Deepdale PNE Holdings Limited

Strategic report, Directors report and Financial statements

Registered number 07232565

30 June 2019

Contents

Strategic Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2019.

Principal activities and business review

The principal activities of the group are the operation of a professional football club, together with related and ancillary activities.

Strategy and Objectives

The directors' objective is to continue to consolidate the club's position within the Championship and to pursue promotion to the Premier League. The strategy to achieve this objective includes the following key elements:

- Selection and appointment of an effective football management team;
- Identifying talented players and securing these players on contracts within financial parameters;
- Developing young players through the club's academy system; and
- Increasing the group's turnover by attracting new supporters and commercial partners.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have a material impact on the group's long term performance. The directors consider the key risks to be a failure of the club to retain its Championship status and the group's ability to secure sufficient finance to fund its cash flow requirements. These and other risks and uncertainties are monitored by the board on a regular basis.

Key performance indicators

Turnover for the year was £13.8m which was higher than the previous year (2018: £13.3m), mainly due to increases in central distributions received from the Premier League and English Football League.

Average attendances were 14,153 for 2018/19 compared to 13,776 in 2017/18. Season ticket numbers were 8,453 in 2018/19 compared to 8,298 for 2017/18.

Cash flow continues to be adverse as the club has contracted a squad with wages which are high in comparison to its revenue. The group has therefore continued to be reliant on the financial support of its shareholder.

By order of the board

JC Kay
Director

Deepdale Stadium
Sir Tom Finney Way
Deepdale
PRESTON
PR1 6RU

16 December 2019

Registered number: 07232565

Directors' Report

Results

The loss after taxation attributable to the shareholders is £12,245,000 *(2018: profit of £2,640,000).*

Proposed dividend

The directors do not recommend the payment of a dividend (*2018: £nil*)

Directors

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

K Revitt
JC Kay

Charitable and political donations

Charitable contributions during the year totalled £5,815 *(2018: £25,400*). No political contributions have been made in the year.

Employee involvement

It is the group's policy to keep employees informed on matters affecting them as employees and to make them aware of the factors influencing the group's performance. This is done through announcements and staff briefings.

Disabled employees

Disabled persons are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain the employee in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Health and safety

The group's policy is to ensure that it maintains a working environment which will minimise the risk to the health and safety of employees. Health and safety is an integral part of good business management and accordingly high standards are required.

Auditor

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

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

By order of the board

JC Kay
Director

Deepdale Stadium
Sir Tom Finney Way
Deepdale
PRESTON
PR1 6RU

Registered number: 07232565

16 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

KPMG

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Independent auditor's report to the members of Deepdale PNE Holdings Limited

Opinion

We have audited the financial statements of Deepdale PNE Holdings Limited ("the company") for the year ended 30 June 2019 which comprise the Consolidated profit and loss account and other comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with UK ethical requirements, including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

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

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

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

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the group has net current liabilities and its cash flow forecasts show that it requires additional funding for the foreseeable future. Whilst the group has shareholder support there can there can be no certainty that this support will continue. These conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

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

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

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

Strategic report and directors' report *(continued)*

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

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Liam Finnigan

Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

20th December 2019

Consolidated profit and loss account and other comprehensive income

for the year ended 30 June 2019

	Note	**2019** **£000**	**2018** **£000**
Turnover	*2*	13,808	13,346
Staff costs – football players and management costs	*3*	(17,396)	(12,940)
Staff costs – other staff costs	*3*	(2,305)	(2,090)
Other expenses, excluding player amortisation and trading		(4,472)	(3,281)
Other operating income		-	703
Loss before player trading and amortisation		(10,365)	(4,262)
Depreciation and amortisation of player registrations	*5*	(4,112)	(2,797)
Profit on disposal of player registrations		149	9,683
Profit on disposal of fixed assets		-	-
Operating (Loss)/Profit		(14,328)	2,624
Financial income: other	*6*	15	25
Financial expenses	*6*	(1)	-
(Loss) / Profit before taxation		(14,314)	2,649
Taxation	*7*	2,069	(9)
(Loss) / Profit for the financial year		(12,245)	2,640
Total comprehensive income for the year		**(12,245)**	**2,640**

All the results above are from continuing operations.

