

# Financial Statements Newcastle United Limited

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For the Year Ended 30 June 2016



Registered number: 02529667

## Company Information

<b>Director</b>	L Charnley
<b>Company secretary</b>	L Charnley
<b>Registered number</b>	02529667
<b>Registered office</b>	St. James' Park Newcastle Upon Tyne NE1 4ST
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2 Broadfield Court Sheffield South Yorkshire S8 0XF
<b>Bankers</b>	Barclays Bank PLC Barclays House 5 St. Ann's Street Quayside Newcastle Upon Tyne NE1 3DX

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# Group Strategic Report

For the Year Ended 30 June 2016

## Principal activities and business review

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

The Director reports a profit after tax for the year of £4.6m (2015 - £32.5m) and consider the Group's financial results for the year to be satisfactory.

The outcome of the 2015-16 season was hugely disappointing for all connected with the club; an 18th place finish in the Premier League and as a result relegation to the EFL Championship. Results for the year ending 30 June 2017 will reflect the significant financial impact of relegation. Regaining (and retaining) Premier League status will significantly improve future financial prospects.

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

	2016	2015
Turnover	£125.8m	£129.7m
Operating profit	£0.9m	£19.1m
Profit after tax	£4.6m	£32.5m
Wages to Turnover Ratio	59.4%	50.1%
Loans/Debt	£129.0m	£129.0m
Cash at year-end	£1.7m	£48.3m
Average league home attendance	49,754	50,349

## Trading performance

Turnover fell by 3% (£3.9m) overall, the most significant element of this being the drop in media income from £77.2m to £72.7m. In addition to the impact of an 18th place finish (2015: 15th) on the merit based payments received by the club, there were four fewer matches screened live (16 compared to 20).

Operating expenses increased 7% to £96.5m (2015 £90.1m) and amortisation of players' registrations increased by £7.8m to £28.3m (2015 £20.5m) which in both cases reflect the significant spend on additions to the playing squad in the Summer 2015 and January 2016 transfer windows.

The increase in the wages to turnover ratio, at 59.4% (2015 50.1%) again reflects this investment, combined with the change in the first team management in March 2016.

Profit on disposal of players and staff registrations fell from £17.1m in 2015 to £3.2m.

Net debt increased from £80.7m at 30 June 2015 to £127.3m, representing the reduction in the Group's cash position at the year end. Term loans from Mr MJW Ashley and companies under his control were £129.0m at the Statement of financial position date (2015 £129.0m) and continue to be interest free.

# Group Strategic Report

For the Year Ended 30 June 2016


## Principal risks and uncertainties

The Board have identified a number of key business risks and uncertainties associated with the business of a professional football club, and takes such action as it regards necessary to manage those risks. The main areas of risk are considered below:

- The Group's principal risk remains that of not being in the Premier League because of the significantly reduced revenue streams and cash generation associated with a club in membership of the EFL. A continued absence from the Premier League would have a material impact on the Group's operations. Having a strong playing squad is designed to maximise the chances of achieving the results we aspire to.
- Identification and acquisition of players, in what is a highly competitive market, is one of the most significant and high profile risks facing the Group. Our policies and procedures for acquiring and developing successful players are very carefully implemented and regularly reassessed to mitigate this risk.
- Injuries to key players can weaken the playing squad and reduce the chances of on field success. The Group has invested substantial sums in sports medicine and science facilities to minimise the unavailability of players through injury.
- The Group is regulated by the rules of the FA, Premier League, EFL, UEFA and FIFA. Any change to regulations from any of these bodies could have an impact on the Group as the regulations cover areas such as: the format of competitions, financial fair play, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The Group monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.
- The Group buys from suppliers and sells to customers outside the United Kingdom and, consequently, dealings with these customers and suppliers may be in foreign currencies which will be subject to exchange rate fluctuations.
- The Group operates in a regulated and complex environment, with many compliance risks such as health and safety, taxation, immigration and governing body rules. The Group seeks to comply with all requirements at all times.

This report was approved by the board on 22 December 2016 and signed on its behalf.

**L Charnley**  
Director



## Director's Report

### For the Year Ended 30 June 2016

The director presents his report and the financial statements for the year ended 30 June 2016.

#### **Dividends**

The profit for the year, after taxation, amounted to £4.6m (2015 - £32.5m)

The profit for the year of £4.6m (2015 - £32.5m) has been transferred to reserves. The director does not recommend the payment of a dividend for the year ended 30 June 2016 (2015 - £nil).

#### **Director**

The director who served during the year was:

L. Charnley

#### **Director's responsibilities statement**

The director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the director must not approve the financial statements unless he is satisfied that he gives a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Group's financial statements 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 Group will continue in business.

The director is 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 the Group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Political and charitable donations**

The Group's charitable donations for the year amounted to £4,248 (2015 - £4,240). There were no political contributions (2015 - £nil).

