

Company Registration No. 6297789

INTER MK GROUP LIMITED

**Annual Report and Financial Statements
for the year ended 30 June 2016**



INTER MK GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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INTER MK GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Winkelman
B Winkelman
M Turner

SECRETARY

D Lyko-Edwards (Resigned 10 October 2015)
A Richens (Appointed 2 November 2015)

REGISTERED OFFICE

Stadium MK
Stadium Way
Milton Keynes
MK1 1ST

BANKERS

Santander UK PLC
Milton Keynes

SOLICITORS

EMW LLP
Milton Keynes

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Milton Keynes

INTER MK GROUP LIMITED

STRATEGIC REPORT

The directors, in preparing the Strategic report for Inter MK Group Limited ("the Group"), have complied with S414C of the Companies Act 2006.

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Inter MK Group Limited and its subsidiary undertakings when viewed as a whole.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

As shown in the Group's profit and loss account on page 9, the Group's turnover increased by £9.0m (48%), from £18.8m to £27.8m, this was driven by development revenues associated with the commercial property developments of Inter MK Limited along with increased turnover from competing in the championship compared to League 1 in 2014-15.

The Group generated a loss before tax for the financial year of £2.6m compared to a profit before tax of £nil in the prior year. This is primarily due to depreciation of MK Stadium which commenced in the current year upon transition to FRS 102.

The directors do not anticipate that there will be any change to the Group's principal activities in the foreseeable future.

The Group views the following as its' key performance indicators relating to football activities:

	2016 £	2015 £
End of season league position (Championship / League 1)	23 rd	2 nd
Staff costs as percentage of footballing turnover	67.1%	95.3%
Match day income as a percentage of footballing turnover	42.7%	51.0%

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

Credit risk

The Group's principal financial assets are bank balances and cash, restricted cash, trade and other debtors.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, as both the short term and long term debt incur interest at variable rates, based on LIBOR. In order to mitigate this risk, the directors prepare cash flow forecasts, including sensitivity analysis, which take account of a reasonably possible increase in interest rates.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and short-term debt finance. Further details of the Group's current financing arrangements are given in note 1.

INTER MK GROUP LIMITED

STRATEGIC REPORT (continued)

FUTURE DEVELOPMENTS

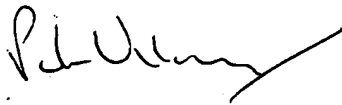
The directors do not anticipate that there will be any change to the Group's principal activities in the foreseeable future

MARKET VALUE OF LAND

In the opinion of the directors, the market value of land is not materially different to the book value.

Approved by the Board of Directors on 31 March 2017

and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'P J Winkelman', with a long horizontal stroke extending to the right.

P J Winkelman

Director

INTER MK GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 30 June 2016.

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

PRINCIPAL ACTIVITIES

The principal activities of the Group are as follows:

- the operation of a professional football club, with other entertainment and related commercial activities;
- property development; and
- the operation of a hotel.

The principal activity of the company is that of a holding company.

GOING CONCERN

The directors have prepared detailed forecasts for the Group out to June 2018. Given the trading in the year to date, these forecasts, the long term nature of Inter MK Group Limited and its subsidiaries' ("the group") bank borrowings and the significant undrawn facilities in place, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

Due to relegation after the 2015/16 season and the poor start to the 2016/17 season (despite an increased player budget) the club decided to part company with the long serving first team manager.

There were no other significant events after the balance sheet date.

DIRECTORS

The directors in office throughout the year and to the date of approval of this report are listed below.

P J Winkelman
B Winkelman
M Turner

DIVIDENDS

The directors do not recommend the payment of a dividend (2015 - £nil).

INFORMATION CONTAINED WITHIN THE STRATEGIC REPORT

Details of the Company's financial risk management objectives and policies and any future developments are contained within the Strategic Report.

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and operates a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employee representatives are consulted regularly on a wide range of matter affecting their current and future interests.

INTER MK GROUP LIMITED

DIRECTORS' REPORT (continued)

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year.

AUDITOR

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

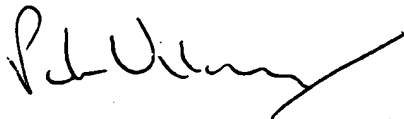
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that she/he ought to have taken as a director to make herself/himself aware of any relevant audit information and to establish that the company's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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 31 March 2017

and signed on behalf of the Board



P J Winkelman Director

INTER MK GROUP LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTER MK GROUP LIMITED

We have audited the financial statements of Inter MK Group Limited for the year ended 30 June 2016 which comprise the Consolidated Statement of Total Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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. 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTER MK GROUP LIMITED

Opinion on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Matthew Hall

Matthew Hall (Senior statutory auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Milton Keynes, UK

