

Sunderland Limited
Annual report and financial statements
for the year ended 31 July 2022

Registered number 3189630

Sunderland Limited
Annual report and financial statements
for the year ended 31 July 2022
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Sunderland Limited

Company Information

Directors

K R L Louis-Dreyfus
P J Treuer
I Levin

Registered office

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

Registered Number

03189630 (England and Wales)

Auditors

Constantin
25 Hosier Lane
London
EC1A 9LQ

Sunderland Limited

Group Strategic report for the year ended 31 July 2022

The directors present their strategic report and the audited consolidated financial statements of Sunderland Limited (the “Company”) and its subsidiary undertakings listed in note 12 (together the “Group”) for the year ended 31 July 2022.

This strategic report, which incorporates the s172(1) statement, has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Sunderland Limited and its subsidiary undertakings when viewed as a whole.

REVIEW OF BUSINESS

The club were delighted to achieve promotion via the League one play-offs at Wembley Stadium in May 2022. Following the appointment of Alex Neil in February 2022 the club won eight out of the remaining fifteen games to secure a play-off place. The club beat Sheffield Wednesday in the play-off semifinal in front of a combined attendance of 77,720 which is an all-time attendance record over the two play-off games regardless of the division. In all 46,000 Sunderland supporters attended the final at Wembley without a single arrest which capped a transformational weekend for the club.

Achieving promotion to the Championship is the first step on the return to the Premier League as the club embark on their first Championship season after an absence of four seasons. The aim for the 22/23 season is to consolidate in the Championship and build the team and infrastructure to challenge for the Premier League in future seasons.

On 19 February 2021, Kyril Louis-Dreyfus acquired control of SAFC. This took the form of an acquisition of an equity stake of 41% and the acquisition of full control of governance and the right to appoint control of the board and all its committees. As a result, Kyril Louis-Dreyfus drives all matters of governance, including the budget, business plan and all player and employee-related matters. On 21st June Kyril-Louis Dreyfus acquired 10% of Stewart Donald’s shares. Juan Sartori acquired all 5% of Charlie Methven’s shares and 5% of Stewart Donald’s shares. Kyril Louis Dreyfus now owns 51% of the shares and has a majority shareholding and control of the club whilst Juan Sartori owns 30% of the shares and Stewart Donald 19%. The Executive Team consists of Kyril Louis-Dreyfus (Executive Chairman), Kristjaan Speakman (Sporting Director), and Steven Davison (Chief Operating Officer).

The Board meets regularly and formally every three months and is committed to implementing best standards and practices. Since Kyril Louis-Dreyfus’ acquisition of control, the Board has worked closely with the Executive Team to improve all aspects of the governance of the business.

Kyril Louis-Dreyfus has led the Club embarking on a strategy to create a sustainable business whilst aiming to return the Club back to the Premier League. It is recognised that this requires a long-term view, and all decisions are aimed at enabling the club to maximise on the field performance and improving the contribution from the commercial activities.

Sunderland Limited

Group Strategic report for the year ended 31 July 2022 (continued)

Achieving promotion during the 21/22 season was the culmination of a significant amount of hard work that all the staff, partners and supporters have all contributed towards.

At the outset of the 21/22 season the stadium had not been operational for almost two years. Substantial work was required prior to the season to ensure the stadium was safe for supporters. The club treated the preparation for the season as a re-commissioning of the stadium, requiring multiple additional checks of equipment that hadn't operated for a considerable period of time.

The club were pleased to sell 24,713 season cards for their fourth season in league 1, and this led to an average attendance of 30,847 which was by far the highest in the league and the 14th highest in the country, better than all Championship Clubs and 7 Premier League clubs.

Prior to the season the club had invested in a new EPOS system which was a huge success substantially increasing the number of supporters who could purchase food and drink at half time. Most of the remaining investment prior to the season was installed to satisfy the safety requirements and ensure the necessary safety certificates were obtained.

In the 21/22 season a total of 4 new players were recruited in the summer transfer window and a further 5 were recruited in the winter window. Since Kyril Louis-Dreyfus acquired control of the football club the average age of the squad has reduced from over 29 to under 24 in the 21/22 season. This is consistent with the strategy to grow and develop talent to play in the first team. It is pleasing that by the end of the 21/22 season 288 successive games have featured an academy graduate in the match day squad..