The notes on pages 12 to 24 form part of the financial statements.

Consolidated balance sheet
at 30 June 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Intangible assets	9		5,608		4,778
Tangible assets	10		38,686		38,880
			44,294		43,658
Current assets					
Debtors (including £nil (*2018: £2,510k*) due after more than one year)	12	3,984		9,305	
Cash at bank and in hand		1,625		1,369	
		5,609		10,674	
Creditors: amounts falling due within one year	13	(49,806)		(41,529)	
Net current liabilities			**(44,197)**		**(30,855)**
Total assets less current liabilities			97		12,803
Creditors: amounts falling due after more than one year	14		(1,431)		(1,892)
Provision for liabilities					
Deferred tax liability	17		(2,951)		(2,951)
Net (liabilities)/assets			**(4,285)**		**7,960**
Capital and reserves					
Called up share capital	19		-		-
Revaluation reserve			8,176		8,399
Capital contribution reserve			707		707
Other reserve			15,429		15,429
Profit and loss account			(28,597)		(16,575)
Equity shareholders' funds			**(4,285)**		**7,960**

These financial statements were approved by the board of directors on 14 December 2019 and were signed on its behalf by:

JC Kay
Director

Registered number: 07232565

The notes on pages 12 to 24 form part of the financial statements.

Company balance sheet
As at 30 June 2019

	Note	2019		2018	
		£000	£000	£000	£000
Fixed assets					
Investments	*11*		26,011		19,411
Current assets					
Debtors (including £596k (*2018: £510k*) due after more than one year)	*12*	699		528	
Cash at bank and in hand		79		53	
		778		581	
Creditors: amounts falling due within one year	*13*	(43,130)		(36,346)	
Net current liabilities			(42,352)		(35,765)
Total assets less current liabilities			(16,341)		(16,354)
Net liabilities			(16,341)		(16,354)
Capital and reserves					
Called up share capital	*19*		-		-
Capital contribution reserve			707		707
Profit and loss account			(17,048)		(17,061)
Shareholders' deficit			**(16,341)**		**(16,354)**

These financial statements were approved by the board of directors on 16 December 2019 and were signed on its behalf by:

JC Kay
Director

Registered number: 07232565

The notes on pages 12 to 24 form part of the financial statements.

Consolidated statement of changes in equity

	Share capital £000	Revaluation reserve £000	Capital contribution reserve £000	Other reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 July 2017	-	8,616	707	15,429	(19,432)	5,320
Total comprehensive income for the period						
Profit	-	-	-	-	2,640	2,640
Other comprehensive income						
Reserves transfer	-	(217)	-	-	217	-
Total comprehensive income for the period	-	(217)	-	-	2,857	2,640
Balance at 30 June 2018	-	8,399	707	15,429	(16,575)	7,960
Balance at 1 July 2018	-	8,399	707	15,429	(16,575)	7,960
Total comprehensive income for the period						
Loss	-	-	-	-	(12,245)	(12,245)
Other comprehensive income						
Reserves transfer	-	(223)	-	-	223	-
Total comprehensive income for the period	-	(223)	-	-	(12,022)	(12,245)
Balance at 30 June 2019	-	**8,176**	**707**	**15,429**	**(28,597)**	**(4,285)**

The notes on pages 12 to 24 form part of the financial statements.

