Newcastle United Limited

Report and Financial Statements
Registered number 2529667
30 June 2014

Newcastle United Limited

Corporate Information

Directors
L Charnley
J A Irving

Secretary
J A Irving

Auditor
Ernst & Young LLP
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JD

Bankers
Barclays Bank PLC
71 Grey Street
Newcastle upon Tyne
NE99 1LG

Registered Office
St James' Park
Newcastle upon Tyne
NE1 4ST

Strategic report

Principal activities and business review

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

The Directors report a profit before tax for the year of £18.7m (2013: profit of £9.9m) and consider the Group's results for the year and future prospects to be satisfactory.

Key performance indicators are used to measure and evaluate Group performance and to monitor various activities. The main key performance indicators employed in the Group are:

	2014	2013	Movement
Turnover	£129.7m	£95.9m	35.2%
Operating profit/(loss)	£4.7m	£(0.6)m	n/a
Profit after tax	£18.7m	£9.9m	88.9%
Wages to Turnover Ratio	60.3%	64.3%	6.2%
Net Debt	£94.9m	£133.5m	28.9%
Average league home attendance	50,395	50,517	0.2%

Trading performance

Match day revenue was down 6.7% to £25.9m (2013: £27.8m). The decrease was in part due to not participating in the Europa League, whereby an additional 7 fixtures were held at St James' Park in 2012/13 season.

Media revenue increased 53.3% to £78.3m (2013: £51.0m) as a result of the Premier League's new three year broadcasting deal that commenced in 2013/14. The 10th placed finish in the Premier League (2013: 16th) also contributed to the record high broadcasting revenues due to the impact of the merit based payment.

Commercial revenue increased by 49.7% to £25.6m (2013: £17.1m), as a result of new commercial deals with shirt partner Wonga and an extension with our kit partner Puma. As noted in previous annual financial statements, this is an area that the club is working hard to improve with the addition of new sponsors and other revenue streams and we look forward to continuing improvements over the next few years.

Operating expenses increased by 26% to £105.5m (2013: £83.7m). Wages represented 74.2% of operating expenses (2013: 73.7%). The wages to turnover ratio fell to 60.3% from 64.3% in 2014, which is within the club's desired range.

Net debt decreased from £133.5m at 30 June 2013 to £94.9m at 30 June 2014, representing an improvement in the Group's cash position. Term loans from MJW Ashley and companies under his control are £129m (2013: £129m) and continue to be interest free.

Post balance sheet events

After the year-end the club invested £29.8m on 6 new players to strengthen the playing squad and realised £12.6m from player sales. In January 2015, Alan Pardew left his post as first-team manager.

Risks and uncertainties

The Board acknowledges that there are risks which affect the Group and takes such action as it regards necessary to manage those risks. Based on our risk management assessments the principal risks are as follows:

- The identification and negotiation of the acquisition of players and their related payroll costs are one of the most significant and high profile risks facing the Group.
- Injuries to key players. The Club has invested substantial sums in sports medicine and science facilities to ensure that the players return to fitness more quickly and the Board also obtains insurance cover where it considers such cover to be appropriate.
- Team performance affects all aspects of the Group's operations, and the Board has continued to invest in the squad to ensure that the Club can compete at the highest levels
- Risks are also reported on by the FA Premier League and the Football League, and the Group regularly attends these meetings which cover secretarial, financial, commercial, community and health and safety issues.
- The Group's financing requirements depend on many factors and these are kept under constant review. The Group may require further financing if its requirements vary materially from current plans.
- The Group buys from suppliers and sells to customers outside the United Kingdom and, consequently, dealings with these customers and suppliers may be in foreign currencies which will be subject to exchange rate fluctuations. Where considered prudent, the Group actively hedges its foreign currency exposure, principally the Euro.
- Compliance. The Group operates in a regulated and complex environment, with many compliance risks such as health and safety, taxation, immigration and governing body rules. The Group seeks to comply with all requirements at all times.