The Women's team were promoted into the second tier at the start of the season and they finished in a mid-table position achieving the main objective for the season. The team continued to operate on a part time basis when most other clubs are full time, making their achievement even more impressive. With the advance of women's football it is anticipated that the competition will increase year on year. The team are well placed to build on their promotion with 6 players now being capped by their respective national age group teams.

At the conclusion of the season the club in-sourced the executive catering contract. After a period of it being run by an external provider significant investment has been required to enable the service to be delivered successfully.

The club were successful in securing three concerts including two nights of Ed Sheeren and one night of Elton John marking a return of concerts to the stadium after a 3 year absence. Importantly the three events brought in substantial revenue to the club and city with a total of almost 150,000 people attending the three concerts. This marks the start of the strategy to secure significant revenue from sources outside of football which mitigates the financial risk related to football performance.

The short period between the end of the concerts left little time for investment in the stadium. However, a total of £1.3m of investment was seen throughout the year in areas such as a stitched pitch, academy, gym and numerous smaller projects to maintain and improve the Stadium of Light. Over £3m has now been invested in the infrastructure of club since Kyril acquired control. Kyril will continue to balance the investment in the infrastructure and people with the need to invest in players. It is pleasing to see a significant increase in the value of the playing squad over the last few years.

Sunderland Limited

Group Strategic report for the year ended 31 July 2022 (continued)

The Stadium is now 25 years old and underwent the mandatory structural appraisal which resulted in a program of improvement works planned for the next three years.

On the back of promotion, the club succeeded in selling 32,000 season cards for the 22/23 season which is higher than the average attendance of any club playing in the Championship. It is also the most season cards sold by the club in any season since the move to the Stadium of Light in 1997.

During the season all of the vacant football positions were filled and the Club was reassessed for its Category 1 Academy license which it passed. Following promotion recruitment emphasis switches to the appointment of the full management team outside of Football. The aim is to be fully resourced by the end of the 22/23 season to operate effectively in the Championship.

The club are excited to have been promoted to the Championship as a stepping stone to a return to the Premier League. Since Kyril acquired control significant progress has already been made in all aspects of the club's operations, but there remain numerous further improvements to be made both on and off the field. The next season is a period of consolidation as the club adapts to the 2nd tier, but in doing so a proactive improvement program has been planned and is integral to the future success of the club. It remains the club's ambition to return to the Premier League within 5 years since acquiring control. Following the recent promotion, the club are on track to achieve this.

Financially, comparisons of the 21-22 season with 20-21 make little sense as all revenue streams and costs in the previous season were impacted by the pandemic. Turnover increased from £10.7m to £26.1m. and operating expenses increased from £19.7m to £29.2m. The loss after tax for the year was £4.4m. During the 21-22 financial year, the Club received £10.4m from shareholders. The shareholders have a strong commitment to continue to support the Club and its ambitions. During the period from the close of the fiscal year at July 2022 through to the date of this report, shareholders have contributed an additional £2.5m to the Club. The club has no external debt and fully owns all of its assets. Player salaries for the season are 34.6% of revenue (2021: 68.42%)

FUTURE DEVELOPMENTS

The Club will continue to strive to secure promotion to the Premier League. As a Club that aims to be financially sustainable this will be built on continued investment in the Club to improve the overall commercial performance. In future seasons we are aiming to increase the contribution from commercial activities to allow greater investment in on-field playing success.

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.

Sunderland Limited

Group Strategic report for the year ended 31 July 2022 (continued)

Our top three risks are considered to be:

- **Supporter Engagement.** During the last four years in League One, the supporters have remained incredibly loyal to the Football Club as evidenced by the recent season card sales. We are grateful for their loyalty, as the majority of income generated by the Football Club is from the supporters whether it be via ticket sales, retail or hospitality.
- **Operational Cost Escalation.** Post-pandemic, and following the war in Ukraine we have seen costs increase substantially. We expect the rate of increase in costs to slow over the next few seasons, but this still remains a significant risk.
- **Playing Success.** After promotion it is imperative that the club remains in the Championship and doesn't get relegated. This would have a significant and negative impact on the momentum that has been built up since Kyril Louis-Dreyfus acquired control of the club.