Company statement of changes in equity

	Share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 July 2017	-	707	(17,774)	(17,067)
Total comprehensive income for the period				
Profit	-	-	713	713
Total comprehensive income for the period	-	-	713	713
Balance at 30 June 2018	-	707	(17,061)	(16,354)
Balance at 1 July 2018	-	707	(17,061)	(16,354)
Total comprehensive income for the period				
Profit	-	-	13	13
Total comprehensive income for the period	-	-	13	13
Balance at 30 June 2019	**-**	**707**	**(17,048)**	**(16,341)**

The notes on pages 12 to 24 form part of the financial statements.

Consolidated cash flow statement
for the year ended 30 June 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
(Loss) / Profit for the year		(12,245)	2,640
Adjustments for:			
Depreciation, amortisation and impairment		4,112	2,797
Interest receivable and similar income	6	(15)	(25)
Interest payable and similar charges	6	1	-
Gain on sale of intangible fixed assets		(149)	(9,683)
Deferred government grant		(49)	(50)
Taxation	7	(2,069)	9
		(10,414)	(4,312)
(Increase) / Decrease in trade and other debtors		(264)	545
Increase / (Decrease) in trade and other creditors		1,673	(286)
		(9,005)	(4,053)
Interest paid		(1)	-
Receipt of payment for tax losses from group companies		2,069	-
Net cash from operating activities		(6,937)	(4,053)
Cash flows from investing activities			
Interest received		15	15
Proceeds from sale of intangible assets		5,087	3,426
Acquisition of tangible fixed assets		(632)	(2,209)
Acquisition of other intangible assets		(3,951)	(4,528)
Net cash from investing activities		519	(3,296)
Cash flows from financing activities			
Proceeds from new loan		6,690	5,681
New finance leases		-	14
Repayment of borrowings		-	(155)
Payment of finance lease liabilities		(16)	(14)
Net cash from financing activities		6,674	5,526
Net Increase / (Decrease) in cash and cash equivalents		256	(1,823)
Cash and cash equivalents at 1 July 2018		1,369	3,192
Cash and cash equivalents at 30 June 2019		1,625	1,369

The notes on pages 12 to 24 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Deepdale PNE Holdings Limited (the "company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 07232565 and the registered address is Deepdale Stadium Sir Tom Finney Way, Deepdale, Preston, Lancashire, PR1 6RU

These group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 T*he Financial Reporting Standard applicable in the UK and Republic of Ireland* ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company cash flow statement with related notes is included;
- Key management personnel compensation has not been included; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

As the company is a wholly owned subsidiary of Wordon Limited, the company has taken advantage of the exemption contained in FRS102.33.1A and has therefore not disclosed transactions with parent companies owning 100% shareholdings.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the group has reported an operating cash outflow of £6.9m for the year to 30 June 2019 (2018: £4.1m), and as at that date had net current liabilities of £44,197,000 (2018: £30,855,000).

The directors acknowledge that, in common with many football clubs in the Championship, the group is likely to incur future losses and net cash outflows.

The parent company is wholly owned and ultimately controlled by the family interests of Mr T.J. Hemmings and the support of the ultimate shareholder has been evident for many years. Support amounting to a £6,690,000 loan was advanced to the group via its intermediate holding company, Grovemoor Limited, during the year to 30 June 2019. Loans provided directly or indirectly by the ultimate controlling party totalled £43,021,000 at 30 June 2019 *(2018: £36,331,000)* remain outstanding and are callable on demand.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

The group has prepared detailed cash flow forecasts taking account of reasonably possible downsides that show that the group and company have a projected additional cash flow requirement within twelve months of approval of these financial statements of approximately £6,698,000 with further cash requirements subsequent to that period. This assumes that the existing intermediate parent company loan balances, are not called for repayment in that period, and also takes into account funding received after the year end (see note 23).

As in previous years the forecasts have been prepared on a prudent basis such that a good performance in the league, a player sale, a cup run or increased TV coverage will significantly increase projected income and therefore reduce the projected cash flow requirement. Conversely the club may choose, subject to having sufficient funding in place, to make additional signings in the January and/or August transfer windows if this is considered to be in its best interests and this could increase the projected cash flow requirement.

