Deepdale PNE Holdings Limited

Strategic report, Directors report and Financial statements

Registered number 07232565

30 June 2021

Contents

Strategic Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2021.

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 clearly 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.

In the short term, the COVID pandemic has resulted in a significant impact on the group's ability to trade and therefore its cash flow. This is mainly as a result of the Club's inability to admit supporters to the stadium to watch football matches. Further detail is provided in note 1 of these financial statements. Although supporters are now permitted to return to the stadium to attend matches in person, the board continues to review this situation.

Key performance indicators

Turnover for the year was £11.9m which was lower than the previous year (2020: £12.5m), mainly due to reduced gate receipts as result of Covid-19. Conversely, there were nine additional fixtures played in the 2020/21 financial year which were carried over from the 2019/20 season due to Covid. This resulted in increases in central distribution revenue from the English Football League and Premier League which are reflected in turnover as matches are played.

Despite the restrictions on supporters attending matches, 828 season ticket holders elected to retain their season ticket in support of the Club and received live internet matchday footage in lieu of stadium entry. This clearly had a negative impact on the Club's finances when compared to average attendances of 13,577 for the matches played with crowds in attendance in 2019/20 season including 8,385 season ticket holders.

Partly compensating the reduced revenues sustained during the last financial year, the Company secured payments of £2.5m under its business interruption insurance policy and this revenue is included in Other Operating Income.

Operating cash flow continues to be adverse as the club has contracted a squad with wages which are high in comparison to its revenue. The company has therefore been reliant on the financial support of its

CJ Hemmings
Director

Deepdale Stadium
Sir Tom Finney Way
Deepdale
PRESTON
PR1 6RU

Registered number: 07232565

9th February 2022

Directors' Report

Results

The loss after taxation attributable to the shareholders is £15,411,000 *(2020: loss of £7,731,000).*

Proposed dividend

The directors do not recommend the payment of a dividend (*2020: £nil*)

Directors

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

K Revitt	
JC Kay	Resigned 23rd July 2020
C Hemmings	Appointed 23rd July 2020

Charitable and political donations

Charitable contributions during the year totalled £13,866 *(2020: £10,817)*. 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.

Going concern

The directors have prepared the accounts using the going concern assumption, more details of which are set out in note 1 to the financial statements.

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

CJ Hemmings
Director

Deepdale Stadium
Sir Tom Finney Way
Deepdale
PRESTON
PR1 6RU

Registered number: 07232565

9th February 2022

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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 company and to prevent and detect fraud and other irregularities.

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 30th June 2021 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 and the parent company's affairs as at 30th June 2021 and 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.

Material uncertainty related to going concern

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, as to the group and parent company's high-level policies and procedures to prevent and detect fraud, including the group and parent company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

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

Fraud and breaches of laws and regulations – ability to detect *(continued)*

On this audit we do not believe there is a fraud risk related to revenue recognition, this is due to the football season concluding within the financial period meaning that the period revenue should fall into is clear and limited apparent incentives or pressure in respect of the group's results.

Identifying and responding to risks of material misstatement due to fraud (continued)

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the group-wide fraud risk management controls.

We performed procedures including:

Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted with unexpected combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group and parent company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group and parent company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, financial fair play regulations, employment law and certain aspects of company legislation recognising the nature of the group and parent's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations

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

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:

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; or

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.

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

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 (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One St Peter's Square, Manchester, M2 3AE

18th March 2022

Consolidated profit and loss account and other comprehensive income

for the year ended 30 June 2021

	Note	**2021**	**2020**
		£000	**£000**
Turnover	*2*	**11,919**	12,562
Staff costs – football players and management costs	*3*	**(21,276)**	(18,330)
Staff costs – other staff costs	*3*	**(2,083)**	(2,144)
Other expenses, excluding player amortisation and trading		**(4,028)**	(4,370)
Other operating income- compensation under business interruption insurance		**2,500**	-
Loss before player trading and amortisation		**(12,968)**	(12,282)
Depreciation and amortisation of player registrations	*5*	**(5,484)**	(4,849)
Profit on disposal of player registrations		**725**	7,018
Profit on disposal of fixed assets		**-**	5
Operating Loss		**(17,727)**	(10,108)
Financial income: other	*6*	**11**	14
Financial expenses	*6*	**(2)**	(4)
Loss before taxation		**(17,718)**	(10,098)
Taxation	*7*	**2,307**	2,367
Loss for the financial year		**(15,411)**	(7,731)
Total comprehensive income for the year		**(15,411)**	(7,731)

All the results above are from continuing operations.

