

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020**

FOR

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE)**

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FOR THE YEAR ENDED 31 JULY 2020**

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**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE)**

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 JULY 2020**

DIRECTORS:

S J Donald
Mrs A Lowes
D B G Jones
T Sloanes
J R Rodwell

SECRETARY:

Mrs A Lowes

REGISTERED OFFICE:

The Sunderland Stadium of Light
Sunderland
Tyne and Wear
SR5 1SU

REGISTERED NUMBER:

00049116 (England and Wales)

AUDITORS:

Jamesons Limited
Chartered Accountants and Statutory Auditors
Jamesons House
Compton Way
Witney
OX28 3AB

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2020**

The directors present their strategic report for the year ended 31 July 2020.

REVIEW OF BUSINESS

Season 2019/20 was an incredibly challenging period for the Club and the effects of COVID-19 have had a substantial impact. The suspension of football and subsequent curtailment of the season affected revenue streams at the end of the season. The Club campaigned hard for the ability to play out the 19/20 season to give us the opportunity to achieve our aim of promotion, though unfortunately a majority of Clubs in our Division voted to curtail the regular season.

Although football has now resumed, we are playing behind closed doors, which continues to significantly impact revenue streams and additional costs of providing a COVID secure workplace. This continues to be a challenging period for the Club.

The current season has also resulted in new regulations in League 1 which stipulates how much a team can spend on player wages. While we argued this was unfair to limit our spend to the same level of some Clubs with considerably less revenue, again the vote went against us.

As a result of the pandemic the Club has received assistance in the form of the Job Retention Scheme Grant and benefitted from a rates holiday. The human element of the pandemic is sometimes overlooked, and I would like to pay tribute to employees who have worked tirelessly through lockdown and for the continuing patience of employees on furlough who have also had to suffer the anxiety of the uncertainty.

David Jones and Tom Sloanes were both appointed to The Board as Independent Non- Executive Directors in December 2019. Both lifelong Sunderland fans who only have the Club's best interests at heart. I had the privilege of being appointed CEO of the company in April of this year with the responsibility for overall day to day responsibility of implementing policy as determined by the Board.

To bring personnel matters up to date, The Board took the recent decision to remove the Manager from his post and appoint a new Head Coach to work alongside a new Sporting Director. The Board are delighted with the calibre of both appointments which demonstrate their commitment to evolving and improving the Football Structure.

Financially, turnover reduced from £59m to £29m mainly due to a decrease in the Premier League Parachute Payments and Television Income. Curtailment of the season resulted in playing three less home games with refunds issued to supporters.

Operating expenses continued to reduce, from £46m to £30m as we continue to strive towards a sustainable financial model.

The loss after tax for the year was £2.6m compared to a loss of £11.2m in 2019.

Finally, it would be amiss of the Board not to thank our supporters. It goes without saying that you are the most important element of the Club and this has never been made more acutely clear than by your absence at games. We all desperately await the day you can safely return in numbers to watch the team you love.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2020**

PRINCIPAL RISKS AND UNCERTAINTIES

The company faces a number of risks and uncertainties and has measures in place to mitigate the impact of these risks.

The principal risk for the Club is ensuring the playing budget is within the rules of the EFL and at a sensible level in relation to continued reduced turnover. This risk is being managed with new and existing players being offered contracts reflecting this reduction in our turnover.

Key Performance Indicators (KPIs)

The Directors consider the KPIs of the business to be revenue levels (heavily reflecting league status), operating costs (particularly player costs) and the player performance. Other risks are recognised and managed appropriately, primarily by internal management. These include financial, commercial and health and safety issues.

Financial Risk Management

The Directors have reviewed the financial risk management objectives and policies of the company. They do not believe there are to be significant risks in this area.

Appropriate trade terms are negotiated with suppliers and customers. Management review these terms, the relationship with suppliers and customers and manages the exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity with which the Directors assess the ongoing cash requirements of the company as part of a strict cash flow management process.