As in previous financial years the group has not sought to secure guaranteed finance to fund its cash flow projections in full for twelve months from the date of approval of these financial statements, given the high level of variables involved and the cost of securing additional facilities that may not be required. Based on discussions with the relevant shareholders and shareholder related parties, the directors are of the view that sufficient additional funds will be available from those parties, and that the company's intermediate parent company will not request repayment of the outstanding loans provided within 12 months from the date of signing these financial statements. As with any company placing reliance on other group entities and shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

After making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the group and company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial statements. However, the combination of these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the group and company's ability to continue as a going concern and therefore the group and company may be unable to continue to realise their assets and discharge their liabilities in the normal course of business.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Investments

In the parent financial statements, investments in subsidiary undertakings are carried at cost less impairment.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Notes *(continued)*

1 Accounting policies *(continued)*

Loans and other borrowings

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Tangible fixed assets

Tangible fixed assets are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings 75 years
- Plant and equipment 4-40 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefit.

Other than Deepdale stadium, the residual values of other assets are considered by the directors to be £nil.

Intangible assets

Player registrations and signing on fees

Transfer fees and amounts paid to third parties for player registrations are capitalised as intangible fixed assets and are amortised on a straight line basis over the period of the respective players' contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such an event will occur.

Player registrations are assessed on an annual basis and impairment losses arising are charged to the profit and loss account in the period in which they arise. Any surpluses arising are not accounted for.

Player signing on fees have been expensed to the profit and loss account as wages and salaries over the period to which they relate, which is considered to be the length of the player's initial contract with the club. The profit or loss on the disposal of a player registration is calculated after charging any signing on fees which become payable as a result of the disposal.

Amounts receivable and payable under player transfer agreements are often deferred over more than one season. Where this is the case the directors believe it is appropriate to classify transfer fees as current on the basis of this normal operating cycle despite the fact that the amount is not always due to be paid or received within 12 months of the balance sheet date. Amounts receivable are discounted to present value where the amounts are considered material.

Government grants

Government grants that compensate the group for the cost of an asset are included within deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Notes *(continued)*

1 Accounting policies *(continued)*

Employee benefits - defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Turnover

Turnover comprises income from television rights, gate receipts, merchandising royalty income, rental income, sponsorships and other commercial activities, exclusive of value added tax. Season ticket, sponsorship income received and other commercial activities prior to the year end in respect of the following football season is recognised over the season to which it relates. Where such income is in respect of future seasons it is treated as deferred income. Fixed elements of Premier League or English Football League distributions are recognised in the period July to June in the relevant football season. Royalties on merchandising sales are recognised on the date the goods and services are supplied to the customer. Turnover from rental income is recognised on a straight line basis over the life of the contract.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

2 Turnover

	2019	**2018**
	£000	**£000**
Season and match day ticket sales (including cup games)	3,559	3,420
Premier League and English Football League distributions and televised games	7,583	7,090
Commercial and media revenue	1,053	1,155
Merchandising	115	109
Rental income	1,403	1,488
Other income	95	84
Total revenues	13,808	13,346

The group's revenue was from its operations noted above, and was derived entirely within the United Kingdom.

Release of deferred capital grants

An amount of £49,000 (*2018: £50,000*) was released to the consolidated statement of comprehensive income from deferred capital grants (see note 16).

Notes *(continued)*

3 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	**2018**
Players, managerial and training staff	82	78
Sales, administration and ancillary staff	33	34
	115	112

In addition to the above, the group employed an average of 178 (*2018: 187)* match day staff during the year.