The notes on pages 14 to 27 form part of the financial statements.

Consolidated balance sheet
at 30 June 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9		4,452		4,501
Tangible assets	10		38,858		38,208
			43,310		42,709
Current assets					
Debtors (including £158,000 (*2020: £217,000*) due after more than one year)	12	2,027		4,713	
Cash at bank and in hand		2,248		1,493	
		4,275		6,206	
Creditors: amounts falling due within one year	13	(69,160)		(55,769)	
Net current liabilities			(64,885)		(49,563)
Total assets less current liabilities			(21,575)		(6,854)
Creditors: amounts falling due after more than one year	14		(2,553)		(1,864)
Provision for liabilities					
Deferred tax liability	17		(4,340)		(3,298)
Net liabilities			(28,468)		(12,016)
Capital and reserves					
Called up share capital	19		-		-
Revaluation reserve			7,617		7,946
Capital contribution reserve			707		707
Other reserve			15,429		15,429
Profit and loss account			(52,221)		(36,098)
Shareholders' deficit			(28,468)		(12,016)

These financial statements were approved by the board of directors on 9th February 2022 and were signed on its behalf by:

C Hemmings
Director

Registered number: 07232565

The notes on pages 14 to 27 form part of the financial statements.

Company balance sheet
As at 30 June 2021

	Note	2021		2020	
		£000	£000	£000	£000
Fixed assets					
Investments	*11*		**45,151**		33,811
Current assets					
Debtors (including £510k (*2020: £534k*) due after more than one year)	*12*	**647**		622	
Cash at bank and in hand		**2**		6	
		649		628	
Creditors: amounts falling due within one year	*13*	**(62,319)**		(50,769)	
Net current liabilities			**(61,670)**		(50,141)
Total assets less current liabilities			**(16,519)**		(16,330)
Net liabilities			**(16,519)**		(16,330)
Capital and reserves					
Called up share capital	*19*		**-**		-
Capital contribution reserve			**707**		707
Profit and loss account			**(17,226)**		(17,037)
Shareholders' deficit			**(16,519)**		(16,330)

These financial statements were approved by the board of directors on 9th February 2022 and were signed on its behalf by:

C Hemmings
Director

Registered number: 07232565

The notes on pages 14 to 27 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 2019	-	8,176	707	15,429	(28,597)	(4,285)
Total comprehensive income for the period						
Loss	-	-	-	-	(7,731)	(7,731)
Other comprehensive income						
Reserves transfer	-	(230)	-	-	230	-
Total comprehensive income for the period	-	(230)	-	-	(7,501)	(7,731)
Balance at 30 June 2020	-	7,946	707	15,429	(36,098)	(12,016)
Balance at 1 July 2020	-	7,946	707	15,429	(36,098)	(12,016)
Total comprehensive income for the period						
Loss	-	-	-	-	(15,411)	(15,411)
Other comprehensive income						
Reserves transfer	-	(239)	-	-	239	-
Movement on deferred tax balance	-	(1,041)	-	-	-	(1,041)
Reclassification of deferred tax movements	-	951	-	-	(951)	-
Total comprehensive income for the period	-	(329)	-	-	(16,123)	(16,452)
Balance at 30 June 2021	**-**	**7,617**	**707**	**15,429**	**(52,221)**	**(28,468)**

The notes on pages 14 to 27 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 2019	-	707	(17,048)	(16,341)
Total comprehensive income for the period				
Profit	-	-	11	11
Total comprehensive income for the period	-	-	11	11
Balance at 30 June 2020	**-**	**707**	**(17,037)**	**(16,330)**
Balance at 1 July 2020	-	707	(17,037)	(16,330)
Total comprehensive income for the period				
Loss	-	-	(189)	(189)
-				
Total comprehensive income for the period	-	-	(189)	(189)
Balance at 30 June 2021	**-**	**707**	**(17,226)**	**(16,519)**

The notes on pages 14 to 27 form part of the financial statements.

