The Liverpool Football Club and Athletic Grounds Limited

Annual report and financial statements

Registered number 00035668

For the year ended 31 May 2014

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Strategic report

The directors present their strategic report of The Liverpool Football Club and Athletic Grounds Limited ("the Club" or "Company") for the year ended 31 May 2014.

Principal activities

The principal activities of the Company continued to be those of a professional football club and related activities.

Strategy

The four key elements of the Company's strategy are to:

- Improve football performance through a positive playing style and strategic player investment;
- Improve the scouting and player recruitment process;
- Improve the fan experience and interaction with the Club; and
- Leverage the Club's global following to deliver revenue growth.

Review of the business

Profit and Loss

Turnover for the year ended 31 May 2014 was £255.6 million (2013: £206.1 million).

Media revenue for the year ended 31 May 2014 was £100.9 million (2013: £63.8 million). The increase related to additional TV income due to this being the first year of the new Premier League deal plus the impact of finishing 2nd in the Premier League.

Match day revenue for the year ended 31 May 2014 was £50.9 million (2013: £44.6 million). This increase mainly related to additional pre-season, ticketing and hospitality revenue although this was partially offset by not having any European match day income.

Commercial revenue for the year ended 31 May 2014 was £103.8 million (2013: £97.7 million). This increase mainly related to additional sponsorship and merchandising revenue.

Administrative expenses before exceptional costs for the year ended 31 May 2014 were £220.0 million (2013: £213.1 million). This increase mainly relates to additional pre-season costs due to the tour being managed internally and additional salary costs as a result of the impact of the 2nd place Premier League finish. These additional costs were offset by lower player amortisation and impairment charges.

Also included in administrative expenses is an exceptional amount of £1.4 million (2013: £2.0 million). The £1.4 million cost in the 31 May 2014 period is in relation to the costs payable as a result of not progressing with the new stadium development in Stanley Park.

The loss on the disposal of player registrations for the year ended 31 May 2014 is £0.7 million (2013: £12.7 million).

Interest payable for the year ended 31 May 2014 was £4.6 million (2013: £4.5 million).

The profit before taxation for the year ended 31 May 2014 was £0.9 million (2013 loss: £49.8 million).

Strategic report *(continued)*

Review of the business *(continued)*

Balance Sheet

Intangible fixed assets have decreased from £130.9 million at 31 May 2013 to £121.4 million at 31 May 2014. The main element of this is the player registration movement from a net book value of £121.8 million at 31 May 2013 to £113.6 million at 31 May 2014. This is as a result of player acquisitions of £56.1 million offset by the net book value of disposals of £23.2 million and amortisation of £41.1 million.

There has been a decrease in intangible assets of £1.3 million in relation to the amortisation of goodwill recognised on the previous acquisition of the business and assets of the Company's 100% subsidiary – Liverpoolfc.TV Limited.

Tangible fixed assets have increased from £28.6 million at 31 May 2013 to £31.8 million at 31 May 2014. This includes £3.4 million of stadium development costs.

Net bank debt has increased by £12.2 million from £45.1 million at 31 May 2013 to £57.3 million at 31 May 2014.

Intercompany debt has remained at £69.0 million (excluding the amount due to the Company's 100% subsidiary Liverpoolfc.TV Limited).

On the football pitch the Club finished second in the Premier League and as a result qualified for the group stage of the 2014/15 Champions League competition.

Key performance indicators

The principal key performance indicators for 2014 were as follows:

Non-financial

- Performance against target of continued qualification for the Champions League
- Attendance versus capacity
- Performance of all squads

Football success is a key driver of commercial success.

Financial

- Revenue
- Payroll costs
- EBITDA (Earnings before interest, tax, depreciation and amortisation)
- Cash flow
- Player trading
- Capital expenditure

Strategic report *(continued)*

Principal risks and uncertainties

The Board acknowledges there are risks that affect the Company and action is taken to minimise the risks. The directors consider the principal risks and uncertainties associated with running a professional football Club such as Liverpool Football Club to be the player transfer market and wage levels, attendance levels, and revenues from broadcasting contracts and football competitions. Player transfer market and wage costs are those that need most care, and the aim is to manage these costs within financial constraints, whilst remaining as competitive as possible. Development of the Club's commercial revenue continues and the Board is mindful that continued success on the field is paramount to this development. Regular meetings are held internally at the Company on the latest risks and financial and commercial issues, including health and safety updates.