## Director's Report (continued)

For the Year Ended 30 June 2016

### Payments to suppliers

The Group does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. The number of creditor days' calculation is distorted by transfer fees, which are payable over various agreed timescales. Accordingly, the group has calculated creditor days excluding transfer fees payable. The number of creditor days was 25 at the year-end (2015 - 29).

### Going concern

The Director has prepared financial forecasts and expects to maintain suitable financial facilities from the Group's bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements. The Director has concluded that the Group remains a going concern and has accordingly prepared these financial statements on the going concern basis.

### Employee involvement

The Group recognises the importance of employee engagement and, within the bounds of commercial confidentiality, seeks to keep staff across the organisation informed of matters relating to the performance of the Group that may be of interest to them as employees.

### Disabled employees

The Group ensures that all employees, and job applicants, are treated fairly, in accordance with its Group policies and values. Applications for employment by disabled persons are fully considered and assessed objectively against the requirements of the job, giving consideration to any reasonable adjustments that may be required for someone with a disability. In the event that an existing employee becomes disabled, all reasonable and practicable steps will be taken to ensure their employment with the Group continues.

### Post balance sheet events

Subsequent to the Statement of financial position date the Group has generated a net surplus of approximately £40m (2015 - net spend of £80m) in respect of changes to the playing squad, a substantial proportion of the player sales are on deferred terms and will be received over the next 3-4 years, with the result that in the year ending June 2017 there will be a net cash outlay with respect to these transfers.

On 21 December 2016 St James Holdings Limited, a company controlled by Mr M J W Ashley, provided a further loan of £33 million as a secured loan. £18 million of the loan was used to repay Mr M J W Ashley his personal loan to the Group which provides the Group with an additional £15 million of funds for operating activities.

## Director's Report (continued)

For the Year Ended 30 June 2016

### Disclosure of information to auditor

The director at the time when this Director's Report is approved has confirmed that:

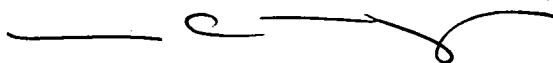
- so far as is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

### Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *22 December 2016* and signed on its behalf.

**L Charnley**  
Director





## Independent Auditor's Report to the Members of Newcastle United Limited

We have audited the financial statements of Newcastle United Limited for the year ended 30 June 2016, which comprise the Consolidated statement of comprehensive income, the Consolidated and company statements of financial position, the Consolidated and company statement of changes in equity, the Consolidated statement of cash flows and the related notes. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Group'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 Group'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 Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and Auditor**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2016 and of the Group's profit or 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 Group Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with those financial statements.



## Independent Auditor's Report to the Members of Newcastle United Limited (continued)

### **Matters on which we are required to report by exception**

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

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

*Michael Redfern*

Michael Redfern (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Sheffield

22 December 2016

# Consolidated Statement of Comprehensive Income

## For the year ended 30 June 2016

	Note	2016 £000	2015 £000
Turnover	4	125,755	129,725
Operating expenses		(96,534)	(90,126)
Amortisation and impairment of players' registrations		(28,336)	(20,497)
<b>Operating profit</b>	5	885	19,102
Analysed as:			
Operating profit before amortisation and impairment of players' registrations		29,221	39,599
Amortisation and impairment of players' registrations		(28,336)	(20,497)
		885	19,102
Profit on disposal of players' and staff registrations		3,237	17,088
<b>Profit before interest and taxation</b>		4,122	36,190
Interest receivable and similar income	9	42	10
Interest payable and expenses	10	(8)	(30)
<b>Profit before tax</b>		4,156	36,170
Tax on profit	11	426	(3,684)
<b>Profit for the year</b>		4,582	32,486
<b>Total comprehensive income for the year</b>		4,582	32,486

The notes on pages 14 to 41 form part of these financial statements.

## Consolidated Statement of Financial Position

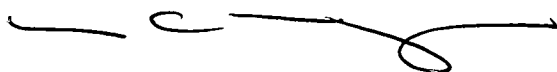
As at 30 June 2016

	Note	£000	2016 £000	2015 £000
<b>Fixed assets</b>				
Intangible assets	13		115,336	46,800
Tangible assets	14		65,971	68,774
			<u>181,307</u>	<u>115,574</u>
<b>Current assets</b>				
Stocks	16	22		24
Debtors: amounts falling due within one year	17	54,865		46,219
Cash at bank and in hand	18	1,728		48,342
		<u>56,615</u>		<u>94,585</u>
Creditors: amounts falling due within one year	19	(63,894)		(43,392)
<b>Net current (liabilities)/assets</b>			<u>(7,279)</u>	<u>51,193</u>
<b>Total assets less current liabilities</b>			<u>174,028</u>	<u>166,767</u>
Creditors: amounts falling due after more than one year	20		(120,886)	(114,261)
<b>Provisions for liabilities</b>				
Deferred taxation	23	(3,258)		(3,684)
			<u>(3,258)</u>	<u>(3,684)</u>
Deferred income	24		(18,947)	(22,467)
<b>Net assets</b>			<u><u>30,937</u></u>	<u><u>26,355</u></u>
<b>Capital and reserves</b>				
Called up share capital	25		6,655	6,655
Share premium account	26		68,944	68,944
Capital redemption reserve	26		831	831
Retained earnings	26		(45,493)	(50,075)
			<u><u>30,937</u></u>	<u><u>26,355</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

22 December 2016

L Charnley  
Director



The notes on pages 14 to 41 form part of these financial statements.