Consolidated cash flow statement

for the year ended 30 June 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Loss for the year		**(15,411)**	(7,731)
Adjustments for:			
Depreciation, amortisation and impairment		**5,484**	4,849
Interest receivable and similar income	6	**(11)**	(14)
Interest payable and similar charges	6	**2**	4
Gain on sale of intangible fixed assets		**(725)**	(7,023)
Deferred government grant		**(49)**	(49)
Taxation	7	**(2,307)**	(2,367)
		(13,017)	(12,331)
(Increase) / Decrease in trade and other debtors		**(487)**	681
Increase / (Decrease) in trade and other creditors		**1,880**	(1,013)
		(11,624)	(12,663)
Interest paid		**(2)**	(4)
Receipt of payment for tax losses from group companies		**2,307**	2,714
Net cash from operating activities		**(9,319)**	(9,953)
Cash flows from investing activities			
Interest received		**11**	14
Proceeds from sale of intangible assets		**3,684**	5,216
Acquisition of tangible fixed assets		**(2,275)**	(356)
Acquisition of other intangible assets		**(2,941)**	(3,340)
Net cash from investing activities		**(1,521)**	1,534
Cash flows from financing activities			
Proceeds from new loan		**11,550**	8,290
New finance leases		**60**	-
Payment of finance lease liabilities		**(15)**	(3)
Net cash from financing activities		**11,595**	8,287
Net Increase / (Decrease) in cash and cash equivalents		**755**	(132)
Cash and cash equivalents at 1 July 2020		**1,493**	1,625
Cash and cash equivalents at 30 June 2021		**2,248**	1,493

The notes on pages 14 to 27 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 limited by shares and 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 have been prepared on a going concern basis, which the directors believe to be appropriate.

The directors acknowledge that, in common with many football clubs in the Championship, the company is likely to incur future losses and net cash outflows. In the current period, losses have increased due to the restrictions in place in respect of match day attendance.

The company has prepared detailed cash flow forecasts that show that it has a projected additional cash flow requirement within twelve months of approval of these financial statements. In the base case, this assumes that the company will see improvements in revenue due to the anticipated recovery of matchday income for the 21/22 football season and subsequent periods. This recovery is based on covid-19 restrictions being lifted and spectators returning to the stadium. As a result, the forecasts assume that the stadium will be able to operate at normal capacity during 2021/22 and 2022/23 seasons, but should this not be the case, the directors will revisit cash requirements for the remainder of the period.

The directors have also prepared a severe but plausible downside forecast which includes no gate receipts for 2 months during the 1st quarter of 2022, this reflects a potential additional lockdown being imposed by the UK government. In both this scenario and the base case, the forecasts show that it has a projected additional cash flow requirement within twelve months of approval of these financial statements and therefore it will require additional funding to meet its liabilities as they fall due for that period.

Notes *(continued)*

1 Accounting policies *(continued)*

Going concern (continued)

As in previous years the forecasts have been prepared on a cautious 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.

These forecasts are dependent on Grovemoor Limited not seeking repayment of the amounts currently due to the group, which at 30 June 2021 amounted to £62,277,000, and providing additional financial support during that period. 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 group placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that Grovemoor Limited has the ability to provide this financial support or that it will continue to provide it, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on these indications, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. Whilst the directors acknowledge that Covid-19 will continue to have an impact on the 21/22 season and potentially beyond and subsequently increase cash flow requirements in that period highlighted above, the directors still expect that the support will be forthcoming. However, the above circumstances represent a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the 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 2021. 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 and income from other commercial activities received 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

	2021	**2020**
	£000	**£000**
Season and match day ticket sales (including cup games)	**550**	2,952
Premier League and English Football League distributions and televised games	**8,891**	7,040
Commercial and media revenue	**983**	971
Merchandising	**111**	109
Rental income	**1,332**	1,381
Other income	**52**	109
Total revenues	**11,919**	12,562

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 (*2020: £49,000*) 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	
	2021	**2020**
Players, managerial and training staff	**78**	80
Sales, administration and ancillary staff	**37**	33
	115	113

In addition to the above, the group employed an average of 56 (*2020: 179)* match day staff during the year.

The aggregate payroll costs of these persons were as follows:

	2021	**2020**
	£000	**£000**
Wages and salaries	**20,478**	17,947
Social security costs	**2,826**	2,477
Contributions to defined contribution plans	**55**	50
	23,359	20,474

4 Remuneration of directors

	2021	**2020**
	£000	**£000**
Directors' emoluments	**116**	166
Group contributions to defined contribution pension plans	**9**	9

	Number of directors	
	2021	**2020**
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	**1**	1

5 Expenses and auditor's remuneration

	2021	**2020**
	£000	**£000**
Auditor's remuneration:		
Audit of these financial statements	**4**	3
Audit of the subsidiary undertaking's financial statements	**48**	32
Other services relating to taxation	**4**	4
Amortisation of player registrations	**3,858**	4,015
Depreciation	**1,626**	834

Notes *(continued)*

6 Net interest receivable and similar income

	2021 £000	2020 £000
Other interest receivable	**11**	14
	11	14
Interest payable	**2**	4