KEY PERFORMANCE INDICATORS (KPIs)

The Club measures four KPIs regularly, comprising of:

- Contribution from Football Revenue for each match
- Contribution from Non-Football Revenue
- Operational costs
- Playing performance via a balanced scorecard of metrics

The club has embarked on establishing a balanced scorecard of metrics that will enable each department to manage their activities and proactively manage improvements.

Financial Risk Management

The Directors and the Executive Team continually try to improve the management of financial risks and they do not believe there are significant financial risks in this area due to the operational financial processes in place.

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

Sunderland Limited

Group Strategic report for the year ended 31 July 2022 (continued)

SECTION 172(1) STATEMENT

Section 172(1) of the Companies Act 2006 requires Directors to act in good faith in a manner most likely to promote the success of the company for the benefit of its members as a whole and to take into consideration a number of matters. In exercising their duties, Directors evaluate the likely long-term consequences of any decision, the interests of the Club's employees, the need to foster the Club's business relationships with suppliers, customers and others, the impact of the Club's operations on the community and the environment, the desirability of the Club maintaining a reputation for high standards of business conduct and the need to act fairly between stakeholders.

Community

The Club and its charity partner the Foundation of Light remain at the heart of the Sunderland, South Tyneside and Durham communities. Throughout 21-22, the Club enhanced its relationship with the Foundation with the aim of improving the long-term relationship with the community.

Group Strategic report for the year ended 31 July 2022 (continued)

Club Employees

Employees are briefed regularly by the Executive Management Team. A total of 35 new staff have been recruited whilst 28 staff have left. 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 strives to ensure that its facilities are accessible for all employees

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

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

Supporter Engagement

The Club is committed to regular consultation with supporters concerning all aspects of the business. A program of at least four per annum has been put in place. A concerted effort to engage with all Supporters' Groups has dramatically improved the Club's relationship with these groups. Minutes of each meeting are shared to the wider fan base via the website. These meetings, and all supporter engagement, are led by a dedicated full-time Supporter Liaison Officer.

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.

Sunderland Limited

Group Strategic report for the year ended 31 July 2022 (continued)

GOING CONCERN

The shareholders of the ultimate parent company, Mercator Limited, have 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. In making their assessment of the going concern the directors have assessed the ability of the parent company to provide such support.

Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. The directors have taken into account the impact of the covid-19 crisis and the impact of the Brexit in making their assessment of the going concern.

POST BALANCE SHEET EVENTS

Following the balance sheet date the rateable value of the Stadium of Light was reassessed covering the Period 1st April 2017 to 30th March 2023. As a result of this review the Company will receive a rebate for the amounts paid during this period. An amount of £1,099,554 (2021: nil) relates to the year ended July 2022 and earlier periods and has not been accounted for in these financial statements.

On behalf of the board



K Louis-Dreyfus

1 March 2023

Sunderland Limited

Directors' report for the year ended 31 July 2022

The Directors present their report with the financial statements of the Group for the year ended 31 July 2022.

Principal activities

The principal activity of the Group is that of a professional football club and the Company continues to be the freeholder of the Stadium of Light football stadium.

Disclosures in the strategic report

In accordance with section 414C of the companies Act 2006 the following details are discussed in the Strategic report:

- Review of business;
- Principal risks and uncertainties;
- Key financial performance indicators (KPIs);
- Financial Risk Management
- Section 172(1) statement.
- Going Concern
- Post balance sheet events

Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

Directors

The following directors have held office during the whole of the period from 1 August 2021 to the date of this report.

K R L Louis Dreyfus

P J Treuer

I Levin

Disclosure of information to auditors

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

Auditors

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

Sunderland Limited

Directors' report for the year ended 31 July 2022 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



K Louis-Dreyfus

1 March 2023

Sunderland Limited

Independent auditors' report to the members of Sunderland Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Sunderland Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated other comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 25 which include the statement of 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).

