnings £'000 | Share premium £'000 | Revaluation reserve £'000 | Other reserves £'000 | Totals £'000 |
|----------------------------|-------------------------------|---------------------------|---------------------------------|----------------------------|------------------|
| At 1 August 2017 | (229,150) | 105,596 | 82 | 6,699 | (116,773) |
| Deficit for the year | (19,912) | | | | (19,912) |
| Transfer | 6,699 | - | - | (6,699) | - |
| Share capitalisation costs | (6,475) | - | - | - | (6,475) |
| At 31 July 2018 | <u>(248,838)</u> | <u>105,596</u> | <u>82</u> | <u>-</u> | <u>(143,160)</u> |

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

20. PENSION COMMITMENTS

Sunderland Association Football Club ('the Club') 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 Club 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 | Gilt Yield Curve + 2.0% per annum |
| RPI inflation | Bank of England Inflation Curve |
| | Fixed 3.0% per annum for benefits accrued prior to 6 April 1997, modelled using the RPI inflation assumption with a cap of 5.0% per annum and a floor of 3.0% per annum for benefits accrued after 6 April 1997. |
| Pension increases | |
| Mortality (pre-retirement) | None |
| Mortality (post-retirement) | SAPS CMI 2016, 1.5% p.a. long term improvement rate |

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

The results of the 2017 valuation were rolled forward to 31 July 2018 on the same assumptions as detailed above, and the Club's notional share of the deficit was £228,547 (£87,528 as at 31 July 2017).

As at 31 July 2018, the Club was paying total contributions of £3,702 per month (increasing by 5% p.a. from 1 September 2018 and thereafter) and based on the actuarial valuation assumptions detailed above will be sufficient to pay off the deficit by 31 October 2023.

As at 31 July 2018, based on an appropriate discount rate of 1.63% per annum (1.07% per annum as at 31 July 2017), the present value of the Club's outstanding contributions (i.e. their future liability) is £259,698 (£109,595 as at 31 July 2017). This amounts to £46,459 (2017: £44,424) due within one year and £213,239 (2017: £65,171) due after more than one year and is included within other payables.

Present Value of Defined Benefit Obligation

| | 2018 | 2017 |
|---|-------|-------|
| | £'000 | £'000 |
| Present Value of Defined Benefit Obligation | 260 | 110 |

Reconciliation of Defined Benefit Obligation

| | 2018 |
|--|-------|
| | £'000 |
| Defined Benefit Obligation at start of year | 110 |
| Net Interest Charge (Unwinding of discount rate) | 1 |
| Club contribution (deficit contribution) | (44) |
| Remeasurement (changes in assumptions) | (1) |
| Remeasurement (change to contribution schedule) | 194 |
| Defined Benefit Obligation at end of year | 260 |

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

Income and Expenditure Impact

| | 2018 £'000 | |
|--|---------------|-----|
| Net Interest Charge (Unwinding of discount rate) | | 1 |
| Remeasurement (changes in assumptions) | | (1) |
| Remeasurement (change to contribution schedule) | | 0 |

Assumptions

| | 2018 | 2017 |
|--|-------|-------|
| Discount Rate (based on AA Corporate Bond Yields of appropriate currency/duration) | 1.63% | 1.07% |

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).

21. ULTIMATE PARENT COMPANY

SJD Leisure Holdings Limited is regarded by the directors as being the company's ultimate parent company.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2018**

22. RELATED PARTY DISCLOSURES

The Foundation of Light (was Sunderland AFC Foundation)

The Foundation of Light is the registered charity of the Club. It was established in 2001.

A director of the Company during the year, is also Trustee of The Foundation of Light.

At 31 July 2018 the balance owing from The Foundation of Light to the company was £73,749 (2017 : £17,406).

During the year, the Club provided many services to The Foundation of Light free of charge, including staff time and use of the facilities. It is estimated that the gift in kind during the year is £65,365 (2017 : £571,510).

The Club invoiced The Foundation of Light during the financial year for various charges including a contribution towards the Centre of Light running costs totalling £33,606 (2017 : £33,606). The Foundation of Light raised invoices to the Club to the value of £23,806 (2017 : £96,528) during the financial year for contribution towards running costs of football development and donations.

Kitano Capital LLC

P M Andersson, a director of the Company during the year is also President of Kitano Capital LLC.

During the year, Kitano Capital LLC raised invoices to the Club for P M Andersson's time and travel totalling £154,729 (2017 : £175,752).

Other Related Parties

At 31 July 2018 the balance owing to other related parties was £1,000,000.

23. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is S J Donald.

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