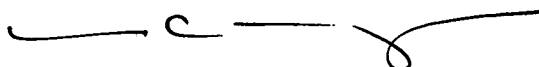
# Company Statement of Financial Position

As at 30 June 2016

	Note	£000	2016 £000	£000	2015 £000
<b>Fixed assets</b>					
Investments	15		69,946		69,946
			<u>69,946</u>		<u>69,946</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	17	5,821		5,821	
Cash at bank and in hand	18	3,655		3,643	
		<u>9,476</u>		<u>9,464</u>	
Creditors: amounts falling due within one year	19	(49)		(19)	
<b>Net current assets</b>			<u>9,427</u>		<u>9,445</u>
<b>Total assets less current liabilities</b>			<u>79,373</u>		<u>79,391</u>
<b>Net assets</b>			<u><u>79,373</u></u>		<u><u>79,391</u></u>
<b>Capital and reserves</b>					
Called up share capital	25		6,655		6,655
Share premium account	26		68,944		68,944
Capital redemption reserve	26		831		831
Retained earnings	26		2,943		2,961
			<u>79,373</u>		<u>79,391</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

L Charnley  
Director



22 December 2016

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 July 2015	6,655	68,944	831	(50,075)	26,355
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	4,582	4,582
<b>At 30 June 2016</b>	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>(45,493)</b>	<b>30,937</b>

## Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 July 2014	6,655	68,944	831	(82,561)	(6,131)
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	32,486	32,486
<b>At 30 June 2015</b>	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>(50,075)</b>	<b>26,355</b>

The notes on pages 14 to 41 form part of these financial statements.

## Company Statement of Changes in Equity

For the Year Ended 30 June 2016

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 July 2015	6,655	68,944	831	2,961	79,391
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(18)	(18)
<b>At 30 June 2016</b>	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>2,943</b>	<b>79,373</b>

## Company Statement of Changes in Equity

For the Year Ended 30 June 2015

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 July 2014	6,655	68,944	831	3,003	79,433
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(42)	(42)
<b>At 30 June 2015</b>	<b>6,655</b>	<b>68,944</b>	<b>831</b>	<b>2,961</b>	<b>79,391</b>

The notes on pages 14 to 41 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	2016 £000	2015 £000
<b>Cash flows from operating activities</b>		
Profit for the financial year	4,582	32,486
<b>Adjustments for:</b>		
Amortisation of intangible assets	28,336	20,497
Depreciation of tangible assets	2,742	3,369
Profit on disposal of intangible assets	(3,237)	(17,088)
Grants	(89)	(89)
Interest paid	8	30
Interest received	(42)	(10)
Taxation	(426)	3,684
Decrease/(increase) in stocks	3	(4)
Decrease/(increase) in debtors	1,786	(5,226)
(Decrease)/increase in creditors	(6,138)	334
(Decrease)/increase in deferred income	(3,431)	1,068
<b>Net cash generated from operating activities</b>	<b>24,094</b>	<b>39,051</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(82,592)	(37,181)
Sale of intangible assets	11,934	13,337
Purchase of tangible fixed assets	(92)	(985)
Interest received	42	11
<b>Net cash from investing activities</b>	<b>(70,708)</b>	<b>(24,818)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(46,614)</b>	<b>14,233</b>
Cash and cash equivalents at beginning of year	48,342	34,109
<b>Cash and cash equivalents at the end of year</b>	<b>1,728</b>	<b>48,342</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	1,728	48,342
	<b>1,728</b>	<b>48,342</b>

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 1. General information

Newcastle United Limited (The Company) is a company incorporated in the United Kingdom. Its registered office is St. James' Park, Newcastle Upon Tyne, NE1 4ST. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The Parent company financial statements present information about the Company as a separate entity and not about its Group.

The financial statements are prepared under the historical cost convention, and in accordance with accounting principles generally accepted in the United Kingdom. On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual Statement of comprehensive income and related notes that form a part of these approved financial statements. The Company's loss for the year was £18,000 (2015 - £42,000).

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

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

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 33.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

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

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Turnover represents income arising from sales to third parties, and excludes transfer fees receivable, which are dealt with in the profit or loss on disposal of players' registrations, and value added tax. Turnover can be analysed into four major streams, within which significant amounts are accounted for, as follows:

#### Matchday

Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played. Any revenues received in respect of future games are held as deferred income.