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Sunderland Limited

Independent auditor's report to the members of Sunderland Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, and the relevant tax compliance regulations in the jurisdictions in which the group operates; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

Sunderland Limited

Independent auditor's report to the members of Sunderland Limited (continued)

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Mark Bathgate

FCA (Senior Statutory Auditor)

For and on behalf of Constantin

Statutory Auditor, Chartered Accountant

London

1 March 2023

Sunderland Limited

Consolidated income statement for the year ended 31 July 2022

	Note	2022 £'000	2021 Restated £'000
Turnover	1	26,099	10,734
Cost of Sales		(2,083)	(924)
Gross Profit		24,016	9,810
Net Operating Expenses before exceptional items	2	(29,165)	(18,111)
Operating Loss	2	(5,149)	(8,301)
Amortisation of players contracts	3	(2,052)	(1,690)
Profit on disposal of players	3	1,243	631
		(5,958)	(9,360)
Interest receivable and similar income	4	-	-
Interest payable and similar expenses	5	(1)	(121)
Loss before taxation		(5,959)	(9,481)
Taxation on Loss	8	1,542	1,205
Loss for the financial year		(4,417)	(8,276)

All operations are classed as continuing.

These notes form part of the financial statements

Sunderland Limited

Consolidated statement of other comprehensive income for the year ended 31 July 2022

	2022	2021
	£'000	Restated £'000
Loss for the financial year	(4,417)	(8,276)
Other Comprehensive Loss		(1,615)
Total recognised losses for the financial year	(4,417)	(9,891)

In the 2021 Financial Statements the revaluation of the Stadium of Light was included within Net Operating Expense before exceptional items in the income statement. In the 2022 financial statements, the 2021 comparable column in the Consolidated statement of income and in the Consolidated statement of other comprehensive income have therefore been restated.

These notes form part of the financial statements

Sunderland Limited

Consolidated balance sheet as at 31 July 2022

Company Number 03189630

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	4,471	1,158
Tangible assets	11	10,863	11,141
Investment Property	11	91,160	91,160
Investments	12	-	-
		106,494	103,459
Current assets			
Stocks	13	645	477
Debtors	14	8,057	2,497
Cash at bank and in hand		1,683	270
		10,385	3,244
Creditors: amounts falling due within one year	15	(30,511)	(16,242)
Net current liabilities		(20,126)	(12,998)
Total assets less current liabilities		86,368	90,461
Creditors: amounts falling due after more than one year	16	(6,302)	(5,978)
Net assets		80,066	84,483
Capital and reserves			
Called up share capital	17	10,000	10,000
Revaluation reserve	18	60,660	60,660
Special reserve	18	596	596
Profit and loss account	18	8,810	13,227
Total shareholders' funds		80,066	84,483

These notes form part of the financial statements

The financial statements were approved by the board of directors on 1 March 2023 and were signed on its behalf by:



K Louis-Dreyfus
Director

Sunderland Limited

Company balance sheet as at 31 July 2022

Company Number 03189630

	Note	2022 £'000	2021 £'000
Fixed assets			
Investment Property	11	91,160	91,160
Investments	12	1,086	1,086
		92,246	92,246
Current assets			
Cash at bank and in hand		7	7
Debtors	14	8,439	6,439
Creditors: amounts falling due within one year	15	(28)	(28)
Net current liabilities		8,418	6,418
Total assets less current liabilities		100,664	98,664
Creditors: amounts falling due after more than one year	16	(4,413)	(5,955)
Net assets		96,251	92,709
Capital and reserves			
Called up share capital	17	10,000	10,000
Revaluation reserve	18	54,034	54,034
Special reserve	18	596	596
Profit and loss account	18	31,621	28,079
Total shareholders' funds		96,251	92,709

The financial statements were approved by the board of directors on 1 March 2023 and were signed on its behalf by:



K Louis-Dreyfus

Director

These notes form part of the financial statements

Sunderland Limited

Company statement of changes in equity for the year ended 31 July 2022

	2022	2021
	£'000	£'000
Opening shareholders' funds	92,709	91,153
Profit for the financial year	3,542	3,171
Revaluation of Investment property	-	(1,615)
Closing shareholders' funds	96,251	92,709

These notes form part of the financial statements

Sunderland Limited

Consolidated statement of changes in equity for the year ended 31 July 2022

	2022	2021
	£'000	£'000
Opening shareholders' funds	84,483	94,374
Loss for the financial year	(4,417)	(8,276)
Revaluation of Investment property	-	(1,615)
Closing shareholders' funds	80,006	84,483