7 Taxation

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

	2021 £000	£000	2020 £000	£000
Current tax				
Current tax on income for the period		**(2,307)**		(2,714)
Total current tax		**(2,307)**		(2,714)
Deferred tax (see note 17)				
Change in tax rate	**1,041**		347	
Total deferred tax		**1,041**		347
Total tax		**(1,266)**		(2,367)

	2021 £000 Current tax	2021 £000 Deferred tax	2021 £000 Total tax	2020 £000 Current tax	2020 £000 Deferred tax	2020 £000 Total tax
Recognised in Profit and loss account	**(2,307)**	**-**	**(2,307)**	(2,714)	347	(2,367)
Recognised in Other Comprehensive Income	**-**	**1,041**	**1,041**	-	-	-
Total tax	**(2,307)**	**1,041**	**(1,266)**	(2,714)	347	(2,367)

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate	2021 £000	2020 £000
Loss for the year	**(15,411)**	(7,731)
Total tax income	**(2,307)**	(2,367)
(Loss)/Profit excluding taxation	**(17,718)**	(10,098)
Tax using the UK corporation tax rate of 19% *(2020: 19.00%)*	**(3,366)**	(1,919)
Increase in tax rate on deferred tax balance	**-**	347
Non-deductible expenses	**3**	7
Tax exempt revenues	**(147)**	(10)
Losses surrendered for group relief	**3,088**	1,725
Payments received in respect of group relief	**(2,307)**	(2,714)
Differences between depreciation and capital allowances	**245**	93
Other timing differences	**177**	104
Total tax	**(2,307)**	(2,367)

The UK corporation tax rate applicable from 1 April 2021 remains at 19%. Accordingly, the UK deferred tax balance has been calculated using a rate of 19% *(2020: 19%)*. In the 3 March 2021 budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Company's future tax charge. The movement in the deferred tax balance has been calculated using the future rate of 25%.

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 loss for the financial year as dealt within the accounts of the company is £189,000 *(2020: profit of £11,000)*.

9 Intangible fixed assets - Group

	Player registrations £000
Cost	
At 1 July 2020	12,478
Additions	4,083
Disposals	(4,053)
At 30 June 2021	**12,508**
Amortisation	
At 1 July 2020	7,977
Amortisation for the year	3,858
On disposals	(3,779)
At 30 June 2021	**8,056**
Net book value	
At 30 June 2021	**4,452**
At 30 June 2020	4,501

Notes *(continued)*

9 Intangible fixed assets - Group *(continued)*

Amortisation

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

	2021 £000	2020 £000
Depreciation and amortisation of player registrations	**3,858**	4,015
	3,858	4,015

The company holds no intangible assets.

10 Tangible assets – group

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 July 2020	36,214	8,712	44,926
Additions	1,910	366	2,276
Disposals	(1,000)	-	(1,000)
At 30 June 2021	**37,124**	**9,078**	**46,202**
Depreciation			
At 1 July 2020	4,506	2,212	6,718
Charge for the year	1,332	294	1,626
On disposals	(1,000)	-	(1,000)
At 30 June 2021	**4,838**	**2,506**	**7,344**
Net book value			
At 30 June 2021	**32,286**	**6,572**	**38,858**
At 1 July 2020	31,708	6,500	38,208

Notes *(continued)*

10 Tangible assets- group (continued)

Land and Buildings

The net book value of land and buildings comprises:

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Freehold	**4,712**	2,904	-	-
Long Leasehold	**27,574**	28,804	-	-
	32,286	31,708	-	-

Leased plant and equipment

At 30 June 2021 the net carrying amount of leased plant and equipment was £81,000 (*2020: £10,000*). 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.

11 Investment in subsidiary

Company	**Shares in Group undertakings**
	£000
Cost and net book value	
At 1 July 2020	33,811
Additions	11,340
At 30 June 2021	**45,151**

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 2021**	**Ownership 2020**
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%

Notes *(continued)*

11 Investment in subsidiary *(Continued)*

*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 2021 was a loss of £15,222,000 (*2020: loss of £7,742,000*).

12 Debtors

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
Trade debtors	**816**	3,815	**-**	-
Amounts due from subsidiary	**-**	-	**31**	31
Other debtors	**540**	628	**537**	571
Prepayments and accrued income	**671**	219	**-**	-
Other tax and social security	**-**	51	**79**	20
	2,027	4,713	**647**	622

Group trade receivables of £816,000 *(2020: £3,815,000)* include transfer and loan fees in relation to the disposal of players' registrations of £459,000 *(2020: £3,506,000)*.