#### Media

Fixed elements of central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played. Appearance fees are accounted for as earned. The merit based payment is recognised at the end of the league season, when the final league position is known.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.3 Revenue (continued)

#### Commercial

Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate based on the terms of the contract. Catering revenues are recognised on an earned basis. Revenue from the sale of branded products is recognised at the point of despatch when significant risks and rewards of ownership are deemed to have been transferred to the buyer.

#### Other Income

Other income includes grants, monies received from insurance claims and fees in respect of players' international duties. Grants are accounted for under the accruals model and all other income is recognised on an accruals basis.

### 2.4 Intangible assets

#### Acquired players' registrations

The costs associated with the acquisition of players' registrations are capitalised at cost at the date of acquisition as intangible fixed assets. These costs are fully amortised, on a straight line basis, over the period of the respective players' contracts.

For the purposes of impairment reviews, acquired players' registrations are classified as a single cash-generating unit until the point at which it is clear that, in the opinion of the Director, the player is no longer expected to remain an active member of the playing squad. In these circumstances the carrying value of that individual player's registration is reviewed against a measurable net realisable value.

#### Contingent payments

Under the conditions of certain transfer agreements, further fees may become payable to the selling club in the event of the player concerned making a certain number of first team appearances, or on the occurrence of certain other specified future events. Liabilities in respect of these additional payments are accounted for when, in the opinion of the Director, it becomes probable that the number of required appearances will be achieved or the specified future event will occur. The balance of potential costs is included as a contingent liability.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Group assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long leasehold property	- over the shorter of the unexpired term of the lease and 50 years
Plant and machinery	- 3 - 15 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

#### **Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

#### **Leased assets**

Finance leases are those which transfer substantially all of the risks and rewards of ownership to the lessee. Assets held under finance leases are capitalised as property, plant and equipment and are depreciated over the shorter of the lease term or their useful economic life. The capital elements of future lease obligations are included within borrowings, while the interest elements are charged to the Consolidated statement of comprehensive income over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

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

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in the Consolidated income statement for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

### 2.8 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

### 2.9 Grants

Grants are accounted for under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

### 2.10 Deferred income

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

### 2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

### 2.13 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.15 Foreign currency translation

#### Functional and presentation currency

The Group's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of consolidated income within 'operating costs'.

### 2.16 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.17 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 July 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

### 2.18 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as they arise. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.19 Pensions

#### Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of comprehensive income as incurred.

#### Football League Limited Pension and Life Assurance Scheme

The Group is a member of the Football League Pension and Life Assurance Scheme, a multi employer plan. It is not possible for the Group to obtain sufficient information to enable it to account for the plan as a defined benefit plan. It accounts for the plan as a defined contribution plan. Where the plan is in deficit and where the Group has formally agreed, with the plan, to participate in a deficit funding arrangement the Group recognises a liability for this obligation. The amount recognised is the net present value of the obligation payable under the agreement that relates to the deficits. The amount is expensed in the Consolidated statement of comprehensive income. The unwinding of the discount is recognised as a finance cost.

### 2.20 Interest income

Interest income is recognised in the Consolidated statement of comprehensive income using the effective interest method.

### 2.21 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

### 2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of consolidated comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The charge for taxation is based upon the result for the year and comprises current taxation and taxation deferred through timing differences between the treatment of certain items for taxation and accounting purposes.

Current tax is the expected tax payable on the taxable profits for the period, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred taxation 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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the Statement of financial position date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the Statement of financial position date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 2. Accounting policies (continued)

### 2.23 Current and deferred taxation (continued)

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the Statement of financial position date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the Director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of financial position date.

### 2.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

The Group presents as exceptional items, on the face of the Consolidated statement of comprehensive income, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance. Amortisation and impairment of intangibles is also presented separately on the face of the Consolidated statement of comprehensive income so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

### 2.25 Loans

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

### 2.26 Signing on fees

Signing on fees are charged to the Consolidated statement of comprehensive income over the period of the player's contract.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant estimates and judgements. The items in the financial statements where these judgements and estimates have been made include:

### **Tangible Fixed Assets**

The annual depreciation charge is an area of estimation based on the estimated useful economic lives and residual values of assets. See note 14 for the carrying amount of property, plant and equipment and note 2.5 for the useful economic lives for each asset classification.

### **Impairment of Debtors**

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing the impairment of trade and other debtors, management considers factors including the ageing of the debtors and historical experience.

### **Multi Employer Defined Benefit Pension Scheme**

The Group is a member of a multi employer pension plan. In the judgement of the director, the Group does not have sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets. Therefore the scheme is accounted for as a defined contribution scheme, see note 28 for further details.