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 JULY 2020**

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have the highest regard to the interest of the Club's employees, supporters, commercial partners and other stakeholders.

Community

The Club and its charity partner the Foundation of Light remain at the heart of the community, working to engage with a wide range of supporter demographics through the Foundation's various programmes.

Club Employees

Employees are briefed where necessary by the Executive Management Team.

Employee wellbeing is of the utmost importance to the Club. Employees have access to Designated Safeguarding Officers should they be required. Mental health awareness training and talks are regularly offered.

Supporter Engagement

The Club is committed to continuous daily consultation with supporters concerning all aspects of the business.

We have a dedicated Supporter Engagement Department which is the main point of contact for all fans. Its purpose is to strive to continually improve and strengthen relationships with all supporters, share dialogue and assist in providing input into future decisions whilst promoting a one club mindset.

The Club host three annual Supporter Collective meetings. All fan groups are invited to meet with senior personnel to discuss all matters at the Club. Supporter groups can contribute to the agenda and minutes are shared online for all supporters to view.

Throughout the season there are additional focus group meetings to discuss ticketing, security and retail which are attended by senior personnel. Significant information gathering is also carried out by the Supporter Liaison Officer to ensure current views and opinions covering a variety of topics is communicated to the relevant departments.

Business Relationships

The Directors recognise that it is essential for the continued success and reputation of the Club to maintain positive relationships with commercial partners. The Club is in regular direct contact with all partners to ensure feedback is gained through a multitude of channels and acted upon to maximise commercial relationships.

ON BEHALF OF THE BOARD:

J R Rodwell - Director

8 February 2021

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2020**

The directors present their report with the financial statements of the company for the year ended 31 July 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of a professional football club.

DIVIDENDS

No dividends will be distributed for the year ended 31 July 2020.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 August 2019 to the date of this report.

S J Donald
Mrs A Lowes

Other changes in directors holding office are as follows:

C H F Methven - resigned 12 December 2019
A J Davison - resigned 7 November 2019
D B G Jones - appointed 18 December 2019
T Sloanes - appointed 18 December 2019
J R Rodwell - appointed 22 April 2020

N J Fox ceased to be a director after 31 July 2020 but prior to the date of this report.

EMPLOYEES

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

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

Executive Management are regularly updated on the performance of the Company. This information is then communicated to staff via departmental briefings and internal announcements.

STREAMLINED ENERGY AND CARBON REPORTING

Scope 1 Emissions in metric tonnes CO₂e

Gas consumption	673.00
Transport	0.59
Total	673.59

Scope 2 Emissions in metric tonnes CO₂e

Purchased electricity	768.50
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Scope 3 Emissions in kWh

Gas consumption	3,660,629
Purchase of electricity	3,188,471

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2020**

METHODOLOGIES USED

Carbon Trust published emission factors - Energy and carbon conversions 2020 update.

MEASUREMENT BASIS

Floor area of stadium and area of academy expressed in m2. This covers treated spaces using thermal energy to heat or cool that space or electricity used for floodlighting and used to heat pitches.

MEASURES TAKEN TO IMPROVE ENERGY EFFICIENCY

Consumption data relating to 2020 should be considered in light of the extraordinary central government restrictions placed on the club's activities. This has directly impacted both the stadium and academy's activities and therefore business related energy consumption. In December 2019 the club also completed and submitted ESOS Phase 2.

INFORMATION NOT AVAILABLE

Transport data has been affected by the club's staff being furloughed and not available to collate data. Therefore a utilisation factor of 0.7 has been applied to the 2019 data. Please note that fuel data is collected in terms of fuel allowance and converted to miles. Data is not collected in litres of petrol or diesel consumed or electricity / hydrogen consumed.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2020**

AUDITORS

The auditors, Jamesons Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

S J Donald - Director

8 February 2021

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE)**

Opinion

We have audited the financial statements of Sunderland Association Football Club,limited(The) (the 'company') for the year ended 31 July 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors 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.

