

The Sunderland Association Football Club Limited
Annual report and financial statements
for the year ended 31 July 2010

Registered number 49116



The Sunderland Association Football Club Limited
Annual report and financial statement
for the year ended 31 July 2010
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The Sunderland Association Football Club Limited

Corporate directory

Registered number

49116

Registered office

The Sunderland Stadium of Light
Sunderland
SR5 1SU

Bankers

Barclays Bank plc
71 Grey Street
Newcastle upon Tyne
NE99 1JP

Anglo Irish Bank UK Corporation plc

10 Old Jewry
London
EC2R 8DN

Solicitors

Pinsent Masons
1 Park Row
Leeds
LS1 5AB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
89 Sandyford Road
Newcastle upon Tyne
NE1 8HW

Board of directors

The directors of the Company who served during the year and up to the date of signing the financial statements were

| | |
|---------------|--|
| N J Quinn | (Chairman) |
| S Walton | (Chief executive) |
| L A Callaghan | (Marketing and commercial director) |
| M Byrne | (Legal director and company secretary) |
| C Woerts | (Resigned 23 February 2010) |

The Sunderland Association Football Club Limited

Registered number 49116

Directors' report for the year ended 31 July 2010

The directors present their report and the audited financial statements of The Sunderland Association Football Club Limited ("the Company") for the year ended 31 July 2010

Principal activities

The principal activity of the Company is that of a professional football club

Business review and future developments

The Company made a loss for the financial year of £26,179,000 (2009 £24,158,000) The directors do not recommend the payment of a dividend (2009 £nil)

The review of the business and the future development of the Company are the same as those of the immediate parent company, and are described in the directors' report in the annual report and financial statements of Sunderland Limited

The Company is deemed to be a going concern due to the on-going support of the immediate parent company, Sunderland Limited

The Company has received additional funding in the year from Drumaville Limited, the immediate parent undertaking of Sunderland Limited, in the form of intercompany loans The Group received £19m from 1 August 2009 to 13 November 2009 On 13 November 2009 these loans were capitalised in return for the issue of one ordinary share (see note 13)

Subsequent to the loan capitalisation on 13 November 2009, the Company received further funding from Drumaville Limited in the form of an intercompany loan of £22.4m The loan is unsecured, has no set repayment date and is interest free (see note 13)

Principal risks and uncertainties

The principal business risks affecting the Company are the same as those of the immediate parent company, and are described in the directors' report in the annual report and financial statements of Sunderland Limited

Key performance indicators ("KPIs")

The KPIs of the Company are the same as those of the immediate parent company, and are described in the directors report in the annual report and financial statements of Sunderland Limited

Financial risk management

The financial risk management policies of the Company are the same as those of the immediate parent company, and are described in the directors report in the annual report and financial statements of Sunderland Limited

Dividends

The directors do not recommend the payment of a dividend (2009 £nil)

Directors

The directors who served during the year and up to the date of signing the financial statements are shown on page 1

The Sunderland Association Football Club Limited

Employees

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

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

Executive management are regularly updated on the performance of the Group via monthly management meetings. This information is then communicated to staff via departmental briefings and internal announcements.

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

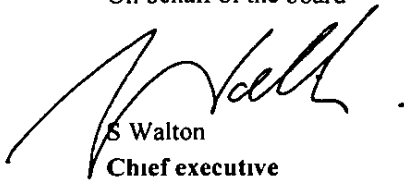
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Sunderland Association Football Club Limited

On behalf of the board



S Walton
Chief executive

17 January 2011

The Sunderland Association Football Club Limited

Independent auditors' report to the members of The Sunderland Association Football Club Limited

We have audited the financial statements of The Sunderland Association Football Club Limited for the year ended 31 July 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Deficit, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

The Sunderland Association Football Club Limited

Matters on which we are required to report by exception

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

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



Richard Bunter

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Newcastle upon Tyne

18 January 2011

The Sunderland Association Football Club Limited

Profit and loss account for the year ended 31 July 2010

| | Note | 2010 £'000 | 2009 £'000 |
|---|------|-----------------|---------------|
| Turnover | 1 | 65,284 | 64,480 |
| Net operating expenses | 2 | (96,931) | (89,642) |
| Operating loss | | (31,647) | (25,162) |
| Profit on disposal of players' contracts | 3 | 5,682 | 1,184 |
| Loss on ordinary activities before interest and taxation | | (25,965) | (23,978) |
| Interest receivable and similar income | 4 | 4 | 39 |
| Interest payable and similar charges | 5 | (218) | (219) |
| Loss on ordinary activities before taxation | 2 | (26,179) | (24,158) |
| Tax on loss on ordinary activities | 8 | - | - |
| Loss for the financial year | 16 | (26,179) | (24,158) |