Financial risk management objectives and policies

An explanation of the Company's exposure to liquidity and cash flow risk, currency risk and credit risk is set out below. The Company's financial instruments comprise bank balances and cash together with various net working capital items which arise directly from its operations such as trade debtors and trade creditors. The main purpose of these financial instruments is to transact and raise finance for the Company's operations.

All of these are measured against budget for the year.

- **Liquidity and cash flow risk**
  Financial risk is managed in such a way as to ensure there is always sufficient liquidity available. This is achieved by the use of predictive financial models which are updated on a regular basis to reflect changes in revenues, costs and other cash management procedures.

- **Currency**
  Where currencies other than sterling are used, the Company looks at natural hedges in the business, and assesses whether further measures are required and hedging arrangements are entered into where appropriate.

- **Credit risk**
  The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Strategic report *(continued)*

Future developments

In the summer of 2014, the Club submitted its planning applications to redevelop its Anfield Stadium. The applications are for detailed planning consent to expand the Main Stand and outline consent for the expansion of the Anfield Road Stand.

If planning permission is granted, the proposal would see capacity for the Main Stand rise by 8,300 taking the overall Anfield capacity to around 54,000. The outline proposals for the Anfield Road stand provide for a further increase in the capacity of around 4,800 seats. Construction work on the proposed Main Stand could begin early next year and it could be complete in time for the 2016/17 season.

The Company will also continue with the many new initiatives to build on the growth already achieved in its commercial business, in particular aiming to grow its international retail, media and partnership activities.

By order of the board

Ian Ayre
Director

Directors' report

The directors present their directors' report and financial statements of The Liverpool Football Club and Athletic Grounds Limited ("the Club" or "Company") for the year ended 31 May 2014.

Results and dividend

The profit and loss account on page 10 shows a profit before taxation for the year of £0.9 million (2013: loss of £49.8 million). The directors do not recommend the payment of a dividend (2013: £nil).

Directors

The directors who held office during the year were as follows:

J Henry
T Werner
M Gordon
D Ginsberg
I Ayre
M Egan (appointed 1 July 2013)
K Dalglish (appointed 1 October 2013)

Certain directors benefit from qualifying third party indemnity provisions in place during the financial period and at the date of this report.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the Directors' report on pages 1 to 6, as are the financial position of the Company, its cash flows, liquidity position and borrowing facilities.

The Company has a revolving credit facility that is due for renewal on 31 December 2015. The Company's forecasts and projections show that the Company should be able to operate within the level of its current facility, and meet its obligations as they fall due in the foreseeable future. The Company will open renewal negotiations with the bank in due course and has no reasons to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

Since the end of the financial year, the Club has contracted for the purchase and sale of various players. The net amount payable resulting from this activity is £60.4 million. This activity will be accounted for in the year ending 31 May 2015. The cumulative effect on the profit and loss account since the year end in relation to the profit on sales of players is a £52.0 million profit.

Directors' report *(continued)*

Employees

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees.

The Company operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy and in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate, will be taken to assist with rehabilitation and suitable re-training. The Company maintains its own health, safety and environmental policies covering all aspects of its operations.

Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Company is responsible for the needs of the employees and the environment.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Ian Ayre
Director

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

KPMG

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of The Liverpool Football Club and Athletic Grounds Limited

We have audited the financial statements of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 May 2014 set out on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of The Liverpool Football Club and Athletic Grounds Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

Date: 25 September 2014

Profit and Loss Account
for the year ended 31 May 2014

	Note	Operations excluding player amortisation and trading £000	Player amortisation and trading £000	2014 £000	2013 £000
Turnover	2	255,647	-	255,647	206,115
Cost of sales		(28,024)	-	(28,024)	(23,713)
Gross profit		227,623	-	227,623	182,402
Administrative expenses before exceptional costs	3	(178,858)	(41,093)	(219,951)	(213,098)
Administrative expenses – exceptional costs	4	(1,400)	-	(1,400)	(1,963)
Total administrative expenses		(180,258)	(41,093)	(221,351)	(215,061)
Operating profit / (loss)		47,365	(41,093)	6,272	(32,659)
Loss on disposal of players' registrations		-	(735)	(735)	(12,685)
Profit / (loss) before interest and taxation		47,365	(41,828)	5,537	(45,344)
Other interest receivable and similar income	6			16	14
Interest payable and similar charges	7			(4,633)	(4,463)
Profit / (loss) on ordinary activities before taxation				920	(49,793)
Tax on profit / (loss) on ordinary activities	8			(507)	(57)
Profit / (loss) for the financial period	20			413	(49,850)

All amounts relate to continuing operations.