On behalf of the Board

L Charnley, Director

27 January 2015

Directors' report

Results and dividends

The profit for the year of £18.7m (2013 : profit of £9.9m) has been transferred to reserves.

The Board does not recommend the payment of a dividend for the year ended 30 June 2014 (2013 – £nil).

Directors

The Directors who held office during the year, at 30 June 2014 and to the date of signing the financial statements were as follows:

L Charnley

J A Irving

Payments to suppliers

The Group does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. The number of creditor days' calculation is distorted by transfer fees, which are payable over various agreed timescales. Accordingly, the Group has calculated creditor days excluding transfer fees payable. The number of creditor days was 34 at the year-end (2013 – 36).

Political and charitable donations

The Group's charitable donations for the year amounted to £39,995 (2013 : £6,271). There were no political contributions (2013 : £nil).

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The Directors have prepared financial forecasts and expect to maintain suitable financial facilities from their bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements. The Directors have concluded that the Group remains a going concern and have accordingly prepared these financial statements on the going concern basis.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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 Group and the Company and of the profit or loss of the Group 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 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 Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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.

On behalf of the Board

J A Irving, Director

27 January 2015

EY

Building a better working world

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

We have audited the financial statements of Newcastle United Limited for the year ended 30 June 2014 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 June 2014 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

Mark Hatton (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Newcastle upon Tyne

27 January 2015

Newcastle United Limited
Group profit and loss account
for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Group turnover	2	**129,745**	95,879
Operating expenses – before amortisation & impairment of players' registrations	3	**(105,457)**	(83,692)
– amortisation of players' registrations		**(19,559)**	(12,803)
		(125,016)	(96,495)
Group operating profit/(loss)		**4,729**	(616)
Analysed as:			
Operating profit before amortisation of players' registrations		**24,288**	12,187
Amortisation of players' registrations		**(19,559)**	(12,803)
		4,729	(616)
Profit on disposal of players' registrations		**13,998**	10,575
Loss on disposal of fixed assets		**(7)**	–
Profit before interest and taxation		**18,720**	9,959
Interest receivable	5(a)	**17**	–
Interest payable and similar charges	5(b)	**(19)**	(67)
Profit on ordinary activities before taxation		**18,718**	9,892
Tax on profit on ordinary activities	6	**–**	–
Profit for the year attributable to members of the parent company	16	**18,718**	9,892

All results are derived from continuing operations.

Group statement of total recognised gains and losses
for the year ended 30 June 2014

	2014 £'000	2013 £'000
Profit for the year attributable to members of the parent company	**18,718**	9,892
Total gains and losses recognised since last annual report	**18,718**	9,892

Newcastle United Limited
Group balance sheet
at 30 June 2014

Company registration no. 2529667

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	7	**37,638**	54,961
Tangible assets	8	**71,744**	72,111
		109,382	127,072
Current assets			
Stocks	10	**20**	–
Debtors	11	**27,023**	27,431
Cash at bank and in hand		**34,109**	–
		61,152	27,431
Creditors: amounts falling due within one year	12	**(43,182)**	(38,607)
Net current assets / (liabilities)		**17,970**	(11,176)
Total assets less current liabilities		**127,352**	115,896
Creditors: amounts falling due after more than one year	13	**(111,811)**	(114,652)
Deferred income	14	**(21,488)**	(25,909)
Net liabilities		**(5,947)**	(24,665)
Capital and reserves			
Called up share capital	15	**6,655**	6,655
Share premium account	16	**68,944**	68,944
Capital redemption reserve	16	**831**	831
Profit and loss account	16	**(82,377)**	(101,095)
Shareholder's deficit	16	**(5,947)**	(24,665)

The financial statements have been approved for issue by the Board of Directors and signed on its behalf by:

L Charnley
Director

27 January 2015

Newcastle United Limited
Company balance sheet
at 30 June 2014

Company registration no. 2529667

	Note	2014 £'000	2013 £'000
Fixed assets			
Investments	9	**69,946**	69,946
Current assets			
Debtors	11	**5,836**	5,836
Cash at bank and in hand		**11,515**	11,515
		17,351	17,351
Creditors: amounts falling due within one year	12	**(7,864)**	(7,830)
Net current assets		**9,487**	9,521
Total assets less current liabilities		**79,433**	79,467
Creditors: amounts falling due after more than one year	13	**–**	–
Net assets		**79,433**	79,467
Capital and reserves			
Called up share capital	15	**6,655**	6,655
Share premium account	16	**68,944**	68,944
Capital redemption reserve	16	**831**	831
Profit and loss account	16	**3,003**	3,037
Shareholder's funds	16	**79,433**	79,467

The financial statements have been approved for issue by the Board of Directors and signed on its behalf by:

L Charnley
Director

27 January 2015

Newcastle United Limited
Group cash flow statement
for the year ended 30 June 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	21(a)	**32,869**	14,329
Returns on investments and servicing of finance			
Interest received		**17**	–
Interest paid		**(30)**	(60)
		(13)	(60)
Taxation			
Corporation tax paid		–	–
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		**(9,067)**	(28,742)
Payments to acquire tangible fixed assets		**(2,539)**	(746)
Receipts from sales of intangible fixed assets		**17,343**	11,071
Receipts from sales of tangible fixed assets		**4**	3
		5,741	(18,414)
Net cash inflow/(outflow)		**38,597**	(4,145)
Increase/(decrease) in cash	21(b)	**38,597**	(4,145)

1 Accounting policies

Newcastle United Limited ('the Company') is a company incorporated in the United Kingdom. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are prepared under the historical cost convention, and in accordance with accounting principles generally accepted in the United Kingdom. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual profit and loss account and related notes that form a part of these approved financial statements. The Company's loss for the year was £34,000 (2013 – profit of £867,000).

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

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

a) Fundamental accounting concept

At 30 June 2014 the Group had net liabilities of £5.9 million (2013 – £24.7 million), which includes loans from Mr M J W Ashley and Companies under his control totalling £129.0 million (30 June 2013 – £129.0 million). The Directors have received confirmation from its immediate parent undertaking, St James Holdings Limited and from the ultimate controlling party Mr M J W Ashley, that they will continue to provide the Group with financial support so that it can meet its debts as they fall due for a period of at least 12 months from the date of approval of these financial statements or up until the date of any change in control. On this basis, the Directors have prepared the financial statements on a going concern basis.

b) Basis of consolidation

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

Intra group balances and any unrealised gains and losses or income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements.

c) Turnover

Turnover 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 classified into three major streams, within which significant amounts are accounted for as follows:

(i) 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 matches is held as deferred income.

(ii) 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.

(iii) Commercial

Sponsorship revenues 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 contract. Hospitality revenues are recognised on an earned basis and largely comprise a fee from a third party catering provider. Revenue from the sale of branded products is recognised at the point of delivery when significant risks and rewards of ownership are deemed to have been transferred to the buyer.

1 Accounting policies (continued)

d) Expenses

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease.

Exceptional items

The Group presents as exceptional items on the face of the profit and loss account, 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 profit and loss account so as to facilitate comparison with prior periods and to better assess trends in financial performance.

e) Taxation

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 income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a 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, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of those assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet 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 tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures to the extent that, at the balance sheet date, dividends have been accrued as receivable; and

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 balance sheet date.

f) Intangible assets and goodwill

(i) 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 an individual player is no longer expected to remain an active member of the playing squad. In these circumstances the carrying value of the individual player's registration is reviewed against a measurable net realisable value.

1 **Accounting policies** (continued)

(ii) Goodwill

On acquisition of a subsidiary or associated undertaking, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill. Goodwill in respect of subsidiaries is included within intangible fixed assets. Goodwill relating to associated undertakings is included in the carrying value of the associated undertaking.

Goodwill arising on acquisitions is capitalised as an asset on the balance sheet. Where goodwill is regarded as having a finite useful economic life it is amortised on a straight line basis over its estimated life, up to a maximum of 20 years. Impairment reviews are carried out at the end of the first full year of ownership and at other times if there are indications that the carrying value may not be supportable.