The aggregate payroll costs of these persons were as follows:

	2019	**2018**
	£000	**£000**
Wages and salaries	17,280	13,191
Social security costs	2,385	1,820
Contributions to defined contribution plans	36	19
	19,701	15,030

4 Remuneration of directors

	2019	**2018**
	£000	**£000**
Directors' emoluments	156	153
Group contributions to defined contribution pension plans	3	3

	Number of directors	
	2019	**2018**
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	1	1

5 Expenses and auditor's remuneration

	2019	**2018**
	£000	**£000**
Auditor's remuneration:		
Audit of these financial statements	10	9
Audit of the subsidiary undertaking's financial statements	22	18
Other services relating to taxation	4	4
Amortisation of player registrations	3,286	2,007
Depreciation	826	790

Notes *(continued)*

6 Net interest receivable and similar income

	2019 £000	2018 £000
Other interest receivable	15	25
	15	25
Interest payable – other interest payable	1	-

7 Taxation

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

	2019 £000	£000	2018 £000	£000
Current tax				
Current tax on income for the period		(2,069)		9
Total current tax		**(2,069)**		9
Deferred tax (see note 18)				
Change in tax rate	-		-	
Total deferred tax		-		-
Total tax		**(2,069)**		9

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in Profit and loss account	**(2,069)**	-	**(2,069)**	9	-	9
Total tax	**(2,069)**	-	**(2,069)**	9	-	9

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate	2019 £000	2018 £000
(Loss) / Profit for the year	(12,245)	2,640
Total tax /(income) / expenses	(2,069)	9
(Loss)/Profit excluding taxation	**(14,314)**	**2,649**
Tax using the UK corporation tax rate of 19.00% (*2018: 19.00%*)	(2,720)	503
Non-deductible expenses	14	7
Non-taxable other operating income	-	(134)
Tax exempt revenues	(38)	(11)
Losses surrendered for group relief	2,481	-
Payments received in respect of group relief	(2,069)	-
Differences between depreciation and capital allowances	263	79
Trading losses brought forward	-	(435)
Total tax	**(2,069)**	**9**

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2019 has been calculated based on these rates.

8 Company result for the financial year

Deepdale PNE Holdings Limited has not presented its own profit and loss account as permitted by section 408 of the Companies Act 2006. The profit for the financial year as dealt within the accounts of the company is £13,000 (*2018: profit of £713,000*).

9 Intangible fixed assets - Group

	Player registrations £000
Cost	
At 1 July 2018	7,787
Additions	4,217
Disposals	(1,645)
At 30 June 2019	**10,359**
Amortisation	
At 1 July 2018	3,009
Amortisation for the year	3,286
On disposals	(1,544)
At 30 June 2019	**4,751**
Net book value	
At 30 June 2019	**5,608**
At 30 June 2018	4,778

Notes *(continued)*

9 Intangible fixed assets - Group *(continued)*

Amortisation

Amortisation has been recognised in the following line items in the profit and loss account:

	2019 £000	2018 £000
Depreciation and amortisation of player registrations	3,286	2,007
	3,286	2,007

The company holds no intangible assets.

10 Tangible assets – group

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 July 2018	35,725	8,235	43,960
Additions	347	285	632
Disposals	-	-	-
At 30 June 2019	36,072	8,520	44,592
Depreciation			
At 1 July 2018	3,403	1,677	5,080
Charge for the year	549	277	826
On disposals	-	-	-
At 30 June 2019	3,952	1,954	5,906
Net book value			
At 30 June 2019	32,120	6,566	38,686
At 1 July 2018	32,322	6,558	38,880

Leased plant and equipment

At 30 June 2019 the net carrying amount of leased plant and equipment was £13,000 (*2018: £41,500*). The leased equipment secures lease obligations.

Plant and equipment

Included within plant and equipment are fixed and freestanding assets within the individual stands making up Deepdale stadium. In addition there are motor vehicles, IT equipment and other miscellaneous fixtures and fittings.

The company has no fixed assets.

Notes *(continued)*

11 Investment in subsidiary

Company	**Shares in Group undertakings £000**
Cost and net book value	
At 1 July 2018	19,411
Additions	6,600
At 30 June 2019	**26,011**

The principal operating subsidiary undertaking is Preston North End Limited which owns 100% of the ordinary share capital of The Preston North End Football Club Limited, a professional English Football League club. The company owns 100% of the ordinary share capital.