The Company has no recognised gains and losses for the period other than the profit stated above, therefore no separate statement of gains and losses has been prepared.

The notes on pages 13 to 31 form part of the financial statements.

Balance Sheet
at 31 May 2014

	Note	2014 £000	£000	2013 £000	£000
Fixed assets					
Intangible assets	*9*		**121,411**		130,893
Tangible assets	*10*		**31,800**		28,617
Investments	*12*		**15,890**		15,890
			169,101		175,400
Current assets					
Stocks	*13*	**7,631**		8,020	
Debtors (including £9.5 million *(2013: £1.0 million)* due after more than one year)	*14*	**48,138**		43,829	
Cash at bank and in hand		**488**		3,071	
		56,257		54,920	
Creditors: amounts falling due within one year	*15*	**(179,517)**		(181,575)	
Net current liabilities			**(123,260)**		(126,655)
Total assets less current liabilities			**45,841**		48,745
Creditors: amounts falling due after more than one year	*15*		**(90,020)**		(93,337)
Net liabilities			**(44,179)**		(44,592)
Capital and reserves					
Called up share capital	*19*		**174**		174
Capital reserves	*20*		**101,084**		101,084
Share premium account	*20*		**32,882**		32,882
Profit and loss account	*20*		**(178,319)**		(178,732)
Shareholders' deficit	*21*		**(44,179)**		(44,592)

The notes on pages 13 to 31 form part of the financial statements.

These financial statements were approved by the board of directors on 23 September 2014 and were signed on its behalf by:

Ian Ayre
Director

Cash Flow Statement

for the year ended 31 May 2014

	Note	**2014**	2013
		£000	£000
Net cash inflow from operating activities	*22*	**52,312**	24,977
Returns on investments and servicing of finance	*23*	**(3,209)**	(3,028)
Taxation		**(35)**	(57)
Capital expenditure and financial investment	*23*	**(60,096)**	(47,422)
Cash outflow		**(11,028)**	(25,530)
Financing	*23*	**8,445**	23,678
Decrease in cash in the period	*24*	**(2,583)**	(1,852)

The notes on pages 13 to 31 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies applied in the preparation of the financial statements are as follows:

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The particular accounting policies adopted are described below. They have all been applied consistently throughout the period.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group. As the Company is a wholly owned subsidiary of UKSV Holdings Company Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of UKSV Holdings Company Limited, within which this Company is included, can be obtained from the address given in note 26.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and the Directors' report on pages 1 to 6, as are the financial position of the Company, its cash flows, liquidity position and borrowing facilities.

The Company has a revolving credit facility that is due for renewal on 31 December 2015. The Company's forecasts and projections show that the Company should be able to operate within the level of its current facility, and meet its obligations as they fall due in the foreseeable future. The Company will open renewal negotiations with the bank in due course and has no reasons to suggest that renewal may not be forthcoming on acceptable terms.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover and revenue recognition

Turnover represents income receivable from the Company's principal activities and is exclusive of value added tax and transfer fees. Matchday receipts are stated after percentage payments to The Football Association, the Football League and visiting Clubs. Revenue from this source is recognised over the course of the football season as games are played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. Income arising from the fixed element of broadcasting revenue is recognised over the duration of the playing season. Facility fees (non-fixed element of broadcasting revenue) which relate to live coverage or highlights of games are recognised as games are played. Revenue arising from participation in European competitions is recognised as matches are played and is classified as matchday income and media income as appropriate. Turnover relating to retail and mail order consists of the amounts receivable for goods supplied by the Company to customers, excluding value added tax. Mail order sales are recognised on delivery to the customer.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. This positive goodwill is amortised to £nil by equal annual instalments over its estimated useful life. The estimated useful life of the Company's goodwill is 11 years. The goodwill recognised in the Company's balance sheet is in relation to the transfer of the trade and assets of Liverpoolfc.tv Limited in July 2009 (see note 12).