(iii) 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 Directors, 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 disclosed as a contingent liability.

(iv) Signing on fees

Signing on fees are charged, on a straight-line basis, to the profit and loss account over the period of the player's contract. Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets or current liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

g) Tangible fixed assets

(i) Owned assets

Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation and impairment losses.

(ii) 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 income statement over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

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

(iii) Depreciation

Depreciation is charged to the profit and loss account to write off the cost or valuation, less the estimated residual value, of tangible fixed assets on a straight-line basis, over their estimated useful lives as follows:

Long leasehold property	over the shorter of the unexpired term of the lease and 50 years
Fixtures and equipment	3-15 years
Motor vehicles	4 years

No depreciation is provided on freehold land or assets in the course of construction. The residual value is reassessed annually.

Interest incurred on borrowings to finance assets in the course of construction is capitalised.

h) 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 stocks 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.

1 Accounting policies (continued)

i) Deferred income

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

j) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date, or if appropriate, at the forward rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

k) Debt

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

l) Retirement benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Football League Limited Pension and Life Assurance Scheme

Certain employees are members of The Football League Limited Pension and Life Assurance Scheme (the 'Scheme'). Contributions are also paid to individuals' private pension schemes. Pension contributions are charged to the Profit and Loss Account as they become payable. The Group continues to make contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme. Accrual of benefits on a final salary basis was suspended with effect from 31 August 1999, when an actuarial review showed a substantial deficit. As one of a number of participating employers the Group is advised only of its share of the Scheme's deficit. Its share of the underlying assets and liabilities of the Scheme cannot be identified on a reasonable and consistent basis. See note 4.

m) Provisions

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

n) Investments

Investments in subsidiary undertakings are valued at cost less impairment.

2 Segmental analysis

The Group has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, the United Kingdom, and accordingly no additional geographical segment information is required to be provided. Notwithstanding this, a voluntary analysis of the revenue streams is given below to assist with an understanding of the business:

Revenue 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.

Commercial – sponsorship income, merchandising, conference and banqueting, catering and other sundry revenue.

	2014	2013
	£'000	£'000
Matchday	**25,910**	27,758
Media	**78,263**	51,040
Commercial	**25,572**	17,081
	129,745	95,879

3 Group operating expenses

	2014 £'000	2013 £'000
Operating costs excluding amortisation and impairment of players' registrations:		
Change in stocks of goods for resale	**(20)**	974
Other operating income – release of capital grants	**(89)**	(89)
Staff costs (note 4)	**78,297**	61,706
Depreciation and other amounts written off tangible fixed assets:		
Owned and long leasehold	**3,118**	2,642
Operating lease payments	**752**	852
Other operating charges	**23,399**	17,607
	105,457	83,692
Amortisation of players' registrations	**19,559**	12,803
Total operating expenses	**125,016**	96,495

Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2014 £'000	2013 £'000
Group		
Audit	**65**	65
Fees receivable by the auditors and their associates in respect of other services	**61**	38

Fees receivable in respect of other services can be further analysed as follows:

	2014 £'000	2013 £'000
Audit related regulatory reporting	**13**	9
Tax and other advisory services	**48**	29
	61	38

4 Staff numbers and costs

The total average monthly number of persons employed by the Group (including Directors and part-time members of staff), analysed by category, expressed as full-time equivalents, during the year was:

	2014	2013
	Number of employees	
Playing squad, Academy, team management and support	**133**	115
Commercial	**54**	68
Administration	**42**	41
Ground, facilities and maintenance	**59**	64
Average monthly number of employees	**288**	288

In addition, the club engaged an average of 443 (2013 – 428) matchday stewards.

Aggregate payroll costs, including directors, are as shown below:

	2014	2013
	£'000	£'000
Wages and salaries	**69,300**	54,040
Social security costs	**8,944**	7,343
Other pension costs	**53**	323
Total payroll costs	**78,297**	61,706

The only employees of the Company during the current and prior years were the Directors.