These notes form part of the financial statements

Sunderland Limited

Consolidated cash flow statement for the year ended 31 July 2022

	Note	2022 £'000	2021 £'000
Net cash inflow/(outflow) from operating activities	20	(4,006)	(8,202)
Returns on investments and servicing of finance			
Interest paid		(1)	(121)
Interest received		-	-
Net cash outflow from returns on investment and servicing of finance		(1)	(121)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(628)	(242)
Sale of tangible fixed assets		-	-
Purchase of Intangible Assets and contractual settlements		(4,654)	(3,339)
Sale of Intangible Assets		302	2,571
Net cash outflow for capital expenditure and financial investment		(4,980)	(1,010)
Net cash (outflow)/inflow before financing		(8,987)	(9,333)
Financing			
Increase in shareholder funding – current shareholder structure		10,400	2,150
Increase in shareholder funding – previous shareholder structure		-	-
Net cash inflow from financing		10,400	2,150
Increase/(Decrease) in cash		1,413	(7,183)

These notes form part of the financial statements

Sunderland Limited

Statement of accounting policies

Statutory information

Sunderland Limited is a private company, limited by shares, registered in England and Wales. The company's registered number is 03189630 and the registered office address is The Stadium of Light, Sunderland, SR5 1SU.

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.

Basis of consolidation

The consolidated financial statements present the results for the Company 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 presentation currency of the financial statements is Pound Sterling (£). Monetary amounts in these financial statements are rounded to the nearest £'000.

The consolidated financial statements incorporate the results of the business combinations using the purchase method. In the balance sheet, 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.

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.

(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:

- 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.
- Impairment and revaluation of investment property - The Stadium of Light is held as an investment property and is held at a fair value in the balance sheet. The Investment Property was valued by Avison Young as at 31 July 2021 on a depreciated replacement cost basis. The valuation was also in accordance with the RICS Appraisal and Valuation Method. Each year the directors reperform the valuation of the investment property.

Sunderland Limited

Statement of 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.

Sunderland Limited

Statement of accounting policies (continued)

Intangible assets

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. Costs include transfer fees, levy fees, agents fees and other directly attributable costs. These costs are amortised from the month of purchase fully over the contract period. Where a playing contract is extended, any costs associated with securing the extension are added to the unamortised balance (at the date of amendment) and the revised book value is amortised over the remaining revised contract life. Where a part of the consideration payable on acquiring a player's registration is contingent on a future event, this amount is recognised once it is probable, rather than possible, that the event will occur.

Tangible fixed assets and depreciation

Tangible fixed assets, other than investment properties, 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	5 - 50 years in equal annual instalments to an estimated residual value
Fixtures, fittings and equipment	3 - 10 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.

Investment property

Investment property is carried at fair value determined annually. This requirement is met through a full external valuation at least every five years and an interim valuation in year three, and a directors' valuation in the intervening years. No depreciation is provided.

Changes in fair value are recognised in the statement of comprehensive income.

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

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment in the Company's accounts. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Sunderland Limited

Statement of 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 publicly 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.

Sunderland Limited

Statement of accounting policies (continued)

Financial instruments (continued)

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.

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.

Grants receivable

Grants received as a contribution towards specific expenditure on fixed assets are held in a deferred income account and recognised in the profit and loss account over the expected useful lives of the related assets. Other grants received are held in a deferred income account and recognised in the profit and loss account so as to match them with the expenditure to which they are intended to contribute. During the year ended 31 July 2022 the Company received grants issued under the UK Governments Job Retention Scheme totalling £6,576 (2021: £551,100)

Sunderland Limited

Statement of accounting policies (continued)

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 shareholders of the ultimate parent company, Mercator Investments Limited, have 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. In making their assessment of the going concern the directors have assessed the ability of the parent company to provide such support.

Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the financial statements. The directors have taken into account the impact of the covid-19 crisis and the impact of the Brexit in making their assessment of the going concern.

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.

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022

1 Turnover

Turnover, which is principally derived from the Group's principal activity, is analysed as follows:

	2022	2021
	£'000	£'000
Gate receipts	9,496	1,174
Television and media	3,246	5,427
Sponsorship and royalties	1,371	1,166
Conference, banqueting and catering	8,022	30
Retail and merchandising	2,116	1,606
Other	1,848	1,331
	26,099	10,734

All sales are within the United Kingdom.