Tangible fixed assets and depreciation

Depreciation is provided on the cost of fixed assets appropriate to their estimated useful lives as follows:

Freehold/long leasehold buildings	2%-20%	Stands, fixtures, fittings and equipment	10%-33%
Youth academy	2%	Motor vehicles	20%
Training ground	2%	Computers	25%

Freehold and long leasehold land is not depreciated. All other classes of tangible fixed assets are depreciated on a straight-line basis at the rates stated above, except for fixtures, fittings and equipment which are depreciated using the reducing balance method. The historical cost of the existing stadium is included under the heading "stands, fixtures, fittings and equipment" shown in note 10.

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset.

Intangible fixed assets

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are fully amortised in equal instalments over the period of players' individual contracts. Where a player's contract is extended beyond its initial period, amortisation is calculated over the period of the extended contract from the date on which it is signed. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

The profit or loss on disposal of a player's registration is calculated as the difference between the transfer fee recovered/receivable less the net book value at the date of sale and less any direct costs of the transfer. Future receipts of transfer fees based on the transferred player or the buying Club meeting certain performance criteria in the future are recognised when the criteria are met. Future payments of transfer fees based on performance criteria are recognised when it becomes probable that the criteria will be met.

Signing on fees

Signing on fees are charged evenly, as part of the administrative expenses, to the profit and loss account over the period of the player's contract. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/loss on disposal of players' registrations in the period in which the disposal is recognised.

Stock

Stock represents goods for resale and is valued at the lower of invoice cost and net realisable value. Cost is based on actual cost.

Notes *(continued)*

1 Accounting policies *(continued)*

Finance leases, operating leases and hire purchase

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly. The outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the profit/loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax".

Pensions

The Company operates its own defined contribution scheme which is managed by Legal & General Group Plc. In addition, certain employees are members of The Football League Players' Retirement Income Scheme or The Football League Limited Pension and Life Assurance Scheme. Contributions are also paid to individuals' private pension schemes. Pension contributions are charged to the profit and loss account as they become payable.

The Company continues to make contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme (the 'Scheme'). Accrual of benefits on a final salary basis was suspended with effect from 31 August 1999, when an actuarial review showed a substantial deficit. As one of a number of participating employers the Company is advised only of its share of the Scheme's deficit and recognises a liability in respect of this. As a result, the contributions paid to the scheme reduce the provision. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme.

Deferred income

Deferred income comprises amounts received on sales of season tickets, sponsorship income and hospitality income. These amounts are released to the profit and loss account over the period to which the income relates.

Deferred credits

Deferred credits relate to landlord contributions towards capital expenditure on leasehold property. These are transferred to the profit and loss account over the life of the assets to which they relate. These amounts are repayable in certain exceptional circumstances. In the opinion of the directors such circumstances are unlikely to arise in the course of the Group's normal operations.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at rates of exchange approximating to those ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling as at that date. Translation differences are dealt with in the profit and loss account.

Interest bearing borrowings

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods at the term of the debt at a constant rate on the carrying amount.

Other finance costs

Other finance costs in relation to the short term extensions to the Company facilities have been recognised as incurred within interest payable and similar charges.

Notes *(continued)*

2 Analysis of turnover

	2014	2013
	£000	£000
By activity		
Media	**100,854**	63,791
Matchday	**50,949**	44,617
Commercial	**103,844**	97,707
	255,647	206,115

	2014	2013
By geographical market		
Turnover, all of which originates in the United Kingdom, can be analysed by destination as follows:	**£000**	£000
United Kingdom	**240,841**	198,056
Rest of World	**14,806**	8,059
	255,647	206,115

Notes *(continued)*

3 Administrative expenses – before exceptional costs

	2014 £000	2013 £000
Operations excluding player amortisation and trading:		
Depreciation of tangible fixed assets owned by the Company	**3,188**	3,173
Loss on disposal of tangible fixed assets	**557**	-
Amortisation of goodwill	**1,272**	1,272
Staff costs	**143,749**	130,843
Grants released	**(290)**	(290)
Other operating charges	**28,216**	28,476
Operating lease rentals – land and buildings	**1,620**	1,627
Operating lease rentals – other	**446**	475
Auditors' remuneration	**100**	97
	178,858	165,673
Player amortisation and trading:		
Amortisation of players' registrations	**41,093**	37,099
Impairment of players' registrations	**-**	10,326
	219,951	213,098

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed. This information has been disclosed on a consolidated basis in the consolidated financial statements of UKSV Holdings Company Limited.