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 this regard.

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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
SUNDERLAND ASSOCIATION FOOTBALL
CLUB, LIMITED (THE)**

Matters on which we are required to report by exception

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 material misstatements in the Strategic Report or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 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.

Auditors' 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 a Report of the Auditors 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Anita Lyon ACA FCCA (Senior Statutory Auditor)
for and on behalf of Jamesons Limited
Chartered Accountants and Statutory Auditors
Jamesons House
Compton Way
Witney
OX28 3AB

8 February 2021

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**INCOME STATEMENT
FOR THE YEAR ENDED 31 JULY 2020**

	Notes	2020 £'000	2019 £'000
TURNOVER	3	29,152	58,693
Cost of sales		<u>1,669</u>	<u>2,400</u>
GROSS PROFIT		<u>27,483</u>	<u>56,293</u>
Net operating expenses before exceptional items		<u>29,692</u> (2,209)	<u>46,289</u> 10,004
Other operating income		1,226	-
Exceptional operating expense		<u>(4,770)</u>	<u>(20,538)</u>
OPERATING LOSS	5	<u>(5,753)</u>	<u>(10,534)</u>
Profit on disposal of players	6	<u>3,382</u> (2,371)	<u>100</u> (10,434)
Interest receivable and similar income		<u>5</u> (2,366)	<u>76</u> (10,358)
Interest payable and similar expenses	7	<u>961</u> (3,327)	<u>224</u> (10,582)
LOSS BEFORE TAXATION		<u>(3,327)</u>	<u>(10,582)</u>
Tax on loss	8	<u>(705)</u>	<u>660</u>
LOSS FOR THE FINANCIAL YEAR		<u><u>(2,622)</u></u>	<u><u>(11,242)</u></u>

The notes form part of these financial statements

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JULY 2020**

	Notes	2020 £'000	2019 £'000
LOSS FOR THE YEAR		(2,622)	(11,242)
OTHER COMPREHENSIVE INCOME			
Reduction of capital		265,898	-
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>265,898</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>263,276</u>	<u>(11,242)</u>

The notes form part of these financial statements

**SUNDERLAND ASSOCIATION FOOTBALL
CLUB,LIMITED(THE) (REGISTERED NUMBER: 00049116)**

**BALANCE SHEET
31 JULY 2020**

	Notes	2020 £'000	£'000	2019 £'000	£'000
FIXED ASSETS					
Intangible assets	9		2,392		4,006
Tangible assets	10		11,507		12,233
Investments	11		-		-
			<u>13,899</u>		<u>16,239</u>
CURRENT ASSETS					
Stocks	12	309		801	
Debtors	13	3,343		14,953	
Cash at bank		<u>7,385</u>		<u>2,577</u>	
		11,037		18,331	
CREDITORS					
Amounts falling due within one year	14	<u>19,098</u>		<u>36,516</u>	
NET CURRENT LIABILITIES			<u>(8,061)</u>		<u>(18,185)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,838</u>		<u>(1,946)</u>
CREDITORS					
Amounts falling due after more than one year	15		<u>1,560</u>		<u>154</u>
NET ASSETS/(LIABILITIES)			<u><u>4,278</u></u>		<u><u>(2,100)</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		1,000		152,302
Share premium	19		-		105,596
Revaluation reserve	19		82		82
Retained earnings	19		<u>3,196</u>		<u>(260,080)</u>
SHAREHOLDERS' FUNDS			<u><u>4,278</u></u>		<u><u>(2,100)</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 February 2021 and were signed on its behalf by:

S J Donald - Director

STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 JULY 2020

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1 August 2018	152,302	(248,838)	105,596	82	9,142
Changes in equity					
Total comprehensive income	-	(11,242)	-	-	(11,242)
Balance at 31 July 2019	152,302	(260,080)	105,596	82	(2,100)
Changes in equity					
Issue of share capital	(151,302)	-	(105,596)	-	(256,898)
Total comprehensive income	-	263,276	-	-	263,276
Balance at 31 July 2020	1,000	3,196	-	82	4,278

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2020

1. STATUTORY INFORMATION

Sunderland Association Football Club,limited(The) is a private company, limited by shares , registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a){iii}, 11.48(a){iv}, 11.48(b) and 11.48(c);
- the requirement of paragraph 33.7.