All operations are classed as continuing

The Company has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

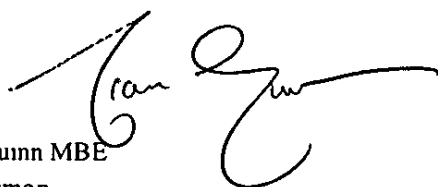
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Balance sheet as at 31 July 2010

| | Note | 2010 £'000 | 2010 £'000 | 2009 £'000 | 2009 £'000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Intangible assets | 9 | 54,518 | | 47,787 | |
| Tangible assets | 10 | 11,297 | | 11,932 | |
| | | | 65,815 | | 59,719 |
| Current assets | | | | | |
| Stocks | 11 | 449 | | 359 | |
| Debtors | 12 | 23,945 | | 16,655 | |
| Cash at bank and in hand | | 2,146 | | 2,098 | |
| | | 26,540 | | 19,112 | |
| Creditors: amounts falling due within one year | 13 | (77,567) | | (46,605) | |
| Net current liabilities | | | (51,027) | | (27,493) |
| Total assets less current liabilities | | | 14,788 | | 32,226 |
| Creditors: amounts falling due after more than one year | 14 | | (34,259) | | (44,518) |
| Net liabilities | | | (19,471) | | (12,292) |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 30 | | 30 |
| Share premium account | 16 | | 72,154 | | 53,154 |
| Revaluation reserve | 16 | | 82 | | 82 |
| Profit and loss account | 16 | | (91,737) | | (65,558) |
| Total shareholders' deficit | | | (19,471) | | (12,292) |

The financial statements on pages 7 to 23 were approved by the board of directors on 17 January 2011 and were signed on its behalf by

N J Quinn MBE
Chairman



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Reconciliation of movements in shareholders' deficit for the year ended 31 July 2010

| | 2010 | 2009 |
|-------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Opening shareholders' deficit | (12,292) | (36,588) |
| Loss for the financial year | (26,179) | (24,158) |
| Proceeds from share issue (note 16) | 19,000 | 48,454 |
| Closing shareholders' deficit | (19,471) | (12,292) |

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Statement of accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The immediate parent undertaking, Sunderland Limited, has indicated its willingness to continue to support the operations of the Company for the foreseeable future. It will not seek repayment of the amounts owing to it as shown in note 14 until such time as the Company is able to meet these liabilities and will continue to guarantee the Company's borrowings as shown in note 19. On this basis the financial statements have been prepared under the going concern assumption.

Tangible fixed assets and depreciation

Tangible fixed assets are held at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation has been calculated to write down the cost or valuation of tangible fixed assets over their expected useful lives at the following rates:

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

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

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

Land and buildings

Prior to 2000, some freehold properties were revalued periodically. On adoption of FRS 15 "Tangible fixed assets" in 2000, the Company has followed the transitional rules to retain the book value of land and buildings. On disposal the profit or loss is calculated by reference to the net book value and any unamortised revaluation surplus is transferred from revaluation reserves to the profit and loss account.

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. Costs include transfer fees, levy fees, agents' fees and other directly attributable costs. These costs are amortised from the month of purchase fully over the contract period.

Where a playing contract is extended, any costs associated with securing the extension are added to the unamortised balance (at the date of amendment) and the revised book value is amortised over the remaining revised contract life.

Where a part of the consideration payable on acquiring a player's registration is contingent on a future event, this amount is recognised once it is probable, rather than possible, that the event will occur.

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Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale

Stocks

Stocks are stated at the lower of cost and net realisable value and consist of finished goods purchased for resale. Where necessary, provision is made for obsolete, defective and slow moving stocks

Lease rentals

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term

Turnover

Turnover comprises gate receipts, television and media, sponsorship and royalties, conference banqueting and catering, retail and merchandising and invoiced sales, exclusive of value added tax. Television and media income is recognised in the period in which the relevant matches are televised and gate receipt income taken to the profit and loss account when the matches are played. Sponsorship income is recognised over the life of the agreements and retail income is recognised upon sale of the goods

Signing on fees

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

Pensions

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

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

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis

Grants receivable

Grants received as a contribution towards specific expenditure on fixed assets are held in a deferred income account and recognised in the profit and loss account over the expected useful lives of the related assets. Other

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grants received are held in a deferred income account and recognised in the profit and loss account so as to match them with the expenditure to which they are intended to contribute

Cash flow statements

The Company has taken advantage of the exemption in FRS 1 "Cash flow statements (revised 1996)" for companies whose parent prepares and files consolidated financial statements incorporating a consolidated cash flow statement and consequently, no cash flow statement is presented in these financial statements

