

Company Registration No. 02523346

National Football Centre Limited

Report and Financial Statements

Year ended 31 July 2018



National Football Centre Limited

Report and financial statements 31 July 2018

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National Football Centre Limited

Report and financial statements 31 July 2018

Officers and auditors

Directors

M Glenn (Chairman)
M Burrows

Secretary

R McDermott

Registered office

Wembley Stadium
Wembley
London
HA9 0WS

Independent Auditor

Deloitte LLP
Statutory Auditor
1 New Street Square
London
EC4A 4HQ

National Football Centre Limited

Strategic report

The directors, in preparing this Strategic Report, have complied with s414C 'contents of strategic report' of the Companies Act 2006.

Principal activity

The principal activity of the National Football Centre Limited (NFC) is to operate the sports and hotel facilities at St. George's Park and to organise and deliver educational activities, principally in the fields of coaching, refereeing, medical, exercise science and child protection to the workforce in grassroots and professional football.

Review of business and future prospects

St. George's Park is the training home of the 28 England teams and a national coach education, development and sports medicine centre for football, sport and business.

St. George's Park comprises: (i) a 228 bedroom Hilton hotel which offers a range of accommodation options; (ii) a football centre which comprises of a full size indoor 3G pitch, a multipurpose sports hall, doping control and related facilities; (iii) medical and exercise science facilities which include a full hydrotherapy suite, consulting and physio rooms, a human performance laboratory, a rehabilitation room and a cardio vascular gym; and (iv) 12 full-size outdoor pitches (including two replicas of the Desso Wembley pitch), a specialised playing surface for the blind and visually impaired and related sporting infrastructure.

Turnover during the current season was in line with prior year at £20.8 million. Growth in hotel revenue, primarily driven by increased occupancy during the men's U17 European Championship, was partly offset by reduction in grant income. Operating loss increased by £12.8 million to £15.3 million (2017: £2.5 million loss), this was driven by a £12.9 million impairment of the St George's Park hotel assets.

The future prospects of NFC are to continue to provide world class facilities to aid to development of the England teams as well as continue to see growth in occupancy rates of the hotel.

Liquidity and financing

NFC activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. All revenue is generated in Sterling and therefore is not impacted by changes in foreign currency exchange rates.

NFC credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

NFC is in a net current liabilities position of £28.1 million (2017: net current liabilities £23.7 million) and is reliant on its parent company Football Association Limited ("The FA") to provide it with financial resources when required in order to enable NFC to meet its obligations as they fall due.

At 31 July 2018 The FA had access to £171.4 million of undrawn debt facilities and has sufficient ability to provide NFC with this financial support. Alongside this the directors of The FA have concluded that The FA remains a going concern.

Principal risks and uncertainties

There are a number of potential risks and uncertainties including those in relation to financial risk management objectives and policies which could have a significant impact on the Company's long-term performance.

The FA Group's senior management team actively review existing risks across the Group and identify new risks on a quarterly basis. Suitable controls are put in place and action plans are established to mitigate risks. The risk management process is overseen by the Group Audit Committee, as described in the Directors' report.

These principal risks and uncertainties have been disclosed in full within The FA consolidated financial statements.

Approved by the Board of Directors
and signed on behalf of the Board



Richard McDermott

Company Secretary
National Football Centre Limited

19/12/2018

National Football Centre Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 July 2018.

As permitted under section 414C(11) of the Companies Act 2006, the disclosures required by regulations made under section 416(4) in relation to financial risk management objectives and policies have been included in the Strategic report and form part of this report by cross-reference.

Going concern

The directors have considered the principal risks and uncertainties as disclosed within its Parent Company accounts and have taken account of them in their forecasts, and concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Further, The FA has provided written confirmation to the directors of NFC of its intention to provide any financial support that is necessary to enable NFC to meet its obligations as they fall due, for a period of 12 months from the date of signing the report and financial statements. Accordingly, the directors continue to adopt the going concern basis in preparing this report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Dividends

The directors do not recommend the payment of a dividend for the period (2017: £nil).

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, an employee consultation forum, staff surveys and a recently enhanced staff intranet.

Corporate governance

The Board

The main functions of the Board are to formulate the strategy, objectives and major policies of the Company. The Board did not meet formally during the reporting period. Statutory matters may be dealt with by way of a written resolution of the Board.

Where directors, in the furtherance of their duties, need to take independent professional advice they may do so at the Company's expense. They also have access to the advice and service of The FA Group's Company Secretary.