Preparation of consolidated financial statements

Consolidated financial statements are not submitted as the Company is exempt from the obligation to prepare consolidated financial statements under Section 400 of the Companies Act 2006. The results of subsidiary undertakings are dealt with in the consolidated financial statements of the parent undertaking SJD Leisure Holdings Limited.

Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the entity's accounting policies

There are no critical judgements in applying the entity's accounting policies.

(b) Critical accounting estimates and assumptions

(i) Impairment of intangible assets

The company considers whether intangible assets are impaired on a regular basis throughout the year. Where an indication of impairment is identified the estimation of recoverable value requires estimate of future cash flows.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

2. ACCOUNTING POLICIES - continued

Turnover

Turnover comprises gate receipts, television and media, sponsorship and royalties, conference banqueting and catering, retail and merchandising and invoiced sales, exclusive of value added tax. Television and media income is recognised in equal instalments during the season and gate receipt income is taken to the statement of comprehensive income when the matches are played. Sponsorship and royalties income is recognised over the life of the relevant agreements, catering and retail income is recognised upon sale of the goods.

Accrued Income

Income from match day activities, media and commercial contracts, which is invoiced after the period to which it relates, is treated as accrued income.

Deferred income

Income from match day activities, media and commercial contracts which has been invoiced prior to the period end in respect of future football seasons, is treated as deferred income.

Tangible fixed assets and depreciation

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

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

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

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

Inventories

Inventories are stated at the lower of cost and estimated selling price less cost to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost includes all direct costs attributable to bringing the inventory to its present location and condition.

Where necessary, provision is made for slow moving inventory.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction which is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (i) the contractual rights to the cash flows from the asset expire or are settled, or (ii) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (iii) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

2. ACCOUNTING POLICIES - continued

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

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

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

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

Going concern

The ultimate controlling party has indicated their willingness to continue to support the operations of the Company for the foreseeable future, which is at least, but is not limited to, twelve months from the date of these financial statements.

Signing on fees

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2020	2019
	£'000	£'000
Gate receipts	5,658	8,602
Television and media	17,195	39,948
Sponsorship and royalties	1,590	2,379
Conference and banqueting	2,138	4,136
Retail and merchandising	1,341	2,426
Other	1,230	1,202
	<u>29,152</u>	<u>58,693</u>

All sales are within the United Kingdom.

4. EMPLOYEES AND DIRECTORS

	2020	2019
	£'000	£'000
Wages and salaries	14,504	23,569
Social security costs	1,630	2,983
Other pension costs	139	116
	<u>16,273</u>	<u>26,668</u>

The average number of employees during the year was as follows:

	2020	2019
Administration	122	141
Football	63	65
Full time Staff	<u>185</u>	<u>206</u>
Match day staff	92	157
Total Full Time and Part Time Staff	<u>277</u>	<u>363</u>

Aggregate directors' emoluments during the year, for services to The Sunderland Association Football Club Limited totalled £515,962 (2019: £285,102), including compensation for loss of office amounting to £131,900 (2019: £0). Also included within the directors' emoluments are pension contributions of £25,174 (2019: £10,739) accruing to 4 directors (2019: 2). The pension contributions are company contributions to money purchase pension schemes that are the directors' personal pension plans, they are not company schemes. The emoluments of the highest paid director amounted to £164,763 (2019: £123,883) which includes £0 (2019: £0) relating to compensation for loss of office and £13,750 (2019: £10,000) of pension contributions.

NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 JULY 2020

5. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2020	2019
	£'000	£'000
Depreciation - owned assets	733	923
Profit on disposal of fixed assets	-	(14)
Players contracts amortisation	<u>1,800</u>	<u>4,350</u>

AUDITORS' REMUNERATION

	2020	2019
	£'000	£'000
For audit services		
Audit of the financial statements of the company	<u>31</u>	<u>45</u>
	<u>31</u>	<u>45</u>
For other services		
Taxation compliance	19	32
Other fees	<u>12</u>	<u>3</u>
	<u>31</u>	<u>35</u>

6. ACCOUNTING FOR PLAYERS CONTRACTS

	2020	2019
	£'000	£'000
Amortisation of players contracts	1,800	4,350
Profit on disposal of players contracts	<u>(3,382)</u>	<u>(100)</u>
	<u>(1,582)</u>	<u>4,250</u>

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020	2019
	£'000	£'000
Bank interest	-	224
Exceptional items	<u>961</u>	<u>-</u>
	<u>961</u>	<u>224</u>

In December 2020 the Court of Arbitration for Sport ruled in favour of Ricardo Alvarez regarding his claim for unpaid remuneration. Sunderland AFC were ordered to pay £4,770,000 plus interest of £960,534. The amounts are fully provided as exceptional items within these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 JULY 2020

8. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax	(705)	660
Tax on loss	<u>(705)</u>	<u>660</u>

UK corporation tax was charged at 19% in 2019.

Reconciliation of total tax (credit)/charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2020 £'000	2019 £'000
Loss before tax	<u>(3,327)</u>	<u>(10,582)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	(632)	(2,011)
Effects of:		
Expenses not deductible for tax purposes	(559)	4,628
Capital allowances in excess of depreciation	(115)	(301)
Utilisation of tax losses	673	(1,633)
Adjustments to tax charge in respect of previous periods	(46)	-
Research and development tax credit	(26)	(23)
Total tax (credit)/charge	<u>(705)</u>	<u>660</u>

Tax effects relating to effects of other comprehensive income

	Gross £'000	2020 Tax £'000	Net £'000
Reduction of capital	<u>265,898</u>	<u>-</u>	<u>265,898</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
 FOR THE YEAR ENDED 31 JULY 2020

9. INTANGIBLE FIXED ASSETS

	Players contracts £'000
COST	
At 1 August 2019	17,141
Additions	199
Disposals	(30)
At 31 July 2020	<u>17,310</u>
AMORTISATION	
At 1 August 2019	13,135
Amortisation for year	1,800
Eliminated on disposal	(17)
At 31 July 2020	<u>14,918</u>
NET BOOK VALUE	
At 31 July 2020	<u>2,392</u>
At 31 July 2019	<u>4,006</u>

Amortisation of intangible assets is included within net operating expenses in the statement of comprehensive income.

10. TANGIBLE FIXED ASSETS

	Freehold property £'000	Fixtures and fittings £'000	Totals £'000
COST			
At 1 August 2019	14,538	18,003	32,541
Additions	-	16	16
Disposals	-	(9)	(9)
At 31 July 2020	<u>14,538</u>	<u>18,010</u>	<u>32,548</u>
DEPRECIATION			
At 1 August 2019	2,839	17,469	20,308
Charge for year	311	422	733
At 31 July 2020	<u>3,150</u>	<u>17,891</u>	<u>21,041</u>
NET BOOK VALUE			
At 31 July 2020	<u>11,388</u>	<u>119</u>	<u>11,507</u>
At 31 July 2019	<u>11,699</u>	<u>534</u>	<u>12,233</u>

On an historical cost basis, freehold land and buildings would have been included at a net book amount of £7,501,000 (2019 : £7,700,000).