4 Administrative expenses – exceptional costs

	2014 £000	2013 £000
Stadium development related costs	**1,400**	-
Termination payments and associated costs	**-**	1,396
Legal and professional fees	**-**	567
	1,400	1,963

These costs comprise:

- Stadium development related costs payable as a result of not progressing with the new stadium development in Stanley Park.
- Amounts payable to former employees and other costs in relation to general restructuring.
- Legal and professional fees incurred by the Company in respect of the purchase of the company by UKSV Holdings Limited.

Notes *(continued)*

5 Directors and employees

	2014	2013
	£000	£000
The directors of the Company received the following remuneration:		
Emoluments (excluding pension contributions)	**1,026**	1,338
Aggregate payments to defined contribution schemes	**25**	43
	1,051	1,381
Highest paid director's remuneration:		
Emoluments	**1,007**	1,010
Company pension contributions	**25**	25
	1,032	1,035

At 31 May 2014, no director had retirement benefits accruing under defined benefit pension schemes *(2013: nil)*.

	2014	2013
	Number	Number
During the period, the average number of full-time employees (including directors) was as follows:		
Players, managers and coaches	**138**	127
Ground and maintenance staff	**51**	56
Administration, commercial and other	**378**	374
	567	557

Full-time employees are those employed for more than 20 hours per week. In addition, the Company employed on match days on average 1,264 part-time employees *(2013: 1,212)*. The Company also employs an additional 81 part-time scouts and coaches *(2013: 67)*.

	2014	2013
	£000	£000
Aggregate amounts for both staff and directors charged in respect of:		
Wages and salaries	**127,182**	116,092
Social security costs	**15,937**	15,552
Pension costs	**630**	596
	143,749	132,240

Notes *(continued)*

6 Other interest receivable and similar income

	2014 £000	2013 £000
Bank interest	**16**	14

7 Interest payable and similar charges

	2014 £000	2013 £000
On bank loan and overdrafts	**3,191**	2,943
Other finance costs	**1,442**	1,520
	4,633	4,463

Included within interest on bank loans and overdrafts are amortised finance costs of £1.2 million *(2013: £1.3 million)* which are being amortised in accordance with FRS 4 "Capital Instruments".

Notes *(continued)*

8 Taxation

Analysis of charge in the period

	2014 £000	2013 £000
Current tax		
UK corporation tax at 22.7% *(2013: 23.8%)*	**550**	-
Double tax relief	**(550)**	-
Group relief	**(445)**	-
Foreign tax	**952**	57
Total current tax	**507**	57
Deferred tax (see note 16)		
Origination and reversal of timing differences	**-**	-
Tax charge on loss on ordinary activities	**507**	57

The tax assessed for the year differs from the profit for the year multiplied by the standard rate of corporation tax in the UK of 22.7% *(2013: 23.8%)*. The differences are explained below:

	2014 £000	2013 £000
Profit / (loss) on ordinary activities before taxation	**920**	(49,793)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.7% *(2013: 23.8%)*	**209**	(11,850)
Effects of:		
Other timing differences	**(949)**	(1,402)
Expenses not deductible for tax purposes/income not taxable	**707**	1,162
Capital Allowances in excess of depreciation	**(103)**	(126)
Amortisation in excess of tax claims	**(309)**	470
Movement in tax losses	**-**	11,746
Foreign tax paid	**952**	57
Total current tax charge	**507**	57

The Company has losses available to be offset against future profits amounting to £108.3 million *(2013: £141.4 million)*.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

9 Intangible fixed assets

	Players' registrations £000	Goodwill £000	Total £000
Cost			
At 1 June 2013	247,041	13,994	261,035
Additions	56,130	-	56,130
Disposals	(63,374)	-	(63,374)
At 31 May 2014	**239,797**	**13,994**	**253,791**
Amortisation			
At 1 June 2013	125,266	4,876	130,142
Charged in year	41,093	1,272	42,365
Eliminated on disposals	(40,127)	-	(40,127)
At 31 May 2014	**126,232**	**6,148**	**132,380**
Net book value			
At 31 May 2014	**113,565**	**7,846**	**121,411**
At 31 May 2013	121,775	9,118	130,893