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

2 Net operating expenses

	2022	2022	2021	2021
	£'000	£'000	£'000	£'000
Staff costs (note 6)		(16,289)		(12,833)
Depreciation	(626)		(606)	
Other operating charges		(12,250)		(6,287)
Operating expenses		(29,165)		(19,726)

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

Auditors' remuneration:

Fees payable for the audit of consolidated and company financial statements	13	5
Fees payable for the audit of subsidiary company financial statements	50	39
Other services relating to taxation	6	5
Other services	-	-

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

3 Accounting for players' contracts

	2022	2021
	£'000	£'000
Amortisation of players' contracts	(2,052)	(1,690)
Profit on disposal of players' contracts	1,243	631
	(809)	(1,059)

4 Interest receivable and similar income

	2022	2021
	£'000	£'000
Bank deposits	-	-

5 Interest payable and similar charges

	2022	2021
	£'000	£'000
Bank loans and other borrowings	1	121

6 Employees

The average monthly number of persons employed by the Group including directors during the year was:

	2022	2021
	Number	Number
Administration/ Operations	189	116
Football	84	59
Match day staff	320	23
	593	198

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

Staff costs including directors' remuneration during the year amounted to:

	2022	2021
	£'000	£'000
Wages and salaries	14,553	11,333
Social security costs	1,626	1,380
Other pension costs	110	120
	16,289	12,833

7 Directors' emoluments

The directors for Sunderland limited have received no emoluments for their services for the current and the previous year.

8 Tax on loss on ordinary activities

(a) Analysis of tax charge on ordinary activities

	2022	2021
	£'000	£'000
Current tax	-	(34)
Deferred tax	(1,542)	(1,171)
Tax on loss on ordinary activities	(1,542)	(1,205)

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

8 Tax on loss on ordinary activities (continued)

(b) Factors affecting tax charge for the year

	2022	2021
	£'000	£'000
Loss on ordinary activities before taxation	(5,942)	(11,096)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,129)	(2,108)
Effects of:		
Expenses not deductible for tax purposes	1	59
Adjustments in respect of prior periods	-	(34)
Remeasurement of deferred taxation for changes in taxation rates	-	3,256
Fixed Asset differences	39	-
Movement in deferred taxation not recognised	(453)	(2,378)
Current tax charge for the year	(1,542)	(1,205)

9 Profit of Parent Company

The profit for the year of the Parent Company is £3,542,500 (2021: £1,566,000). As permitted by Section 408 (3) of the Companies Act 2006 no separate income statement is presented in respect of the Parent Company.

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

10 Intangible assets

Group

	Transfer fees paid for players' contracts £'000
Cost	
At 1 August 2021	17,626
Additions	5,291
Disposals	(17,390)
At 31 July 2022	5,527
Accumulated amortisation	
At 1 August 2021	16,468
Charged for the year – amortisation	2,052
Disposals	(17,464)
At 31 July 2022	1,056
Net book amount	
At 31 July 2022	4,471
At 31 July 2021	1,158

Company

The Company has no intangible assets (2021: £nil).

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

11 Tangible assets

Group

	Freehold land and buildings Other £'000	Fixtures and Fittings £'000	Total £'000
Cost or valuation			
At 1 August 2021 (Restated)	14,538	18,096	32,634
Additions	-	348	348
At 31 July 2022	14,538	18,444	32,982
Accumulated depreciation			
At 1 August 2021 (Restated)	4,700	16,792	21,492
Charge for the year	472	154	626
At 31 July 2022	5,172	16,946	22,118
Net book amount			
At 31 July 2022	9,366	1,498	10,864
At 31 July 2021 (Restated)	9,838	1,304	11,142

The Fixtures and Fittings cost or valuation and accumulated depreciation figures have been restated. In the previous year the closing figure included some assets which had been fully depreciated and required writing off. This has been written off as a post year-end adjustment

Group and Company

	Investment Property £'000
Fair Value	
At 1 August 2021	91,160
Revaluation	-
At 31 July 2022	91,160
Comprising:	
Cost and valuations up to 2016	92,775
Valuations up to 2021	(1,165)
	91,160

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

The Stadium of Light is held as an investment property and is held at a fair value in the balance sheet. The Investment Property was valued by Avison Young as at 31 July 2021 on a depreciated replacement cost basis. The valuation was also in accordance with the RICS Appraisal and Valuation Method. The Directors considered that the valuation of the Stadium of Light in the 2022 financial statements is consistent with the Avison Young valuation performed in 2021.