Certain staff of the Group are members of the Football League Limited Pension and Life Assurance Scheme ('FLLPLAS'), a defined benefit scheme. As one of a number of participating employers in the FLLPLAS, the Group is advised only of its share of the Scheme's deficit and recognises a liability in respect of this. As a result, the contributions paid to the scheme reduce the provision. The Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis, and therefore, as required by FRS17 *Retirement Benefits*, accounts for the scheme as if it were a defined contribution scheme. In May 2012 a further MFR deficit was identified by the scheme, which increased the outstanding deficit allocated to the Group by £74,000, resulting in an increase in contributions advised by the Actuary.

Contributions are also made into individuals' private pension schemes.

Directors' remuneration

	2014	2013
	£	£
Aggregate remuneration in respect of qualifying services	**189,771**	261,745
Contributions to money purchase pension schemes	–	–

	2014	2013
	£	£
In respect of the highest paid director:		
Aggregate remuneration	**106,793**	176,894
Contributions to money purchase pension scheme	–	–

5(a) Interest receivable

	2014 £'000	2013 £'000
Bank interest receivable	**17**	-
	17	-

5(b) Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans and overdrafts	**(19)**	(67)
	(19)	(67)

6 Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £'000	2013 £'000
Current tax		
UK corporation tax at 22.5% (2013 – 23.75%)	–	–
	–	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Total tax expense in profit and loss account	–	–

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 22.5% (2013 – 23.75%). The differences are reconciled below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	**18,718**	9,892
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013 – 23.75%)	**4,212**	2,349
Effects of:		
Expenses not deductible for tax purposes	**692**	388
Depreciation in excess of capital allowances	**(416)**	(361)
Other timing differences	**–**	(261)
Utilisation of brought forward tax losses	**(4,496)**	(2,115)
Unrelieved tax losses carried forward	**8**	–
Total current tax	**–**	–

6 Taxation (continued)

(c) Factors that may affect future tax charges

The group has unrelieved UK corporation tax losses of approximately £20.3 million (2013 - £41.6 million) at the end of the year. The company has no unrelieved UK corporation tax losses (2013 – £nil) at the end of the year.

7 Intangible assets

Group

	Goodwill £'000	Players' registrations £'000	Total £'000
Cost			
At 1 July 2013	642	87,572	88,214
Acquisitions	–	5,452	5,452
Disposals	–	(10,299)	(10,299)
At 30 June 2014	**642**	**82,725**	**83,367**
Amortisation and impairment			
At 1 July 2013	642	32,611	33,253
Amortisation charge for year	–	19,559	19,559
Disposals	–	(7,083)	(7,083)
At 30 June 2014	**642**	**45,087**	**45,729**
Net book value			
At 30 June 2014	–	**37,638**	**37,638**
At 1 July 2013	–	54,961	54,961

8 Tangible fixed assets

Group

	Land and buildings £'000	Fixtures and equipment £'000	Motor vehicles	Total £'000
Cost				
At 1 July 2013	98,571	16,598	–	115,169
Additions	471	2,291	–	2,762
Disposals	–	(617)	–	(617)
At 30 June 2014	**99,042**	**18,272**	**–**	**117,314**
Depreciation				
At 1 July 2013	28,639	14,419	–	43,058
Charge for year	2,453	665	–	3,118
Disposals	–	(606)	–	(606)
At 30 June 2014	**31,092**	**14,478**	**–**	**45,570**
Net book value				
At 30 June 2014	**67,950**	**3,794**	**–**	**71,744**
At 1 July 2013	69,932	2,179	–	72,111

Cumulative finance costs capitalised, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2013 – £3,964,000).