The additions recognised in the year relate entirely to new shares purchased by the company in Preston North End Limited.

The company has the following investment in its subsidiaries:

Company	**Address of registered office**	**Class of shares held**	**Activity**	**Ownership 2019**	**2018**
Preston North End Limited	Sir Tom Finney Way, Deepdale,Preston, Lancashire, PR1 6RU	Ordinary	Football Club	100%	100%
The Preston North End Football Club Limited	Sir Tom Finney Way, Deepdale,Preston, Lancashire, PR1 6RU	Ordinary	Football Club	100%	*100%

*Denotes indirect shareholding through subsidiary company.

The group's share of recognised profit or loss in the above subsidiary for the year ended 30 June 2019 was a loss of £12,257,000 (*2018: profit of £1,927,000*).

12 Debtors

	Group		**Company**	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**
Trade debtors	**2,623**	**8,051**	**-**	**-**
Amounts due from subsidiary	**-**	**-**	**85**	**-**
Other debtors	**633**	**553**	**596**	**510**
Prepayments and accrued income	**728**	**701**	**-**	**-**
Other tax and social security	**-**	**-**	**18**	**18**
	3,984	**9,305**	**699**	**528**

Group trade receivables of £2,623,000 *(2018: £8,051,000)* include transfer and loan fees in relation to the disposal of players' registrations of £2,095,000 *(2018: £7,682,000)*.

Group trade debtors include £nil (2018: £2,000,000) due after more than one year. Group other debtors include £596,000 (2018: £510,000) due after more than one year.

Company other debtors include £596,000 (2018: £510,000) due after more than one year.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	**£000**	**£000**	**£000**
Other loans	**43,021**	36,331	**43,021**	36,331
Obligations under finance leases	**2**	3	-	-
Trade creditors	**3,297**	2,104	**106**	2
Accruals and deferred income	**2,524**	2,195	-	-
Other tax and social security	**895**	841	**3**	3
Other creditors	**67**	55	-	10
	49,806	41,529	**43,130**	36,346

Group trade payables of £3,297,000 (*2018:* £2,104,000) includes transfer and loan fees in relation to the acquisition of players' registrations of £1,398,000 (*2018:* £1,519,000).

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000	**£000**	**£000**	**£000**
Trade creditors	-	398	-	-
Other loans	-	-	-	-
Obligations under finance leases	**6**	21	-	-
Deferred income	**1,425**	1,473	-	-
	1,431	1,892	-	-

15 Interest-bearing loans and borrowings

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

	Group 2019 £000	**Group 2018 £000**	**Company 2019 £000**	**Company 2018 £000**
Creditors falling due within less than one year				
Finance lease liabilities	**2**	3	-	-
Related party loans	**43,021**	36,331	**43,021**	36,331
	43,023	36,334	**43,021**	36,331
Creditors falling due more than one year				
Finance lease liabilities	**6**	21	-	-
Other loans	-	-	-	-
	6	21	-	-

Notes *(continued)*

15 Interest bearing loans and borrowings *(continued)*

Terms and debt repayment schedule:

Group	Currency	Nominal interest rate	Year of maturity	Carrying amount 2019 £000	Carrying amount 2018 £000
Finance lease liabilities	GBP	7.5%	2019	-	12
Finance lease liabilities	GBP	4.4%	2022	8	12
Related party loans	GBP	Nil	2019	43,021	36,331
				43,029	36,355
Company					
Related party loans	GBP	Nil	2019	43,021	36,331

Group

Finance lease liabilities are payable as follows:

	Minimum lease payments 2019 £000	Minimum lease payments 2018 £000
Less than one year	2	3
Between one and five years	6	21
	8	24

16 Deferred income

	Group 2019 £000	Group 2018 £000
Creditors falling due less than one year		
Deferred capital grants	49	50
Other deferred income	1,987	1,922
	2,036	1,972
Creditors falling due more than one year		
Deferred capital grants	1,425	1,473

Deferred capital grants were received towards development of the various stages of Deepdale stadium. They are released to the consolidated statement of comprehensive income to match the depreciation on the assets to which they relate.