Foreign currency

Monetary assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the date of the balance sheet or at agreed contracted rates Transactions in foreign currency are translated to sterling at the rate ruling at the date of the transaction All differences on exchange are taken to the profit and loss account

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Notes to the financial statements for the year ended 31 July 2010

1 Turnover

Turnover, which is all derived from the Company's principal activity, is analysed as follows

| | 2010 £'000 | 2009 £'000 |
|-------------------------------------|---------------|---------------|
| Gate receipts | 12,603 | 13,882 |
| Television and media | 38,836 | 34,931 |
| Sponsorship and royalties | 7,866 | 8,174 |
| Conference, banqueting and catering | 3,809 | 4,912 |
| Retail and merchandising | 1,921 | 2,289 |
| Other | 249 | 292 |
| | 65,284 | 64,480 |

All sales are within the United Kingdom

2 Net operating expenses

| | 2010 £'000 | 2010 £'000 | 2009 £'000 | 2009 £'000 |
|---|---------------|-----------------|---------------|-----------------|
| Staff costs (note 6) | | (53,687) | | (49,525) |
| Depreciation | (1,129) | | (996) | |
| Amortisation and impairment of players' contracts | (26,211) | | (21,645) | |
| Depreciation, amortisation and other amounts written off tangible and intangible assets | | (27,340) | | (22,641) |
| Other operating charges | | (15,904) | | (17,476) |
| Net operating expenses | | (96,931) | | (89,642) |
| Loss on ordinary activities before taxation is stated after charging/(crediting) | | | | |
| Auditors' remuneration | | | | |
| Fees payable for the audit of the Company's financial statements | | 16 | | 14 |
| Loss/(profit) on sale of fixed assets | | 1 | | (7) |
| Operating lease – plant and machinery | | 305 | | 337 |
| Deferred grant income | | (3) | | (3) |

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3 Accounting for players' contracts

| | 2010 | 2009 |
|--|----------------|--------------|
| | £'000 | £'000 |
| Amortisation of players' contracts | 26,211 | 21,645 |
| Profit on disposal of players' contracts | (5,682) | (1,184) |
| | 20,529 | 20,461 |

4 Interest receivable and similar income

| | 2010 | 2009 |
|---------------|--------------|--------------|
| | £'000 | £'000 |
| Bank deposits | 4 | 39 |

5 Interest payable and similar charges

| | 2010 | 2009 |
|---------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans and other borrowings | 218 | 219 |

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6 Employees

The average monthly number of persons employed by the Company including directors during the year was as follows

| | 2010 Number | 2009 Number |
|-----------------|----------------|----------------|
| Administration | 239 | 222 |
| Football | 65 | 68 |
| Match day staff | 294 | 240 |
| | 598 | 530 |

| Staff costs including directors' remuneration during the year amounted to | 2010 £'000 | 2009 £'000 |
|---|---------------|---------------|
| Wages and salaries | 46,632 | 44,122 |
| Social security costs | 5,467 | 5,154 |
| Other pension costs (note 18) | 1,588 | 249 |
| | 53,687 | 49,525 |

7 Directors' emoluments

Aggregate directors' emoluments during the year, for services to The Sunderland Association Football Club Limited totalled £1,122,953 (2009 £1,939,373), including pension contributions of £152,654 (2009 £55,162) accruing to 5 directors (2009 5). These are the company contributions to money purchase pension schemes that are the directors' personal pension plans, they are not company schemes. The emoluments of the highest paid director amounted to £325,678 (2009 £888,142) including pension contributions of £111,200 (2009 £nil).

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8 Tax on loss on ordinary activities

(a) Analysis of tax charge on ordinary activities

| | 2010 £'000 | 2009 £'000 |
|------------------------------------|---------------|---------------|
| Current tax | - | - |
| Deferred tax | - | - |
| Tax on loss on ordinary activities | - | - |

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below

| | 2010 £'000 | 2009 £'000 |
|--|-----------------|-----------------|
| Loss on ordinary activities before taxation | (26,179) | (24,158) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%) | (7,330) | (6,764) |
| Effects of | | |
| Expenses not deductible for tax purposes | 102 | 216 |
| Increase in tax losses not recognised | 6,678 | 6,423 |
| Accelerated capital allowances and other timing differences | 264 | 88 |
| Other short term timing differences | 286 | 37 |
| Group relief surrendered not paid | - | - |
| Current tax charge for the year | | - |

(c) Factors that may affect future tax charges

The Company has unprovided trading losses of approximately £76.6 million (2009 £52.6 million) which are available for offset against future trading profits. A deferred tax asset has not been recognised in respect of these losses on the basis that they may only be offset against future taxable profits generated by the Company. There is currently insufficient evidence that any asset would be recoverable.