The directors of the Company during the period, and the attendance of directors at the scheduled meetings of the Board were, as follows:

Name Role

M Glenn Executive Director

M Burrows Executive Director

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

National Football Centre Limited

Directors' report (continued)

Group Audit Committee

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness at least annually. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The FA Board has established a Group Audit Committee (the "GAC") with a mandate to provide independent oversight on the following matters across The FA Group:

- Governance, including risk management and internal control;
- External audit arrangements;
- Internal audit arrangements;
- The appropriateness of financial reporting; and
- Compliance, whistleblowing and fraud.

The GAC's remit includes all operations and activities undertaken by The FA Group, covering the consolidated Group and the individual entities: Football Association Limited, Wembley National Stadium Limited and National Football Centre Limited.

The GAC is comprised of an independent chairman, Tim Score, alongside Stacey Cartwright (FA independent non-executive board director) and two independent members, Mary Reilly and Jill Ainscough.

The independent chairman and independent members have no connections with The FA Group companies such as through a material business relationship or by representing a shareholder. As well as bringing independence and objectivity, these members are appointed onto the GAC in view of the skills, experience and professional qualifications they can bring to the role. The GAC typically meets four times per year, with one meeting including the review of the financial statements of the Group.

The GAC reviews reports from management, internal audit and external audit on the Group's system of internal control and risk management, specifically those that support the integrity of the financial statements. The GAC also reviews and, where necessary, challenges the judgements of management in relation to the preparation of the financial statements.

The Remuneration Committee

The Remuneration Committee comprises Peter McCormick OBE (Chair), Kate Tinsley, Jack Pearce and Greg Clarke. It is responsible for advising the Board on the pay and terms and conditions of the Chief Executive Officer, members of senior management and the Chair and non-executive directors of FA Group companies. In discharging its duties, the Remuneration Committee takes independent advice where appropriate. The remuneration policy is designed to attract, retain and motivate executive directors to deliver the business strategy. Remuneration arrangements for senior positions incorporate performance measures which link to the business plan and individual performance criteria.

Health and Safety Committee

The Health and Safety Committee is responsible for overseeing health and safety matters within The FA Group and to ensure that The FA (including the National Football Centre) is discharging its statutory and regulatory obligations. The Committee is chaired by Mervyn Leggett and comprises other members of The FA Group's executive.

National Football Centre Limited

Directors' report (continued)

Auditor

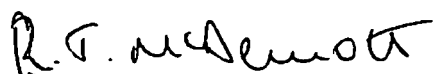
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting. As permitted under section 414C(11) of the Companies Act 2006, the disclosures required by regulations made under section 416(4) in relation to financial risk management objectives and policies have been included in the Strategic report and form part of this report by cross-reference.

Approved by the Board of Directors
and signed on behalf of the Board



Richard McDermott

Company Secretary

National Football Centre Limited

19/12/2018

National Football Centre Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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), 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

National Football Centre Limited

Independent auditor's report to the members of National Football Centre Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Football Centre Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 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.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

National Football Centre Limited

Independent auditor's report to the members of National Football Centre Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in [the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

M. R. Lee-Amies

Mark Lee-Amies FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 December 2018

National Football Centre Limited

Profit and loss account Year ended 31 July 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	20,824	20,808
Cost of sales		(6,638)	(6,695)
Gross profit		14,186	14,113
Operating expenses		(26,587)	(13,788)
Operating profit/(loss)		(12,401)	325
Finance costs (net)	4	(3,338)	(3,327)
Loss before taxation	5	(15,739)	(3,002)
Tax on loss	7	401	493
Loss for the financial period		(15,338)	(2,509)

There are no remeasured items in either the current year or previous financial period other than the loss disclosed in the profit and loss account. Accordingly, no statement of comprehensive income is presented.

All transactions are derived from continuing operations.