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings					
	Freehold £000	**Long leasehold £000**	**Stands, fixtures, fittings & equipment £000**	**Motor vehicles £000**	**Assets in course of construction £000**	**Total £000**
Cost						
At 1 June 2013	22,430	3	62,508	191	49,920	135,052
Additions	-	-	3,672	-	3,416	7,088
Disposals	-	-	(1,465)	(34)	(49,226)	(50,725)
At 31 May 2014	**22,430**	**3**	**64,715**	**157**	**4,110**	**91,415**
Depreciation						
At 1 June 2013	13,190	-	43,860	159	49,226	106,435
Charge for year	188	-	2,982	18	-	3,188
Eliminated on disposals	-	-	(757)	(25)	(49,226)	(50,008)
At 31 May 2014	**13,378**	-	**46,085**	**152**	-	**59,615**
Net book value						
At 31 May 2014	**9,052**	**3**	**18,630**	**5**	**4,110**	**31,800**
At 31 May 2013	9,240	3	18,648	32	694	28,617

The £49.2 million cost and accumulated depreciation disposal within assets in course of construction represents the removal of new stadium costs that have been fully written down in prior financial periods. There is no impact on the 2014 profit and loss account.

Contracted capital commitments at 31 May 2013, for which no provision has been made in these financial statements, amount to £1.3 million *(2013: £1.4 million).*

Notes *(continued)*

11 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and buildings £000	2013 Land and buildings £000
Operating leases which expire:		
In the second to fifth years inclusive	**639**	490
Over five years	**1,146**	1,264
	1,785	1,754

12 Fixed asset investments

	£000
Cost and net book value	
At 1 June 2013 and 31 May 2014	**15,890**

The investment carrying value of £15.9 million represents the cost of acquiring the entire share capital of Liverpoolfc.TV Limited. This Company is now dormant following the transfer of the trade and assets to the Company in July 2009. The net assets of Liverpoolfc.TV Limited as at 31 May 2014 were £20.0 million.

The Company also owns 100% of the share capital of Liverpool Ladies Football Club Limited.

Joint venture

The Company owns 50% of the share capital of Stanley Park Limited. The remaining 50% is held by Liverpool City Council. Stanley Park Limited did not trade during the period. Stanley Park Limited has a year end of 31 March.

Notes *(continued)*

13 Stocks

	2014 £000	2013 £000
Goods for resale	**7,631**	8,020

14 Debtors

	2014 £000	2013 £000
Trade debtors	**42,200**	36,282
Other debtors	**143**	41
Amount due from parent undertaking	**329**	-
Amounts due from subsidiary undertaking – Liverpool Ladies Football Club Limited	**57**	96
Prepayments and accrued income	**5,409**	7,410
	48,138	43,829

Debtors include trade debtors of £9.5 million *(2013: £1.0 million)* due after more than one year.

15 Creditors

Amounts falling due within one year	2014 £000	2013 £000
Trade creditors	**37,759**	41,240
Amounts owed to parent undertaking	**68,965**	68,965
Other taxation and social security	**19,104**	13,056
Other creditors	**1,611**	2,383
Accruals	**19,435**	14,537
Deferred credits (note 17)	**290**	290
Deferred income	**32,353**	41,104
	179,517	181,575

The £69.0 million due to group undertakings at 31 May 2014 represented a £69.0 million intercompany creditor with the Club's UK holding company, UKSV Holdings Company Limited. This loan is non-interest bearing.

Notes *(continued)*

15 Creditors *(continued)*

Amounts falling due after more than one year	2014 £000	2013 £000
Bank loan	**57,838**	48,151
Trade creditors	**10,849**	21,593
Amounts owed to subsidiary undertaking – Liverpoolfc.tv Limited	**20,001**	20,001
Other creditors	**980**	2,949
Deferred credits (note 17)	**352**	643
	90,020	93,337

The bank loans and overdrafts are repayable as follows:

	2014 £000	2013 £000
Bank loans	**59,000**	50,000
Less: deferred loan costs	**(1,162)**	(1,849)
	57,838	48,151
In the second to fifth years	**57,838**	48,151

On 30 September 2011, the Company and its holding company, UKSV Holdings Company Limited, refinanced its credit facilities with three banks – The Royal Bank of Scotland plc, Bank of America and Barclays Bank plc. This provided £120 million of facilities for a term of three years - £45 million in relation to the existing stadium project facility and £75 million available for general corporate purposes including working capital and letters of credit.