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9 Intangible assets

Transfer fees paid for players' contracts

| | £'000 |
|------------------------------------|---------------|
| Cost | |
| At 1 August 2009 | 70,706 |
| Additions | 39,295 |
| Disposals | (14,135) |
| At 31 July 2010 | 95,866 |
| Accumulated amortisation | |
| At 1 August 2009 | 22,919 |
| Charged in the year – amortisation | 24,643 |
| Charged in the year – impairment | 1,568 |
| Released on disposal | (7,782) |
| At 31 July 2010 | 41,348 |
| Net book amount | |
| At 31 July 2010 | 54,518 |
| At 31 July 2009 | 47,787 |

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10 Tangible assets

| | Freehold land and buildings | Fixtures, fittings, equipment and vehicles | Total |
|---------------------------------|-----------------------------------|---|---------------|
| | £'000 | £'000 | £'000 |
| Cost or valuation | | | |
| At 1 August 2009 | 11,117 | 12,817 | 23,934 |
| Additions | - | 495 | 495 |
| Disposals | - | (687) | (687) |
| At 31 July 2010 | 11,117 | 12,625 | 23,742 |
| Comprising | | | |
| Cost | 11,035 | 12,625 | 23,660 |
| Valuation 1996 | 82 | - | 82 |
| | 11,117 | 12,625 | 23,742 |
| Accumulated depreciation | | | |
| At 1 August 2009 | 1,346 | 10,656 | 12,002 |
| Amount provided | 199 | 930 | 1,129 |
| Disposals | - | (686) | (686) |
| At 31 July 2010 | 1,545 | 10,900 | 12,445 |
| Net book amount | | | |
| At 31 July 2010 | 9,572 | 1,725 | 11,297 |
| At 31 July 2009 | 9,771 | 2,161 | 11,932 |

The Company's freehold properties were valued by G L Hearn & Partners, Chartered Surveyors, as at 31 August 1996 on an existing use basis. The valuation was also in accordance with RICS appraisal and valuation method.

On an historical cost basis, freehold land and buildings would have been included at a net book amount of £9,490,000 (2009 £9,689,000).

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11 Stocks

| | 2010 | 2009 |
|------------------|--------------|--------------|
| | £'000 | £'000 |
| Goods for resale | 449 | 359 |

12 Debtors

| | 2010 | 2009 |
|--------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade debtors | 12,753 | 8,786 |
| Other debtors | 5,369 | 4,533 |
| Prepayments and accrued income | 5,823 | 3,336 |
| | 23,945 | 16,655 |

Trade debtors include transfer fees receivable from other football clubs of £10,646,000 (2009 £7,128,000) of which £2,473,000 (2009 £800,000) is receivable after more than one year

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13 Creditors: amounts falling due within one year

| | 2010 | 2009 |
|-----------------------------------|--------|--------|
| | £'000 | £'000 |
| Bank overdraft | 10,447 | 6,325 |
| Trade creditors | 11,204 | 14,348 |
| Amounts owed to group undertaking | 22,350 | - |
| Other creditors | 109 | 80 |
| Taxation and social security | 4,985 | 3,888 |
| Accruals and deferred income | 28,472 | 21,964 |
| | 77,567 | 46,605 |

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £10,340,000 (2009 £13,181,000) The bank overdraft is secured by a charge over certain fixed assets of the Company and has been guaranteed by Sunderland Limited See note 19

Amounts owed to group undertaking include unsecured, interest free loans repayable to Drumaville Limited, the immediate parent undertaking of Sunderland Limited

On 13 November 2009 the Company received a written notice of assignment from Drumaville Limited, assigning all right, title, benefit and interest in and to the loans to the immediate parent undertaking, Sunderland Limited At the same time the Directors of the Company agreed to issue one ordinary share of £1 to Sunderland Limited in consideration and in full satisfaction of the Company's obligation to repay these loans and Sunderland Limited agreed to waive all or any claims to repayment of these loans The issue of one ordinary share has been credited as fully paid up at par with a premium equal to £19,000,000 recognised in the share premium account, see note 16

14 Creditors: amounts falling due after more than one year

| | 2010 | 2009 |
|--|--------|--------|
| | £'000 | £'000 |
| Trade creditors | 5,167 | 6,817 |
| Amounts owed to immediate parent company | 26,631 | 33,229 |
| Accruals and deferred income | 2,461 | 4,472 |
| | 34,259 | 44,518 |