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

11. FIXED ASSET INVESTMENTS

The company's investments at the Balance Sheet date in the share capital of companies include the following:

SAFC.COM PLC

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Dormant

	%	2020	2019
Class of shares:	holding	£'000	£'000
Ordinary	100.00	<u>50</u>	<u>50</u>
Aggregate capital and reserves		<u>50</u>	<u>50</u>

Sunderland AFC.COM Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Dormant

	%		
Class of shares:	holding		
Ordinary	100.00		

Sunderland AFC.COM Limited is a wholly owned subsidiary of SAFC.COM PLC.

1879 Events Management Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Events management services

	%	2020	2019
Class of shares:	holding	£'000	£'000
Ordinary	100.00	<u>284</u>	<u>284</u>
Aggregate capital and reserves		<u>284</u>	<u>284</u>

Sunderland Association Football Club Ladies Limited

Registered office: The Sunderland Stadium of Light, Sunderland, SR5 1SU

Nature of business: Professional football club

	%	2020	2019
Class of shares:	holding	£'000	£'000
Ordinary	100.00	282	288
Aggregate capital and reserves		<u>6</u>	<u>(70)</u>
Profit/(loss) for the year		<u>6</u>	<u>(70)</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

12. STOCKS

	2020 £'000	2019 £'000
Stocks	<u>309</u>	<u>801</u>

The amount of inventories recognised as an expense during the year was £1,669,383 (2019: £2,400,114). Impairment of inventory recognised as an expense during the year was £43,633 (2019 : £0).

13. DEBTORS

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	1,900	5,998
Other debtors	671	5,224
Prepayments	<u>772</u>	<u>2,813</u>
	<u>3,343</u>	<u>14,035</u>
Amounts falling due after more than one year:		
Trade debtors	<u>-</u>	<u>918</u>
Aggregate amounts	<u>3,343</u>	<u>14,953</u>

Trade debtors include transfer fees receivable from other football clubs of £1,639,566 (2019: £5,534,067) of which £0 (2019: £917,767) is receivable after more than one year.

Within other debtors is an amount owed by group undertakings of £66,500 (2019: £2,424,000).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Trade creditors	413	7,083
Tax	-	661
Social security and other taxes	1,173	3,017
Other creditors	4,936	2,857
Accruals and deferred income	<u>12,576</u>	<u>22,898</u>
	<u>19,098</u>	<u>36,516</u>

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £0 (2019 : £3,600,918).

Within other creditors is an amount owed to group undertakings of £2,738,704 (2019 : £2,738,754).

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Accruals and deferred income	<u>1,560</u>	<u>154</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2020 £'000	2019 £'000
Within one year	85	109
Between one and five years	75	124
In more than five years	-	3
	<u>160</u>	<u>236</u>

17. SECURED DEBTS

On 8 November 2019 a fixed and floating charge was put in place in favour of FPP Sunderland LLC covering various freehold and leasehold properties registered in the name Sunderland Association Football Club Limited.

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
1,000,000	Ordinary	£1	<u>1,000</u>	<u>152,302</u>

19. RESERVES

	Retained earnings £'000	Share premium £'000	Revaluation reserve £'000	Totals £'000
At 1 August 2019	(260,080)	105,596	82	(154,402)
Deficit for the year	(2,622)			(2,622)
Transfer	<u>265,898</u>	<u>(105,596)</u>	-	<u>160,302</u>
At 31 July 2020	<u>3,196</u>	<u>-</u>	<u>82</u>	<u>3,278</u>

On 17 October 2019 the company undertook a reduction of capital to transfer £151,301,657 of the company's ordinary share capital and £105,596,131 of share premium to the company's profit and loss reserves.

On 1 November 2019 the company issued an additional £9,000,000 of ordinary share capital.

On 4 November 2019 the company undertook a reduction of capital to transfer £9,000,000 of the company's ordinary share capital to the company's profit and loss reserves.