### **Player Registrations**

Under the conditions of certain transfer agreements, further fees may become payable to the selling club. Liabilities in respect of these additional payments are accounted for when, in the opinion of the Director, it becomes probable that the specified future event will occur. See note 2.4 for further information.

### **Impairment of Player Registrations**

Under certain circumstances (as outlined in note 2.4) the Director may be required to estimate a net realisable value for an individual player's registration. This value will take in to account any offers received for that player, as well as the Director's knowledge and experience of recent trading and market conditions. When considered necessary, an impairment charge will be made to reduce the carrying value of the player's registration to their fair value less any costs of disposal.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 4. Turnover

The Group has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, the United Kingdom and accordingly no additional geographical segment information is required to be provided.

Notwithstanding this, a voluntary analysis of the revenue streams is given below to assist with an understanding of the business:

Turnover streams comprise:

### Matchday

Season and matchday tickets and corporate hospitality income.

### Media

Television and broadcasting income, including distributions from broadcasting agreements, cup competitions and local radio.

### Commercial

Sponsorship income, merchandising, conference and banqueting, catering and other sundry revenue.

### Other Income

Other income consists of insurance income, grant income and international fees.

An analysis of turnover by class of business is as follows:

	2016 £000	2015 £000
Matchday	24,699	26,400
Media	72,673	77,174
Commercial	25,101	24,872
Other Income	3,282	1,279
	<u>125,755</u>	<u>129,725</u>

All turnover arose within the United Kingdom.

## 5. Operating profit

The operating profit is stated after charging:

	2016 £000	2015 £000
Change in stocks of goods for resale	2	(4)
Other operating income - release of capital grants	(88)	(88)
Depreciation and other amounts written off tangible fixed assets - Owned and long leasehold	2,742	3,365
Amortisation of intangible assets, including goodwill	28,336	20,497
Operating lease payments	729	1,255
Foreign exchange gains	(751)	(560)
	<u></u>	<u></u>

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	51	65
Fees payable to the Group's auditor and its associates in respect of:		
Audit-related regulatory reporting	-	8
Tax and other advisory services	10	117
	10	125

## 7. Employees

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	66,335	56,909
Social security costs	8,307	8,122
Other pension costs	26	(9)
	74,668	65,022

The pension cost for the prior year is showing as a credit in the above as a result of the change in the Football League pension liability arising from the revised payment schedule.

The average monthly number of employees, including the director, during the year was as follows:

	2016 No.	2015 No.
Playing squad, academy, team management and support	126	128
Commercial	35	35
Administration	40	43
Ground, facilities and maintenance	57	58
	258	264

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	150	247

Remuneration was paid to 1 director in the year. Remuneration of the highest paid director amounted to £150,000 (2015: £150,000).

## 9. Interest receivable

	2016 £000	2015 £000
Bank interest receivable	42	10

## 10. Interest payable and similar charges

	2016 £000	2015 £000
Other interest payable	-	(20)
Interest payable on multi employer pension scheme	8	10

## 11. Taxation

	2016 £000	2015 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(426)	3,684

## Notes to the Financial Statements

For the Year Ended 30 June 2016

**11. Taxation (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is the same as (2015 -lower than) the standard rate of corporation tax in the UK of 20% (2015 -20.75%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	4,156	36,170
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 -20.75%)	831	7,234
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	84	840
Fixed Asset Differences	384	1,634
Income not taxable for tax purposes	(256)	-
Adjust closing deferred tax rate to average rate of 20%	(575)	-
Adjustments to tax charge in respect of prior periods	(894)	-
Utilisation of brought forward tax losses	-	(6,024)
<b>Total tax charge for the year</b>	<b>(426)</b>	<b>3,684</b>

**Factors that may affect future tax charges**

The Group has unrelieved UK corporation tax losses of approximately £24 million (2015 - £26 million) at the end of the year.

A reduction in the rate of corporation tax to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020 was substantively enacted after the Statement of financial position date. If these had been enacted at that date, this would have had no material effect on the deferred tax liability.

**12. Parent company loss for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £18,000 (2015 -loss £42,000).

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 13. Intangible assets

### Group and Company

	Players' registrations £000
<b>Cost</b>	
At 1 July 2015	93,297
Additions	114,532
Disposals	(28,034)
Adjustment	(616)
At 30 June 2016	<u>179,179</u>
<b>Amortisation</b>	
At 1 July 2015	46,497
Charge for the year	28,336
On disposals	(10,990)
At 30 June 2016	<u>63,843</u>
<b>Net book value</b>	
At 30 June 2016	<u><u>115,336</u></u>
At 30 June 2015	<u><u>46,800</u></u>

The intangible asset that is material to the financial statements is the first team squad. The carrying value of the squad is £115,336,000 with a remaining amortisation period of 1-5 years. The amortisation charge for the current squad over this period will be;

2016/17 - £32,245,000  
 2017/18 - £27,698,000  
 2018/19 - £23,185,000  
 2019/20 - £22,041,000  
 2020/21 - £10,167,000