12 Investments

Group

	£'000
Cost of investments in subsidiary undertakings at 1 August 2021	-
Cost of investments in subsidiary undertakings at 31 July 2022	-

Company

	£'000
Cost of investments in subsidiary undertakings at 1 August 2021	1,086
Cost of investments in subsidiary undertakings at 31 July 2022	1,086

The directors believe that the carrying value of the investment is supported by their underlying net assets.

The subsidiaries held throughout the year are:

Name of subsidiary	% ownership of ordinary shares	Country of incorporation	Principal activity
The Sunderland Association Football Club, Limited (The)	100	England and Wales	Professional football club
Sunderland properties PLC	100	England and Wales	Dormant
SAFC.COM PLC	100	England and Wales	Dormant
Sunderland AFC.COM Limited	100	England and Wales	Dormant
1879 Events Management Limited	100	England and Wales	Dormant
Sunderland Association Football Club Women Limited	100	England and Wales	Professional Football Club

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

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

1879 Events Management Limited is a wholly owned subsidiary of The Sunderland Association Football Club Limited.

Sunderland Association Football Club Women Limited is a wholly owned subsidiary of The Sunderland Association Football Club, Limited(The).

The Sunderland Association Football Club Limited, Sunderland properties PLC, SAFC.COM PLC, Sunderland AFC.COM Limited, 1879 Events Management Limited, Sunderland Association Football Club Ladies Limited are all registered at Sunderland Stadium Of Light, Sunderland, Tyne & Wear, SR5 1SU.

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

13 Stocks

Group

	2022	2021
	£'000	£'000
Goods for resale	645	477

Company

The Company has no stocks (2021: £nil).

14 Debtors

Group

	2022	2021
	£'000	£'000
Trade debtors	2,866	1,203
Prepayments and accrued income	5,191	1,294
	8,057	2,497

Trade debtors include transfer fees receivable from other football clubs of £60,000 (2021: £110,497) of which £0 (2021: £0) is receivable after more than one year.

Company

The Company has debtors due from group undertakings of £8,439,000(2021: £6,439,000).

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	5,028	2,249	-	-
Other creditors	12,626	2,254	7	7
Corporation tax	21	21	21	21
Other taxation and social security	1,921	2,657	-	-
Accruals and deferred income	10,915	8,818	-	-
	30,511	16,242	28	28

Trade creditors include transfer fees and other associated costs in relation to the acquisition of players' registrations of £2,850,026 (2021 : £120,906).

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Accruals and deferred income	1,889	23	-	-
Deferred Taxation	4,413	5,955	4,413	5,955
	6,302	5,978	4,413	5,955

Accruals and deferred income includes transfer fees and other associated costs in relation to the acquisition of players' registration of £1,889,211 (2021: £23,113).

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

17 Called up share capital

	Number	2022	Number	2021
		£'000		£'000
Allotted, Issued and fully paid				
Ordinary shares of 0.01p each	1,000,000,000	10,000	1,000,000,000	10,000

18 Reserves

Group

	Special reserve	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 August 2021	596	60,660	13,227
Loss for the financial year	-	-	(4,417)
Revaluation of Investment property	-	-	-
At 31 July 2022	596	60,660	8,810

Company

	Special reserve	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 August 2021	596	54,034	28,079
Profit for the financial year	-	-	3,542
Revaluation of Investment property	-	-	-
At 31 July 2022	596	54,034	31,621

Sunderland Limited has taken advantage of the exemption granted by S408 of the Companies Act 2006 not to publish its own profit and loss account. Of the Group loss for the year, a profit of £3,542,500 (2021: profit of £1,566,000) has been recognised in the financial statements of Sunderland Limited.

Sunderland Limited

Notes to the financial statements for the year ended 31 July 2022 (continued)

The revaluation of the Investment Property relates to the periodical revaluation of the Stadium of Light.