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

20. PENSION COMMITMENTS

Sunderland Association Football Club ('the Club') 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 2017 where the total deficit on the on-going valuation basis was £30.4 million. The key assumptions used to calculate the deficit at the 31 August 2017 actuarial valuation are:

Discount rate	Gilt Yield Curve + 2.0% per annum
RPI inflation	Bank of England Inflation Curve
	Fixed 3.0% per annum for benefits accrued prior to 6 April 1997, and modelled using the RPI inflation assumption with a cap of 5.0% per annum and a floor of 3.0% per annum for benefits accrued after 6 April 1997.
Pension increases	
Mortality (pre-retirement)	None
Mortality (post-retirement)	SAPS CMI 2016, 1.5% p.a. long term improvement rate

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 results of the 2017 valuation were rolled forward to 31 July 2020 on the same assumptions as detailed above, and the Club's notional share of the deficit was £150,227 (£190,810 as at 31 July 2019).

As at 31 July 2020, the Club was paying total contributions of £4,081 per month (increasing by 5% p.a. from 1 September 2018 and thereafter) and based on the actuarial valuation assumptions detailed above will be sufficient to pay off the deficit by 31 October 2023.

As at 31 July 2020, based on an appropriate discount rate of 0.48% per annum (1.02% per annum as at 31 July 2019), the present value of the Club's outstanding contributions (i.e. their future liability) is £174,728 (£219,975 as at 31 July 2019). This amounts to £51,221 (2019: £48,782) due within one year and £123,507 (2019: £171,193) due after more than one year.

Present Value of Defined Benefit Obligation

	2020	2019
	£'000	£'000
Present Value of Defined Benefit Obligation	175	220

Reconciliation of Defined Benefit Obligation

	2020	2019
	£'000	£'000
Defined Benefit Obligation at start of year	220	260
Net Interest Charge (Unwinding of discount rate)	2	4
Club contribution (deficit contribution)	(49)	(47)
Remeasurement (changes in assumptions)	2	3
Remeasurement (change to contribution schedule)	0	0
Defined Benefit Obligation at end of year	175	220

Income and Expenditure Impact

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

	2020 £'000	2019 £'000
Net Interest Charge (Unwinding of discount rate)	2	4
Remeasurement (changes in assumptions)	2	3
Remeasurement (change to contribution schedule)	0	0

Assumptions

	2020	2019
Discount Rate (based on AA Corporate Bond Yields of appropriate currency/duration)	0.48%	1.02%

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 2017), 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).

21. ULTIMATE PARENT COMPANY

SJD Leisure Holdings Limited is regarded by the directors as being the company's ultimate parent company.

22. CONTINGENT LIABILITIES

Under the terms of certain contracts for the purchase of players' registrations, future payments may be due to third parties, dependent on the success of the team and/or individual players. At the balance sheet date, the maximum contingent liability, none of which was provided for in these financial statements, was £1,460,000 (2019 : £1,004,309), some of which are extremely remote.

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

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2020**

23. RELATED PARTY DISCLOSURES

The Foundation of Light (was Sunderland AFC Foundation)

The Foundation of Light is the registered charity of the Company. It was established in 2001.

A director of the Company during the year, is also Trustee of The Foundation of Light.

At 31 July 2020 the balance owing from The Foundation of Light to the Company was £44,915 (2019 : £48,662).

During the year, the Company provided many services to The Foundation of Light free of charge, including staff time and use of the facilities. It is estimated that the gift in kind during the year is £37,730 (2019 : £23,882).

The Company invoiced The Foundation of Light during the financial year for various charges including a contribution towards the Centre of Light running costs totalling £12,000 (2019 : £12,000). The Foundation of Light raised invoices to the Company to the value of £22,100 (2019 : £30,455) during the financial year for contribution towards running costs of football development and donations.

Other Related Parties

During the year ended 31 July 2020 the Company was invoiced £312,000 (2019 : £320,000) by related parties for the provision of Key Management Personnel. At the year end £0 (2019 : £40,000) was outstanding.

During the year ended 31 July 2020 the Company was invoiced fees of £119,241 (2019 : £0) by a company controlled by the ultimate controlling party.

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is S J Donald.

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