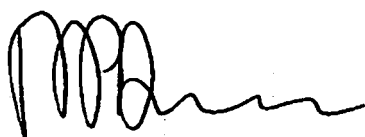
National Football Centre Limited

Statement of financial position As at 31 July 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	8	<u>52,930</u>	<u>65,185</u>
Current assets			
Stock		116	167
Debtors due within one year	9	1,963	2,131
Cash at bank and in hand		<u>2,041</u>	<u>2,027</u>
		4,120	4,325
Creditors: amounts falling due within one year	10	<u>(32,230)</u>	<u>(28,017)</u>
Net current liabilities		(28,110)	(23,692)
Total assets less current liabilities		24,820	41,493
Creditors: amounts falling due after one year	11	(66,712)	(68,173)
Provisions for liabilities	12	<u>(439)</u>	<u>(313)</u>
Net liabilities		<u>(42,331)</u>	<u>(26,993)</u>
Capital and reserves			
Called up share capital	13	-	-
Other reserves	13	18,541	18,541
Profit and loss account		<u>(60,872)</u>	<u>(45,534)</u>
Shareholders' deficit		<u>(42,331)</u>	<u>(26,993)</u>

These financial statements of National Football Centre Limited, Company number 02523346, were approved by the Board of Directors.

Signed on behalf of the Board of Directors



Mark Burrows
Director

19/12/2018

National Football Centre Limited

Statement of changes in equity As at 31 July 2018

	Share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 31 July 2017	-	18,541	(45,534)	(26,993)
Loss for the financial year	-	-	(15,338)	(15,338)
Balance at 31 July 2018	-	18,541	(60,872)	(42,331)

National Football Centre Limited

Notes to the financial statements Year ended 31 July 2018

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding period.

a) General information and basis of accounting

National Football Centre Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Company's financial statements are therefore presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

The results of the Company are included in the consolidated accounts of its ultimate parent company, Football Association Limited.

b) Going concern

The Company's business activities and review of business are set out in the Strategic report. In particular, the Strategic report includes a summary of the principal risks and uncertainties affecting the Company.

With respect to going concern, the Company has net current liabilities of £28.1 million (2017: £23.7 million) and is in a net liabilities position. It has received a letter of support from Football Association Limited and therefore the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

c) Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are provided to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income.

Turnover for the Company's primary classes of business is accounted for as follows:

- Sponsorship – These are recognised in line with the rights provided, under each contract
- Hotel and sports facilities – Turnover from the use of hotel, conference and sports facilities is recognised in line with when the facilities are used
- Educational activities – Turnover from FA Education activity is recognised in line with the course dates for educational courses and on physical delivery of the goods to the customers for educational materials

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

1. Accounting policies (continued)

d) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position 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 Statement of financial position date. Timing differences are differences between the Company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average 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 Statement of financial position date. Deferred tax is measured on a non-discounted basis.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

e) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as assets at the fair value of the leased asset and are depreciated over the shorter of the lease terms and their useful lives. In respect of the finance lease entered into in relation to the hotel at St. George's Park, the lessor provided funding at the inception of the lease in order for the Company to construct the hotel. At inception of the lease the asset was recorded in other debtors. As construction occurred, amounts were drawn down from an escrow account, reducing the other debtor, and construction costs incurred were capitalised as part of the assets under construction within tangible fixed assets.

The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

1. Accounting policies (continued)

f) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. No depreciation is charged in respect of land. Depreciation is provided on all other tangible fixed assets on a straight-line basis, at rates calculated to write off the cost of those assets over their useful expected lives, and incorporating any residual value, as follows:

Land and buildings	No depreciation is charged in respect of land. Building assets are categorised into operating classes and depreciated accordingly over their useful economic lives which range from 30 to 50 years.
Long leasehold property	Over the life of the lease when remaining term is less than 50 years, otherwise not depreciated.
Leasehold improvements	15 years.
Plant, machinery, furniture and fittings	3 to 5 years for plant and machinery and 8 to 10 years for furniture and fittings.
Computer equipment	3 years.
Assets in the course of construction	Not depreciated until brought into use.

g) Stock

Stock is stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

h) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

i) Grants and deferred income

Grants received in respect of capital expenditure are credited to a deferred grant account and are released to the profit and loss account over the expected useful lives of the relevant assets by matching with the relevant depreciation expense. Where a grant relates to an asset which is not depreciated, the grant remains in deferred grants until the end of the asset's life or when the asset is sold.

Revenue grants are credited to income so as to match them with the expenditure to which they relate.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical accounting judgements

No critical accounting judgements have been made during the current season.

Key sources of estimation uncertainty in applying the Company's accounting policies

The following are the key sources of estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment review of tangible assets

There are a number of assumptions management have considered in performing the impairment review of the Company's tangible assets, the most significant of which is the hotel (see note 8 for details of the carrying value). The determination of whether the assets are impaired requires an estimation of the value in use of the assets, based upon an estimate of the future cash flows expected to arise from the assets and a suitable discount rate in order to calculate present value.