On 3 August 2012, UKSV Holdings Company Limited injected £46.8 million in to the company via a non interest bearing intercompany loan. This was used to fully repay the £37.8 million outstanding amount on the stadium loan facility with the remaining £9 million being used to repay part of the revolving credit facility. The £120 million total facility is now available for general corporate purposes.

On 28 March 2014, the company and its holding company, UKSV Holdings Company Limited, extended the term of its financing arrangements from 30 September 2014 to 31 December 2015.

Trade creditors falling due after more than one year relate to contractual payments due on the acquisition of players' registrations.

Amounts due to group undertakings of £20 million represent the amount due to the Company's subsidiary – Liverpoolfc.TV Limited.

Notes *(continued)*

16 Provisions for liabilities

Deferred tax

	2014	2013
	£000	£000
This comprises deferred taxation attributable to:		
Accelerated capital allowances	**244**	143
Other timing differences	**(2,112)**	(3,351)
Roll over claims in intangible fixed assets	**1,916**	9,524
Tax losses carried forward	**(22,743)**	(32,524)
	(22,695)	(26,208)
Less: not provided	**22,695**	26,208
	-	-

The Company has tax losses to carry forward of £108.3 million *(2013: £141.4 million)*. A deferred tax asset of £22.7 million *(2013: £26.2 million)* has not been recognised as the directors do not believe that suitable taxable profits in future periods are sufficiently certain in order to recognise an asset.

17 Deferred credits

	2014	2013
	£000	£000
At beginning of year	**932**	1,222
Credited to profit and loss account	**(290)**	(290)
At end of year	**642**	932

Notes *(continued)*

18 Contingent liabilities and assets

Under the terms of certain contracts for the acquisition of players' registrations, future transfer fees may be payable of £12.8 million *(2013: £16.1 million)*. In accordance with the Company's accounting policy for transfer fees any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the condition is fulfilled. Since the year end £0.1 million of contingent liabilities have crystallised.

Under the terms of certain contracts for the sale of players' registrations, future amounts may be received by the Club. As at 31 May 2014 the maximum amount that could be received is £3.3 million (2013: £0.2 million). Since the period end £nil of the contingent assets have crystallised.

19 Called up share capital

	2014	2013
	£	£
Authorised		
50,000 Ordinary shares of £5 each	**250,000**	250,000
Allotted, called up and fully paid		
34,823 Ordinary shares of £5 each	**174,115**	174,115

20 Reserves

	Capital reserves	**Share premium account**	**Profit and loss account**
	£000	**£000**	**£000**
The movement on reserves during the year was as follows:			
At 31 May 2013	101,084	32,882	(178,732)
Profit for the year	-	-	413
At 31 May 2014	**101,084**	**32,882**	**(178,319)**

21 Shareholders' funds

	2014	**2013**
	£000	£000
The reconciliation of movements in shareholders' deficit was as follows:		
Profit/ (loss) for the year	**413**	(49,850)
Opening shareholders' (deficit) / funds	**(44,592)**	5,258
Closing shareholders' deficit	**(44,179)**	(44,592)

Notes *(continued)*

22 Net cash inflow from operating activities

	2014 £000	2013 £000
Operating profit / (loss)	**6,272**	(32,659)
Depreciation charges	**3,188**	3,173
Transfer of deferred credits (note 17)	**(290)**	(290)
Loss on disposal of tangible fixed assets	**557**	-
Amortisation and impairment of players' registrations	**41,093**	47,425
Amortisation of goodwill	**1,272**	1,272
Decrease / (Increase) in stocks	**389**	(2,436)
Decrease / (Increase) in debtors	**4,502**	(9,170)
(Decrease) / Increase in creditors	**(4,671)**	17,662
Net cash inflow from operating activities	**52,312**	24,977