Notes *(continued)*

17 Deferred tax liability

Deferred tax assets and liabilities are attributable to the following:

	2019 £000	2018 £000
Tangible fixed assets	**2,951**	2,951
Net deferred tax liabilities	**2,951**	2,951

At 30 June 2019 the group's subsidiary undertaking, The Preston North End Football Club Limited, had tax losses carried forward of £17,971,000 *(2018: £18,654,000)*. A deferred tax asset has not been recognised in respect of those losses as the company does not anticipate taxable profits to arise within the immediate future. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 17% (*2018: 17%*) is £3,055,000 (*2018: £3*,171,180).

18 Defined contribution plans

The group operates defined contribution pension plans. The total expense relating to these plans in the current year was £36,000 (*2018: £19,000*).

19 Called up share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary shares of £1.00 each	**1**	1

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2019 £000	Group 2018 £000
Less than one year	**46**	22
Between one and five years	**79**	23
More than five years	**-**	-
	125	45

During the year £19,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £17,000)*. The company has no leases.

21 Related parties

Group

Identity of related parties with which the group has transacted

During the financial year, the company has received further loans from Grovemoor Limited amounting to £6,690,000. The loan does not accrue interest. The balance at 30 June 2019 was £43,021,000. The loan has no fixed repayment date.

Also during the financial year, the company has subscribed for 6,600 new £0.01 ordinary shares in Preston North End Limited (PNE) at a premium of £1,000 per share (total cost £6,600,067) and PNE has, in turn, subscribed for 6,600 £1 ordinary shares in its subsidiary, PNEFC, also at a premium of £1,000 per share (total proceeds £6,606,600).

Notes *(continued)*

21 Related parties *(continued)*

Deepdale PNE Holdings Limited and Grovemoor Limited are related parties ultimately controlled by the family interests of Mr TJ Hemmings.

Transactions with key management personnel

Key management personnel of the group were the directors of Deepdale PNE Holdings Limited and also its subsidiaries, Preston North End Limited and The Preston North End Football Club Limited, who served during the year. The compensation of key management personnel (including pension contributions) was as follows:

	Group 2019 £000	Group 2018 £000
Key management emoluments	156	153
Company contributions to defined contribution pension plans	3	3
	159	156

22 Commitments

There were no capital commitments as at the year end.

23 Post balance sheet events

Since the year end the group has received funding from the ultimate shareholder of £4,100,000, and has acquired the registration of three players.

24 Ultimate parent company

The ultimate parent company is Wordon Limited, incorporated in the Isle of Man.

25 Accounting estimates and judgements

Key sources of estimation uncertainty and judgements

The directors consider the key judgement to be the use of the going concern basis. It would only in be in circumstances where this was not the case that the judgemental areas in the accounts would carry risk of material adjustment in future years. For example, the carrying value of the football stadium is supported as long as English Football League status is maintained and the carrying value of the intangible assets is supported by either the expectation that players will play out their contracts or the knowledge that appropriate transfer fees would be sought where the player is sold before expiry of the initial contract. As the value of the players' registrations only reduces significantly towards the end of the contract period, there is usually a recognised surplus of that value over the carrying amount of registrations. Preston North End Football Club Limited has recorded eight impairments over the last seven years and no significant losses have been made on disposal of players. This issue has therefore not been a source of estimation uncertainty historically. The key area of estimation uncertainty is the recovery of the investment carrying value which is itself principally dependent on management's estimate of the value of the playing squad.

See note 1 for consideration of the going concern basis.