A number of assumptions have been used in estimating future cash flows namely the forecast room occupancy rates of the hotel and future capital investment.

The discount rate used within the calculation is the interest rate charged on the hotel's finance lease.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3. Turnover

An analysis of the Company's turnover by class of business is set out below.

	2018 £'000	2017 £'000
Turnover		
Sponsorship	3,122	3,435
Hotel	10,956	10,276
Sports facilities	1,242	1,300
Educational activities	3,547	3,381
Grant income	1,872	2,272
Other income	85	144
	20,824	20,808

The Company's entire turnover is generated in the UK.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

3. Turnover (continued)

An analysis of the Company's turnover by type is as follows:

	2018 £'000	2017 £'000
Sale of goods	21	16
Rendering of services	18,881	18,472
Rental income	50	48
Grants	1,872	2,272
	<u>20,824</u>	<u>20,808</u>

4. Finance costs (net)

	2018 £'000	2017 £'000
Finance lease interest payable	(3,341)	(3,328)
Other interest receivable	3	1
	<u>(3,338)</u>	<u>(3,327)</u>

5. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/ (crediting):

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets – owned	1,621	1,911
Depreciation of tangible fixed assets – held under finance lease	1,754	3,769
Amortisation of deferred capital grants	(1,765)	(1,719)
Impairment of hotel assets*	12,876	-
Operating lease rentals	54	58
	<u>12,876</u>	<u>58</u>

*Impairment of hotel assets is recognised within operating expenses.

The analysis of the auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable for the audit of the Company's annual accounts	20	20
Taxation compliance services	10	9
	<u>30</u>	<u>29</u>

No services were provided pursuant to contingent fee arrangements.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

6. Staff numbers and costs

The average number of monthly employees during the year was

	2018 No.	2017 No.
Promotion of Association Football	2	29
Hotel management	254	249
	<u>256</u>	<u>278</u>

Their aggregate remuneration comprised:

	2018 £'000	2018 £'000
Wages and salaries	3,336	4,023
Social security costs	261	305
Other pension costs	52	51
	<u>3,649</u>	<u>4,379</u>

In September 2017 all employees connected with the promotion of association football were transferred to The Football Association.

7. Tax on loss from ordinary activities

The tax credit comprises:

	2018 £'000	2017 £'000
Current tax on loss on ordinary activities		
UK Corporation tax	496	448
Adjustment in respect of prior years	31	77
Total current tax	<u>527</u>	<u>525</u>
Deferred tax		
Origination and reversal of timing differences	(101)	(70)
Effect of the rate change	(25)	20
Adjustments in respect of prior years	-	18
Total deferred tax	<u>(126)</u>	<u>(32)</u>
Total tax on loss on ordinary activities	<u>401</u>	<u>493</u>

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

7. Tax on loss from ordinary activities (continued)

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 £'000	2017 £'000
Loss on ordinary activities before tax	(15,739)	(3,002)
Tax on loss on ordinary activities at the standard rate of UK corporation tax of 19.00% (2017: 19.67%)	2,990	590
Effects of:		
Expenses not deductible for tax purposes	(225)	(290)
Tax effect of impairment of property	(2,446)	
Non-taxable release of grant income	75	78
Effect of current year changes to the statutory tax rate	-	18
Adjustment in respect of prior years	7	97
Total tax credit for the period	401	493

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2017: 19.67%).

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2018. The enacted rate of corporation tax will reduce to 17% from 1 April 2020. Deferred taxes have been re-measured to 17%, the rate at which the majority of items making up the deferred tax balance are expected to reverse.

There is no expiry date on timing differences, unused tax losses or tax credits.

8. Tangible fixed assets

	Land and buildings £'000	Leasehold improvements £'000	Plant, machinery, furniture and fittings £'000	Computer equipment £'000	Total £'000
Cost					
At 1 August 2017	65,055	4,866	22,259	2,381	94,561
Additions	2,297	-	1,286	413	3,996
At 31 July 2018	67,352	4,866	23,545	2,794	98,557
Accumulated depreciation					
At 1 August 2017	7,584	1,608	17,984	2,200	29,376
Charge for the year	1,613	324	1,353	85	3,375
Impairment	12,876	-	-	-	12,876
At 31 July 2018	22,073	1,932	19,337	2,285	45,627
Net book value					
At 31 July 2018	45,279	2,934	4,208	509	52,930
At 31 July 2017	57,471	3,258	4,275	181	65,185

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

8. Tangible fixed assets (continued)

The tangible fixed assets relate to the sports facility and hotel at St. George's Park, the site of the National Football Centre. These assets are being held at cost less depreciation.