The net book value of land and buildings comprises:

	2014 £'000	2013 £'000
Freehold	–	–
Long leasehold	**67,950**	69,932
	67,950	69,932

9 Investments in subsidiaries

Company

	Shares in Subsidiary Undertakings £'000
At 1 July 2013 and 30 June 2014	**69.946**

Subsidiary undertakings	Principal activity
Newcastle United Football Company Limited	Professional football club
Newcastle United Enterprises Limited	Dormant
St. James' Park Newcastle Limited	Dormant
Newcastle United Football Club (International) Limited*	General commercial
nufc.co.uk Limited	Exploitation of internet and media rights
Newcastle United 1892 Limited	Dormant
Newcastle United Catering Limited	Dormant
Newcastle United Employment Limited	Dormant
Newcastle United Entertainment Limited	Dormant
Newcastle United Group Limited	Dormant
Newcastle United Licensing Limited	Dormant
Newcastle United Promotions Limited	Dormant
Newcastle United Publications Limited	Dormant
Newcastle United Sports Limited	Dormant
Newcastle United Sportswear Limited	Dormant
Newcastle United Telecoms Limited	Dormant
Newcastle United Television Limited	Dormant
Newcastle United Ventures Limited	Dormant
NUFC Limited	Dormant
Newcastle United FC Limited	Dormant
Newcastle United Football Club Limited	Dormant
Newcastle (NUFC Holdings) Limited	Dormant
Newcastle United Management Company Limited	Dormant
The Football Channel Limited	Dormant

*This company is a subsidiary undertaking of Newcastle United Football Company Limited. It is registered in Gibraltar.

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

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

10 Stocks

Group	2014 £'000	2013 £'000
Goods for resale	**20**	–

11 Debtors

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade debtors	**10,619**	9,965	–	–
Amounts owed by parent undertakings	**4,480**	4,740	**5,336**	5,336
Amounts owed by fellow subsidiary undertakings	**500**	1,000	**500**	500
Amounts owed by Newcastle United Foundation	**88**	74	–	–
Other debtors	**5,774**	6,242	–	–
Prepayments and accrued income	**5,562**	5,410	–	–
	27,023	27,431	**5,836**	5,836

Included within Group trade debtors are amounts totalling £7,931,000 (2013 – £8,000,000) relating to the consideration receivable for the sale of player registrations, including £2,636,000 (2013 – £750,000) expected to be recovered in more than twelve months.

12 Creditors: amounts falling due within one year

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank overdraft	–	4,488	–	–
Term and other loans (note 13)	**18,000**	18,000	–	–
Trade creditors	**5,570**	6,743	–	–
Amounts owed to subsidiary undertakings	–	–	**7,864**	7,830
Other creditors	**6,675**	4,167	–	–
Accruals	**12,937**	5,209	–	–
	43,182	38,607	**7,864**	7,830

Term and other loans shown above represent an outstanding loan balance from Mr M J W Ashley of £18.0 million (2013: £18.0 million) which is interest free, secured on future broadcasting income and repayable on demand.

Included within Group trade creditors above are amounts totalling £1,828,000 (2013 – £2,986,000) relating to consideration payable for player registrations.

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade creditors	**811**	3,652	–	–
Term and other loans	**111,000**	111,000	–	–
	111,811	114,652	–	–

The Group's total outstanding loan balances from Mr M J W Ashley and companies under his control was £129.0 million (2013 – £129.0 million). £18 million is repayable on demand (see note 12) and £111 million is unsecured and repayable after more than one year. All amounts are interest free.

Included within Group trade creditors above are amounts totalling £811,000 (2013 – £3,652,000) relating to the consideration payable for player registrations.

14 Deferred income

Group

	2014 £'000	2013 £'000
Capital grants	**2,389**	2,478
Other deferred income	**19,099**	23,431
	21,488	25,909

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

Group

	2014 £'000	2013 £'000
Less than one year	**14,620**	20,919
One to two years	**1,122**	122
Two to five years	**1,360**	362
More than five years	**4,386**	4,506
	21,488	25,909

15 Share capital

Group and Company

	2014		2013	
	Number	£'000	Number	£'000
Authorised				
Ordinary shares of 5p each	**186,442,232**	**9,322**	186,442,232	9,322
Allotted, called-up and fully paid				
Ordinary shares of 5p each	**133,107,121**	**6,655**	133,107,121	6,655

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.