19 Financial commitments

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

	2022	2021
	£'000	£'000
Within one year	31	10
Between one and five years	35	77
After more than five years	-	-
	66	87

Lease payments recognised as an operating expense in the year totalled £60,082 (2021: £124,265)

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 2020 where the total deficit on the on-going valuation basis was £27.553 million. The key assumptions used to calculate the deficit at the 31 August 2020 actuarial valuation are:

Discount rate

Gilt Yield Curve + 2.0% per annum

Sunderland Limited

RPI inflation	Bank of England Inflation Curve
Pension increases	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.
Mortality (pre-retirement)	None
Mortality (post-retirement)	SAPS (Series 3) with CMI_2019 projections, along-term improvement rate of 1.5% p.a and an initial additional parameter of 0.5% p.a

Notes to the financial statements for the year ended 31 July 2022 (continued)

19 Pension commitments (continued)

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 2020 valuation were rolled forward to 31 July 2022 on the same assumptions as detailed above, and the Club's notional share of the deficit was £140,955 (£184,938 as at 31 July 2021)

As at 31 July 2022, the Club was paying total contributions of £4,500 per month (increasing by 5% p.a. from 1 September) and based on the actuarial valuation assumptions detailed above will be sufficient to pay off the deficit by 30 April 2025.

As at 31 July 2022, based on an appropriate discount rate of 2.92% per annum (0.73% per annum as at 31 July 2021), the present value of the Club's outstanding contributions (i.e. their future liability) is £155,993 (£213,169 as at 31 July 2021). This amounts to £56,471 (2021: £53,782) due within one year and £99,522 (2021: £159,387) due after more than one year.

Present Value of Defined Benefit Obligation

	2022	2021
	£'000	£'000
Present Value of Defined Benefit Obligation	156	213

Notes to the financial statements for the year ended 31 July 2022 (continued)

Sunderland Limited

19 Pension commitments (continued)

Reconciliation of Defined Benefit Obligation	2022	2021
	£'000	£'000
Defined Benefit Obligation at start of year	213	174
Net Interest Charge (Unwinding of discount rate)	1	1
Club contribution (deficit contribution)	(54)	(51)
Remeasurement (changes in assumptions)	(5)	0
Remeasurement (change to contribution schedule)	0	89
Defined Benefit Obligation at end of year	156	213
Income and Expenditure Impact	2022	2021
	£'000	£'000
Net Interest Charge (Unwinding of discount rate)	1	1
Remeasurement (changes in assumptions)	(5)	0
Remeasurement (change to contribution schedule)	0	89
Assumptions	2022	2021
Discount Rate (based on AA Corporate Bond Yields of appropriate currency/duration)	2.92%	0.73%

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 2020), 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 31 July 2022 (continued)

Sunderland Limited

21 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2022 £'000	2021£'000
Operating loss	(5,149)	(9,916)
Revaluation of investment property	-	1,615
Profit on sale of fixed assets	-	-
Depreciation charge	626	606
(Increase)/decrease in stocks	(168)	(168)
(Increase)/decrease in debtors	(5,560)	118
Increase/(decrease) in creditors	4,193	(457)
Net cash inflow/(outflow) from operating activities	(5,906)	(8,202)

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 £4,500,000 (2021 : £871,456), 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.

23 Related party transactions

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 2022 the balance owing from The Foundation of Light to the Company was £6,440 (2021 : £16,147).

During the year, the Group 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 £108,586 (2021 : £0).

The Group 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 (2021 : £12,000).

Notes to the financial statements for the year ended 31 July 2022 (continued)

Sunderland Limited

24 Post Balance Sheet Events

Following the balance sheet date the rateable value of the Stadium of Light was reassessed covering the Period 1st April 2017 to 30th March 2023. As a result of this review the Company will receive a rebate for the amounts paid during this period. An amount of £1,099,554 (2021: nil) relates to the year ended July 2022 and earlier periods and has not been accounted for in these financial statements.

25 Ultimate and immediate controlling party

The immediate parent undertaking of the Group is Mercator Investments Limited, a company incorporated in Cayman Islands.

The directors consider the ultimate controlling party of the Company and Group to be Mr K Louis-Dreyfus