The adjustment above relates to a levy refund receivable in the year.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 14. Tangible fixed assets

Group

	Land and buildings £000	Fixtures and equipment £000	Total £000
<b>Cost or valuation</b>			
At 1 July 2015	99,048	18,605	117,653
Additions	327	22	349
Disposals	(42)	(368)	(410)
At 30 June 2016	<u>99,333</u>	<u>18,259</u>	<u>117,592</u>
<b>Depreciation</b>			
At 1 July 2015	33,725	15,154	48,879
Charge for period on owned assets	2,032	710	2,742
At 30 June 2016	<u>35,757</u>	<u>15,864</u>	<u>51,621</u>
<b>Net book value</b>			
At 30 June 2016	<u>63,576</u>	<u>2,395</u>	<u>65,971</u>
At 30 June 2015	<u>65,323</u>	<u>3,451</u>	<u>68,774</u>

Cumulative finance costs capitalised in prior years, excluding tax relief, included in the value of tangible fixed assets amount to £3,964,000 (2015: £3,964,000).

The net book value of land and buildings may be further analysed as follows:

	2016 £000	2015 £000
Freehold	-	-
Long leasehold	<u>63,576</u>	<u>65,323</u>

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 15. Fixed asset investments

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Newcastle United Football Company Limited	England and Wales	Ordinary	100 %	Professional football club
Newcastle United Enterprises Limited	England and Wales	Ordinary	100 %	Dormant
St. James' Park Newcastle Limited	England and Wales	Ordinary	100 %	Dormant
nufc.co.uk Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United 1892 Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Catering Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Employment Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Entertainment Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Group Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Licensing Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Promotions Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Publications Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Sports Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Sportswear Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Telecoms Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Television Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Ventures Limited	England and Wales	Ordinary	100 %	Dormant
NUFC Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United FC Limited	England and Wales	Ordinary	100 %	Dormant
Newcastle United Football Club Limited	England and Wales	Ordinary	100 %	Dormant
The Football Channel Limited	England and Wales	Ordinary	100 %	Dormant
Balmbra's Limited	England and Wales	Ordinary	100 %	Dormant

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

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

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 15. Fixed asset investments (continued)

Company

Investments  
in subsidiary  
companies  
£000

### Cost or valuation

At 1 July 2015

69,946

At 30 June 2016

69,946

### Net book value

At 30 June 2016

69,946

At 30 June 2015

69,946

## 16. Stocks

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Goods for resale	22	24	-	-

## Notes to the Financial Statements

For the Year Ended 30 June 2016

**17. Debtors**

	<b>Group</b> <b>2016</b> <b>£000</b>	<b>Group</b> <b>2015</b> <b>£000</b>	<b>Company</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>2015</b> <b>£000</b>
Trade debtors	39,817	31,447	-	-
Amounts owed by group undertakings	5,821	4,678	5,821	5,821
Amounts owed by joint ventures and associated undertakings	226	215	-	-
Other debtors	4,915	5,849	-	-
Prepayments and accrued income	4,086	4,030	-	-
	<b>54,865</b>	<b>46,219</b>	<b>5,821</b>	<b>5,821</b>

Included within trade debtors are amounts totaling £32,163,000 (2015 - £21,879,000) relating to the consideration receivable for the sale of player registrations, including £10,585,000 (2015 - £11,387,000) expected to be recovered in more than twelve months.

The amount of debtors written off to the Consolidated statement of comprehensive income in the year was £16,000 (2015 - £118,000). The impairment included against debtors at the year end is £63,000 (2015 - £45,000).

**18. Cash and cash equivalents**

	<b>Group</b> <b>2016</b> <b>£000</b>	<b>Group</b> <b>2015</b> <b>£000</b>	<b>Company</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>2015</b> <b>£000</b>
Cash at bank and in hand	1,728	48,342	3,655	3,643

**19. Creditors: Amounts falling due within one year**

	<b>Group</b> <b>2016</b> <b>£000</b>	<b>Group</b> <b>2015</b> <b>£000</b>	<b>Company</b> <b>2016</b> <b>£000</b>	<b>Company</b> <b>2015</b> <b>£000</b>
Term and other loans	18,000	18,000	-	-
Trade creditors	2,600	3,284	-	-
Amounts owed to group undertakings	1,233	329	49	19
Taxation and social security	6,300	7,097	-	-
Other creditors	78	67	-	-
Accruals	35,683	14,615	-	-
	<b>63,894</b>	<b>43,392</b>	<b>49</b>	<b>19</b>

Term and other loans shown above represent an outstanding loan balance from Mr M J W Ashley of £18.0 million (2015: £18.0 million) which is interest free and repayable on demand.