Included within the above assets is £27.8 million (2017: £29.7 million) of assets held under finance leases. This relates to a lease and leaseback arrangement to fund the construction of the hotel at St. George's Park, which has been classified as a finance lease. The minimum lease term is 30 years. These assets are held at cost of £48.4 million (2017: £48.2 million) less accumulated depreciation of £20.6 million (2017: £18.5 million).

As part of our annual impairment assessment of the carrying value of the hotel, we determined that the recoverable amount of this asset was less than the carrying amount and therefore a provision for impairment has been recognised of £12.9 million.

9. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade debtors	930	1,743
Other debtors	29	40
Prepayments and accrued income	1004	348
	<u>1,963</u>	<u>2,131</u>

10. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Obligations under finance lease	357	270
Trade creditors	1,185	633
Amounts owed to Parent	24,746	19,401
Other creditors	755	918
Accruals	3,033	1,715
Deferred grants	948	1,725
Deferred income	1,206	3,355
	<u>32,230</u>	<u>28,017</u>

All amounts owed to Group are non-interest bearing and are repayable on demand.

11. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Obligations under finance lease	48,894	49,251
Deferred grants	16,169	17,117
Deferred income	1,650	1,805
	<u>66,712</u>	<u>68,173</u>

Obligations under finance leases arise from the lease and leaseback arrangement in relation to the St. George's Park development agreement with Legal & General.

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

11. Creditors: amounts falling due after more than one year (continued)

Finance leases

At 31 July 2018 the Company had annual commitments under non-cancellable finance leases as set out below

	2018 £'000	2017 £'000
Finance lease		
Less than one year	3,481	3,412
Between one and two years	3,550	3,481
Between two and five years	11,082	10,865
More than five years	79,566	83,333
	<u>97,679</u>	<u>101,091</u>
Less: Finance charges allocated to future periods	<u>(48,428)</u>	<u>(51,570)</u>
	<u>49,251</u>	<u>49,521</u>

Deferred grants

Deferred grants greater than one year comprise the following amounts:

	2018 £'000	2017 £'000
Football Association Limited	6,622	7,282
Sport England	2,580	2,640
Department of Culture, Media and Sport ("DCMS")	2,580	2,640
Other	4,387	4,555
	<u>16,169</u>	<u>17,117</u>

The grants are amortised over the life of the assets they relate to in line with depreciation charged on those assets. The amount amortised to the profit and loss account during the year was £1.8 million (2017: £1.7 million).

The Sport England and DCMS grant funding both relate to the initial funding of the capital expenditure in relation to the design, build, operation and maintenance of the sports facilities at St. George's Park.

12. Provisions for liabilities

	Deferred tax £'000
At 1 August 2017	313
Charged to profit and loss account	<u>126</u>
At 31 July 2018	<u>439</u>

National Football Centre Limited

Notes to the financial statements (continued) Year ended 31 July 2018

12. Provisions for liabilities (continued)

Deferred tax

Deferred tax is provided as follows:

	2018 £'000	2017 £'000
Accelerated capital allowances	440	314
Other short term timing differences	(1)	(1)
Deferred tax liability	<u>439</u>	<u>313</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the same group.

13. Called-up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called up and unpaid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

The profit and loss account represents the cumulative profits or losses of the Company.

The other reserve represents the £18.5 million released in 2013 by Football Association Limited, which was part of the debt payable that was in excess of the open market value of the National Football Centre.

14. Financial commitments

Total future minimum lease payments under operating leases are as follows:

	2018 £'000	2017 £'000
Operating leases which expire:		
Within one year	11	28
Within two to five years	<u>71</u>	<u>16</u>
	<u>82</u>	<u>44</u>

The Company has entered into non-cancellable operating leases in respect of plant and machinery. The rents payable under these leases are subject to renegotiations at various intervals specified in the leases.

15. Related party transactions

No related party transactions requiring disclosure have been identified.

16. Controlling party

The ultimate and immediate parent Company and parent Company of the largest and smallest group of which the Company is a member and which prepares group accounts is Football Association Limited, a Company incorporated in the United Kingdom and Wales and registered office at Wembley Stadium, Wembley, London, HA9 0WS. Copies of the consolidated accounts of Football Association Limited may be obtained from the Company Secretary, Wembley Stadium, Wembley, London, HA9 0WS.