16 Capital and reserves

Group

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2012	6,655	68,944	831	(110,987)	(34,557)
Profit for the year	–	–	–	9,892	9,892
At 1 July 2013	6,655	68,944	831	(101,095)	(24,665)
Profit for the year	–	–	–	18,718	18,718
At 30 June 2014	**6,655**	**68,944**	**831**	**(82,377)**	**(5,947)**

Company

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 July 2012	6,655	68,944	831	2,172	78,602
Profit for the year	–	–	–	865	865
At 1 July 2013	6,655	68,944	831	3,037	79,467
Loss for the year	–	–	–	(34)	(34)
At 30 June 2014	**6,655**	**68,944**	**831**	**3,003**	**79,433**

17 Contingencies

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 2014 is £1,991,000 (2013 – £2,177,000). The Directors do 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.

18 Dividends

No dividends were paid in the year (2013 – £nil).

19 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made:

Group	2014 £'000	2013 £'000
Contracted but not provided for	–	–

(ii) Annual commitments under non-cancellable operating leases are as follows:

Group	Land and buildings	
	2014 £'000	2013 £'000
Expiry date:		
Within one year	–	42
Between one and five years	**136**	136
After five years	**574**	574
	710	752

The Company had no commitments at the beginning or end of the year.

During the year £752,000 was recognised as an expense in the profit and loss account in respect of operating leases (2013 – £852,000).

20 Ultimate parent undertaking

The immediate parent undertaking is St James Holdings Limited.

The largest Group in which the results will be consolidated is that headed by MASH Holdings Limited. The ultimate controlling party is Mr M J W Ashley.

21a) Reconciliation of Group operating profit / (loss) to net cash inflow from operating activities

	2014 £'000	2013 £'000
Group operating profit/(loss)	**4,729**	(616)
Depreciation	**3,118**	2,642
Amortisation and impairment of intangible fixed assets	**19,559**	12,803
Capital grant release	**(89)**	(89)
(Increase)/decrease in stocks	**(20)**	974
Decrease in debtors	**230**	3,488
Increase/(decrease) in creditors	**9,674**	(5,838)
(Decrease)/increase in deferred income	**(4,332)**	965
Net cash inflow from operating activities	**32,869**	14,329

21b) Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase/(decrease) in cash in the year	**38,597**	(4,145)
Cash outflow from decrease in debt and lease financing	–	–
Change in net debt resulting from cash flows	**38,597**	(4,145)
Net debt at beginning of year	**(133,488)**	(129,343)
Net debt at end of year	**(94,891)**	(133,488)

21c) Analysis of net debt

	At 1 July 2013	Cash flow	Other non cash changes	At 30 June 2014
	£'000	£'000	£'000	£'000
Bank (overdraft)/cash at bank	(4,488)	38,597	–	34,109
Term loans (note 13)	(129,000)	–	–	(129,000)
Total	**(133,488)**	**38,597**	**–**	**(94,891)**

22 Related party transactions

Transactions between the Company and its subsidiaries are not disclosed in accordance with FRS8.

During the current and prior year, advertising and promotional services were provided to companies associated with Mr M J W Ashley, the ultimate shareholder of the Company's ultimate parent undertaking, MASH Holdings Limited. No consideration was paid or payable for these services.

Newcastle United Football Company Limited, a subsidiary of the Company, made sales of £nil (2013: £1,710,000) and purchased goods to the value of £2,796,000 (2013: £841,000) from Sports Direct.com Retail Limited, a company connected with Mr M J W Ashley. These transactions were on normal commercial terms. The balance owing at 30 June 2014 to Sports Direct.com Retail Limited was £nil.

As detailed in note 13, Mr M J W Ashley and companies under his control continued to provide loan facilities to the Group during the year. The total balance outstanding at 30 June 2014 was £129.0 million (2013 – £129.0 million). The maximum amount outstanding in the year was £129.0 million (2013 – £129.0 million). No interest was payable on the loans for either the current or prior year.