Included within accruals above are amounts totaling £28,491,000 (2015 - £2,096,000) relating to consideration payable for player registrations.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 20. Creditors: Amounts falling due after more than one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Term and other loans	111,000	111,000	-	-
Accruals and deferred income	9,886	3,261	-	-
	<u>120,886</u>	<u>114,261</u>	<u>-</u>	<u>-</u>

Included within accruals above are amounts totaling £9,885,000 (2015 - £3,261,000) relating to consideration payable for player registrations.

## 21. Loans

Analysis of the maturity of loans is given below:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Amounts falling due within one year</b>				
Other loans	18,000	18,000	-	-
<b>Amounts greater than one year</b>				
Other loans	111,000	111,000	-	-
	<u>129,000</u>	<u>129,000</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2016

**22. Financial instruments**

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
<b>Financial assets measured at amortised cost</b>				
Trade receivables	39,817	31,447	-	-
Other debtors	4,914	5,850	-	-
Group companies	6,048	4,506	5,821	5,821
	<u>50,779</u>	<u>41,803</u>	<u>5,821</u>	<u>5,821</u>
<b>Financial liabilities measured at amortised cost</b>				
Trade creditors	2,600	3,909	-	-
Other loans	129,000	129,000	-	-
Other creditors	6,372	7,163	-	-
Group companies	1,233	1,576	49	19
Accruals	45,568	17,876	-	-
	<u>184,773</u>	<u>159,524</u>	<u>49</u>	<u>19</u>

**23. Deferred taxation**

Group	2016 £000	2015 £000
At beginning of year	(3,684)	-
Charged to the statement of comprehensive income	426	(3,684)
<b>At end of year</b>	<u>(3,258)</u>	<u>(3,684)</u>

The provision for deferred taxation is made up as follows:

	Group 2016 £000	Group 2015 £000
Accelerated capital allowances	(433)	(904)
Tax losses carried forward	(4,117)	(5,194)
Intangible rollover	8,454	10,382
Other timing differences	(646)	(600)
	<u>3,258</u>	<u>3,684</u>

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 24. Deferred income

	Group 2016 £000	Group 2015 £000
Capital grants	2,212	2,301
Other deferred income	16,735	20,166
	<u>18,947</u>	<u>22,467</u>

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

	2016 £000	2015 £000
<b>Group</b>		
Less than one year	14,320	16,720
One to two years	120	1,120
Two to five years	393	393
More than five years	4,114	4,234
	<u>18,947</u>	<u>22,467</u>

## 25. Share capital

	2016 £000	2015 £000
<b>Shares classified as equity</b>		
<b>Authorised</b>		
186,442,232 Ordinary shares of £0.05 each	<u>9,322</u>	<u>9,322</u>
<b>Allotted, called up and fully paid</b>		
133,107,121 Ordinary shares of £0.05 each	<u>6,655</u>	<u>6,655</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 26. Reserves

### Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

### Capital redemption

Following the re-purchase of shares by the company this is the nominal value of the re-purchased shares that are non-distributable to shareholders.

### Retained earnings

Includes all current and prior period profits and losses.

## 27. Contingent liabilities

Under the terms of certain contracts for the signing of players, additional amounts may become payable to other football clubs. The maximum unprovided liability which may arise in respect of these players at 30 June 2016 is £1,220,000 (2015: £923,000). The director does not currently think that it is probable that such sums will be payable, on the basis that the qualifying criteria are not currently expected to be met.

## Notes to the Financial Statements

For the Year Ended 30 June 2016

### 28. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £25,769 (2015 - £26,163).

Newcastle United Football Company ('the club') also participates in the Football League Pension and Life Assurance Scheme ('the Scheme'). The Scheme is a funded multi-employer defined benefit scheme, with 92 participating employers, and where members may have periods of service attributable to several participating employers. The Club is unable to identify its share of the assets and liabilities of the Scheme and therefore accounts for its contributions as if they were paid to a defined contribution scheme.

The last actuarial valuation was carried out at 31 August 2014 where the total deficit on the on-going valuation basis was £21.8 million. The key assumptions used to calculate the deficit at the 31 August 2014 actuarial valuation are:

Discount Rate:	5.4% per annum for the 1st 7 years, 4.4% per annum for the following 10 years and 3.4% per annum thereafter
RPI inflation:	3.2% per annum
Pension Increases:	3.0% per annum, for benefits accrued prior to 6 April 1997, and 3.7% per annum for benefits accrued after 6 April 1997
Mortality (pre-retirement):	None
Mortality (post-retirement):	SAPS CMI_2013 2.0%

The accrual of benefits ceased within the Scheme on 31 August 1999, therefore there are no contributions relating to current accrual. The Club pays monthly contributions based on a notional split of the total expenses and deficit contributions of the Scheme.

The Club currently pays total contributions of £46,860 per annum which based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 August 2018.

As at 30 June 2016, based on an appropriate discount rate of 6.75% per annum, the present value of the Club's outstanding contributions (i.e. their future liability) is £94,209. This amounts to £46,860 (2015: £43,974) due within one year and £47,349 (2015: £86,431) due after more than one year and is included within other payables.