Group trade debtors include £158,000 (2020: £217,000) due after more than one year. Group other debtors include £510,000 *(2020: £534,000)* due after more than one year.

Company other debtors include £510,000 *(2020: £534,000)* due after more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£000	**£000**	**£000**	**£000**
Other loans	**62,277**	50,727	**62,277**	50,727
Obligations under finance leases	**21**	3	**-**	-
Trade creditors	**1,636**	1,786	**42**	39
Other loans	**194**	97	**-**	-
Accruals and deferred income	**4,101**	2,288	**-**	-
Other tax and social security	**887**	816	**-**	-
Other creditors	**44**	52	**-**	3
	69,160	55,769	**62,319**	50,769

Group trade payables of £1,636,000 (*2020: £1,786,000*) includes transfer and loan fees in relation to the acquisition of players' registrations of £409,000 (*2020:* £939,000).

Notes *(continued)*

14 Creditors: amounts falling due after more than one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	**808**	-	-	-
Other loans	**390**	487	-	-
Obligations under finance leases	**29**	2	-	-
Deferred income	**1,326**	1,375	-	-
	2,553	1,864	-	-

Group trade payables of £808,000 *(2020 : £nil)* includes transfers and loan fees in relation to the acquisition of players' registrations of £808,000 *(2020 : £nil)*

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 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Creditors falling due within less than one year				
Finance lease liabilities	**21**	3	-	-
Related party loans	**62,277**	50,727	**62,277**	50,727
Other	**194**	97	-	-
	62,492	50,827	**62,277**	50,727
Creditors falling due more than one year				
Finance lease liabilities	**29**	2	-	-
Other loans	**390**	487	-	-
	419	489	-	-

15 Interest bearing loans and borrowings *(continued)*

Terms and debt repayment schedule:

Group	**Currency**	**Nominal interest rate**	**Year of maturity**	**Carrying amount 2021 £000**	**Carrying amount 2020 £000**
Finance lease liabilities	**GBP**	**4.4%**	**2024**	50	5
Related party loans	**GBP**	**Nil**	**2021**	62,277	50,727
Other loans	**GBP**	**Nil**	**2024**	584	584
				62,911	51,316
Company					
Related party loans	**GBP**	**Nil**	**2021**	62,277	50,727

Notes *(continued)*

15 Interest bearing loans and borrowings *(continued)*

Group

Finance lease liabilities are payable as follows:

	Minimum lease payments 2021 £000	Minimum lease payments 2020 £000
Less than one year	**21**	3
Between one and five years	**29**	2
	50	5

16 Deferred income

	Group 2021 £000	Group 2020 £000
Creditors falling due less than one year		
Deferred capital grants	**49**	49
Other deferred income	**1,511**	1,596
	1,560	1,645
Creditors falling due more than one year		
Deferred capital grants	**1,326**	1,375

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.

17 Deferred tax liability

Deferred tax assets and liabilities are attributable to the following:

	2021 £000	2020 £000
Tangible fixed assets	**4,340**	3,298
Net deferred tax liabilities	**4,340**	3,298

At 30 June 2021 the group's subsidiary undertaking, The Preston North End Football Club Limited, had tax losses carried forward of £18,215,000 *(2020: losses £17,971,000)*. 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 25% (*2020: 19%*) is £4,554,000 (*2020: £3*,414,000).

Notes *(continued)*

18 Defined contribution plans

The group operates defined contribution pension plans. The total expense relating to these plans in the current year was £55,000 (*2020: £50,000*).

19 Called up share capital

	2021	2020
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1.00 each	-	-

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group 2021 £000	Group 2020 £000
Less than one year	**54**	32
Between one and five years	**62**	39
	116	71

During the year £53,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2020: £43,000)*. 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 £11,550,000 *(2020: £7,706,000)*. The loan does not accrue interest. The balance at 30 June 2021 was £62,277,000 *(2020: £50,727,000)*. The loan has no fixed repayment date.

Also during the financial year, the company has subscribed for 11,340 new £0.01 ordinary shares in Preston North End Limited (PNE) at a premium of £1,000 per share (total cost £11,340,113) and PNE has, in turn, subscribed for 8,940 £1 ordinary shares in its subsidiary, PNEFC, also at a premium of £1,000 per share (total proceeds £8,948,940).

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

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 2021 £000	Group 2020 £000
Key management emoluments	**116**	166
Company contributions to defined contribution pension plans	**9**	9
	125	175

Notes *(continued)*

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 £8,409,000 and acquired the registration of four 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.

See note 1 for consideration of the going concern basis.