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £5,167,000 (2009 £6,817,000) The amount owed to the immediate parent company is unsecured, has no set repayment date and is interest free

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15 Called up share capital

| | | 2010 | | 2009 |
|--------------------------------|--------|-------|--------|-------|
| | Number | £'000 | Number | £'000 |
| Authorised | | | | |
| Ordinary shares of £1 each | 30,502 | 30 | 30,501 | 30 |
| Allotted and fully paid | | | | |
| Ordinary shares of £1 each | 30,502 | 30 | 30,501 | 30 |

The Company issued one ordinary share of £1 to Sunderland Limited in consideration and in full satisfaction of the Company's obligation to repay intercompany loans and Sunderland Limited agreed to waive all or any claims to repayment of these loans. The issue of one ordinary share has been credited as fully paid up at par with a premium equal to £19,000,000 recognised in the share premium account, see note 16

16 Reserves

| | Share premium account £'000 | Revaluation reserve £'000 | Profit and loss account £'000 |
|--|--------------------------------|------------------------------|----------------------------------|
| At 1 August 2009 | 53,154 | 82 | (65,558) |
| Issue of share capital in the financial year | 19,000 | - | - |
| Loss for the financial year | - | - | (26,179) |
| At 31 July 2010 | 72,154 | 82 | (91,737) |

17 Lease commitments

Operating leases on plant and machinery

Annual commitments on non-cancellable operating leases which expire in

| | 2010 | 2009 |
|----------------------------|-------|-------|
| | £'000 | £'000 |
| Under one year | 69 | 37 |
| Between one and two years | 113 | 83 |
| Between two and five years | 64 | 114 |
| After more than five years | 9 | 26 |
| | 255 | 260 |

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18 Pension commitments

Previously employed staff of the Company are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Pension and Life Assurance Scheme, a defined benefit scheme. As the Company is one of a number of participating employers in the Football League Limited Pension and Life Assurance Scheme, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the schemes are held separately from those of the Company, being invested with insurance companies. The amount paid into the defined benefit scheme during the year amounted to £19,000 (2009 £13,000).

Contributions are also paid into individuals' private pension schemes. Total contributions charged during the year amounted to £286,000 (2009 £249,000).

During the year the Group and Marlborough Trust Company Limited, a company registered in Guernsey, established the Sunderland AFC Group International Plan (GIP), a retirement benefit scheme for the past and present employees of the Company. The purpose of the GIP is to provide superannuation benefits for the beneficiaries. Contributions are made by the Company and are held on irrevocable trusts for the provision of retirement benefits in accordance with the GIP deed and rules, and in a manner which ensures that the GIP is treated as an employer financed retirement benefit scheme under the current UK legislation. The assets of the scheme are held separately from those of the Company. The amount paid into the GIP during the year amounted to £1,303,000 (2009 nil). The GIP was set up following advice from Thomas Eggar LLP, who continue to act as the GIP's advisors and who notified HMRC of the creation of the GIP.

19 Contingent liabilities

(a) Transfer fees payable

Under the terms of certain contracts for the purchase of players' registrations future payments may be due to third parties, dependent on the success of the team and/or individual players. At the balance sheet date, the maximum contingent liability was £6,438,986 (2009 £4,192,067), some of which is considered to be remote.

Any additional fees which may become payable or receivable under these agreements will be accounted for in the year that it becomes probable that the event will occur.

(b) Bank borrowings guarantee

The Company's borrowings have been guaranteed by Sunderland Limited, the immediate parent company. As at 31 July 2010, this amounted to £10,447,000 (2009 £6,325,000).

20 Post balance sheet events

Since the balance sheet date the following player trading has occurred:

On 5 August 2010 Marton Fulop was sold to Ipswich Town
On 11 August 2010 Kenwyne Jones was sold to Stoke City
On 31 August 2010 Martyn Waghorn was sold to Leicester City
On 31 August 2010 Asamoah Gyan was signed from Stade Rennais

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20 Post balance sheet events (continued)

After the balance sheet date, and up to 21 September 2010, the Company received a further £6 million in the form of an intercompany loan from the group undertaking Drumaville Limited. The loan is unsecured, has no set repayment date and is interest free.

21 Related party transactions

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" as the Company is a wholly owned subsidiary. The consolidated financial statements of Sunderland Limited, in which the Company is included, are publicly available at the address noted on page 1 of the report.

22 Ultimate and immediate controlling party

The immediate parent undertaking is Sunderland Limited, a company incorporated in England. Sunderland Limited is the smallest and largest company to consolidate the results of the Company. The directors consider the ultimate controlling party of the Company to be Mr E Short.