A financial cost of £7,778 (2015: £9,932) is made to the Statement of comprehensive income during the year, representing the interest cost on the outstanding deficit of the Scheme.

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2014), deficit contributions are payable by all participating clubs. Payments are made in accordance with a pension contribution schedule. As the Scheme is closed to accrual, there are no additional costs associated with the accruing of members' future benefits. In the case of a club being relegated from the Football League and being unable to settle its debt then the remaining clubs may, in exceptional circumstances, have to share the deficit.

Upon the wind-up of the Scheme with a surplus, any surplus will be used to augment benefits. Under the more likely scenario of there being a deficit, this will be split amongst the clubs in line with their contribution schedule. Should an individual club leave the Scheme, they may be required to pay their share of the deficit based on a proxy buyout basis (i.e. valuing the benefits on a basis consistent with buying out the benefits with an insurance company).

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 29. Commitments under operating leases

At 30 June 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000
<b>Land and buildings</b>		
Not later than 1 year	639	714
Between one and five years	2,546	2,580
After five years	50,888	50,485
	<u>54,073</u>	<u>53,779</u>

During the year £729,000 was recognised as an expense in the Consolidated statement of comprehensive income in respect of operating leases (2015 - £724,000).

## 30. Related party transactions

Transactions between the Company and its group undertakings are not disclosed in accordance with Section 33 as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

During the year, matchday hospitality to the value of £101,000 (2015: £124,000) was provided to members of Mr MJW Ashleys family. The amount outstanding as at 30 June 2016 was £225,000 (2015: £124,000). This amount has been paid in full after the year end.

During the current and prior year, advertising and promotional services were provided to Sports Direct International Plc ("Sports Direct"), being a company associated with the Ultimate owner of the company Mr MJW Ashley.

The Group made sales of £302,000 (2015: £264,000) and purchased goods to the value of £1,209,000 (2015: £2,348,000) from Sports Direct and subsidiary companies, companies connected with Mr MJW Ashley. These transactions were on normal commercial terms. The balance owing at 30 June 2016 to Newcastle United Football Company Limited was £268,000 (2015: £182,000). The balance owing at 30 June 2016 to Sports Direct was £265,000 (2015: NIL).

Mr MJW Ashley and companies under his control continued to provide loan facilities to the Group during the year. The total balance outstanding at 30 June 2016 was £129.0 million (2015: £129.0 million). The maximum amount outstanding during the year was £129.0 million (2015: 129.0 million). No interest was payable on the loans for either the current or prior year.

The key management personnel of the Group during the year comprised of the Directors. The total employee benefits of the key management personnel of the Group were £2,103,000.

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## **31. Post balance sheet events**

Subsequent to the Statement of financial position date the Group has generated a net surplus of approximately £40m (2015 - net spend of £80m) in respect of changes to the playing squad, a substantial proportion of the player sales are on deferred terms and will be received over the next 3-4 years, with the result that in the year ending June 2017 there will be a net cash outlay with respect to these transfers.

On 21 December 2016 St James Holdings Limited, a company controlled by Mr M J W Ashley, provided a further loan of £33 million as a secured loan. £18 million of the loan was used to repay Mr M J W Ashley his personal loan to the Group which provides the Group with an additional £15 million of funds for operating activities.

## **32. Ultimate parent undertaking and controlling parties**

The immediate parent undertaking is St James Holdings Limited.

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

# Notes to the Financial Statements

For the Year Ended 30 June 2016

## 33. First time adoption of FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 1 July 2014. The impact of the transition to FRS 102 is as follows:

### Reconciliation of equity at 1 July 2014

	Group £000	Company £000
Equity at 1 July 2014 under previous UK GAAP	(5,947)	79,433
Adjustment to multi-employer pension deficit	(184)	-
<b>Equity shareholders funds at 1 July 2014 under FRS 102</b>	<b>(6,131)</b>	<b>79,433</b>

### Reconciliation of equity at 30 June 2015

	Group £000	Company £000
Equity at 30 June 2015 under previous UK GAAP	26,485	79,391
Adjustment to multi-employer pension deficit	(130)	-
<b>Equity shareholders funds at 30 June 2015 under FRS 102</b>	<b>26,355</b>	<b>79,391</b>

### Reconciliation of profit and loss account for the year ended 30 June 2015

	Group £000	Company £000
Profit for the year under UK GAAP	32,432	(42)
Adjustment to multi-employer pension deficit	54	-
<b>Profit/(loss) for the year ended 30 June 2015 under FRS 102</b>	<b>32,486</b>	<b>(42)</b>

The following were changes in accounting policies arising from the transition to FRS 102:

- 1 The multi employer pension liability is recognised at the net present value of the future cash flows, previously a provision has been made, calculated on a different basis.