23 Gross cash flows

	2014 £000	2013 £000
Returns on investment and servicing of finance		
Interest received	**16**	14
Interest paid	**(3,225)**	(3,042)
	(3,209)	(3,028)
Capital expenditure		
Payments to acquire tangible fixed assets	**(6,956)**	(3,129)
Proceeds from sale of tangible assets	**150**	-
Payments to acquire intangible fixed assets – player registrations	**(66,786)**	(59,865)
Proceeds from sale of intangible fixed assets – player registrations	**13,496**	15,572
	(60,096)	(47,422)
Financing		
Facility drawdown	**9,000**	15,000
New intercompany debt	**-**	46,765
Costs of raising finance	**(555)**	(339)
Repayment of Stadium Loan	**-**	(37,748)
	8,445	23,678

Notes *(continued)*

24 Analysis of changes in net debt

	At 1 June 2013 £000	Cash flow £000	Other non-cash changes £000	At 31 May 2014 £000
Cash at bank and in hand	3,071	(2,583)	-	**488**
	3,071	(2,583)	-	**488**
Debt due after one year – bank loan	(48,151)	(8,445)	(1,242)	**(57,838)**
Intercompany debt – UKSV Holdings Company Limited	(68,965)	-	-	**(68,965)**
Net debt	(114,045)	(11,028)	(1,242)	**(126,315)**

Reconciliation of net cash flow to movement in net debt

	2014 £000	2013 £000
Decrease in cash in the year	**(2,583)**	(1,852)
Cash (inflow) / outflow from decrease borrowings – bank loans	**(8,445)**	23,087
Cash inflow from increase borrowings – UKSV Holdings Company Limited	-	(46,765)
Change in net debt resulting from cash flows	**(11,028)**	(25,530)
Movement in deferred loan costs	**(1,242)**	(1,345)
Movement in net debt in the year	**(12,270)**	(26,875)
Net debt at 31 May 2013	**(114,045)**	(87,170)
Net debt at 31 May 2014	**(126,315)**	(114,045)

Notes *(continued)*

25 Pensions

Defined contribution schemes

Assets of defined contribution pension schemes are held separately from those of the Company and are separately administered. Total contributions charged to the profit and loss account during the period amounted to £0.6 million *(2013: £0.6 million)*. As at 31 May 2014 £0.1 million *(2013: £0.1 million)* of pension contributions were included in accruals.

Defined benefit scheme

The Company has been advised only of its share of the deficit arising on the defined benefit section of The Football League Ltd Pension and Life Assurance Scheme (the "Scheme") following its suspension on 31 August 1999. The latest actuarial valuation of the Scheme was on 31 August 2012 which revealed an increased deficit. The Scheme's Trustees have stated that the contribution required from the Company to make good this deficit was £3.7 million. The creditor in the accounts was increased accordingly. The revised deficit is payable over a period of 10 years, which commenced in September 2012. The liability is accrued within other creditors.

A summary of the movements is shown below:

	2014	2013
	£000	£000
Provision at 1 June 2013	**3,369**	3,732
Payments in period	**(1,969)**	(363)
Provision at 31 May 2014	**1,400**	3,369

26 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent company is N.E.S.V. I, LLC (also known as Fenway Sports Group) which is incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by N.E.S.V. I, LLC. The smallest group in which the results of the Company are consolidated is that headed by UKSV Holdings Company Limited, incorporated in the United Kingdom.

The consolidated financial statements of UKSV Holdings Company Limited are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ.

27 Post balance sheet events

Since the end of the financial period, the Club has contracted for the purchase and sale of various players. The net amount payable resulting from this activity is £60.4 million. This activity will be accounted for in the year ending 31 May 2015. The cumulative effect on the profit and loss account since the period end in relation to the profit on sales of players is a £52.0 million profit.

Notes *(continued)*

28 Related Parties

During the year, the Company entered into sale and purchase transactions with Fenway Sports Management. This is a related party of the Company by virtue of common ownership. Transactions with Fenway Sports Management in the year total purchases of £42,998 *(2013: £78,642)* and sales of £1,310 *(2013: £1,450,900)*. At the year end, there were no amounts outstanding from purchases *(2013: £nil)* and amounts outstanding from sales transactions were £150 *(2013: £44,863)*.

These transactions occurred on an arm's length basis.