31 March 2017

INTER MK GROUP LIMITED

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME Year ended 30 June 2016

	Note	2016 £	2015 £
TURNOVER	3	27,818,138	18,838,401
Operating expenses		(30,876,276)	(23,850,827)
OPERATING LOSS		(3,058,138)	(5,012,426)
Profit on disposal of player registrations	4	775,000	5,403,034
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	5	(2,283,138)	390,608
Interest payable and similar charges	7	(346,553)	(383,759)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,629,691)	6,849
Tax on (profit)/loss on ordinary activities	8	461,520	(209,452)
LOSS FOR THE FINANCIAL YEAR		(2,168,170)	(202,603)
Tax relating to components of other comprehensive income		2,018,800	-
OTHER COMPREHENSIVE INCOME		2,018,800	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		(149,370)	(202,603)

All activities derive from continuing operations.

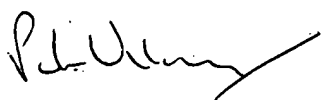
INTER MK GROUP LIMITED

CONSOLIDATED BALANCE SHEET 30 June 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Goodwill	9	220,733	232,996
Intangible assets	10	214,505	266,494
Tangible assets	11	106,998,139	108,610,615
		<u>107,433,377</u>	<u>109,110,105</u>
CURRENT ASSETS			
Stocks	13	343,558	1,467,173
Debtors	14	3,567,947	6,330,819
Cash at bank and in hand:	20	1,923,503	684,705
		<u>5,835,008</u>	<u>8,482,697</u>
CREDITORS: amounts falling due within one year	15	(9,247,095)	(9,764,654)
		<u>(3,412,088)</u>	<u>(1,281,957)</u>
NET CURRENT LIABILITIES			
TOTAL ASSETS LESS CURRENT LIABILITIES		104,021,289	107,828,148
CREDITORS: amounts falling due after more than one year	16	(5,643,542)	(6,937,053)
PROVISIONS FOR LIABILITIES	17	(18,934,896)	(21,298,874)
NET ASSETS		<u>79,442,851</u>	<u>79,592,221</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,000	1,000
Merger reserve		(999)	(999)
Profit and loss account		(4,508,750)	(4,029,780)
Revaluation reserve		83,951,600	83,622,000
SHAREHOLDERS' DEFICIT		<u>79,442,851</u>	<u>79,592,221</u>

The financial statements of Inter MK Group Limited, registered number 6297789, were approved by the Board of Directors and authorised for issue on 31 March 2017.

Signed on behalf of the Board of Directors



P Winkelman
Chairman

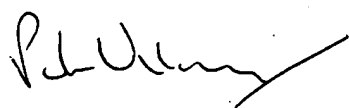
INTER MK GROUP LIMITED

COMPANY BALANCE SHEET 30 June 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Investments	12	<u>2,001,003</u>	<u>2,001,003</u>
CREDITORS: amounts falling due within one year	15	<u>(2,000,003)</u>	<u>(2,000,003)</u>
NET CURRENT LIABILITIES		<u>(2,000,003)</u>	<u>(2,000,003)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		<u>1,000</u>	<u>1,000</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,000	1,000
Profit and loss account		-	-
SHAREHOLDERS' FUNDS		<u>1,000</u>	<u>1,000</u>

The financial statements of Inter MK Group Limited, registered number 6297789, were approved by the Board of Directors and authorised for issue on 31 March 2017

Signed on behalf of the Board of Directors



P J Winkelman
Director

INTER MK GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 30 June 2016

	Share capital £	Merger account £	Profit and loss account £	Revaluation reserve £	Total £
At 1 July 2014	1,000	(999)	(5,475,178)	85,270,000	79,794,823
Loss for the financial year	-	-	(202,602)	-	(202,602)
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	(202,602)	-	(202,602)
Transfer between reserves	-	-	1,648,000	(1,648,000)	-
At 30 June 2015	1,000	(999)	(4,029,780)	83,622,000	79,592,221
Loss for the financial year	-	-	(2,168,170)	-	(2,168,170)
Other comprehensive income	-	-	2,018,800	-	2,018,800
Total comprehensive income	-	-	(149,370)	-	-
Transfer between reserves	-	-	(329,600)	329,600	-
Balance at 30 June 2016	1,000	(999)	(4,508,750)	83,951,600	79,442,851

INTER MK GROUP LIMITED**COMPANY STATEMENT OF CHANGES IN EQUITY**
30 June 2016

	Share capital £	Profit and loss account £	Total £
At 30 June 2014	1,000	-	1,000
Profit for the financial year	-	-	-
Total comprehensive income	-	-	-
At 30 June 2015	1,000	-	1,000
Profit for the financial period	-	-	-
Total comprehensive income	-	-	-
Balance at 30 June 2016	1,000	-	1,000

INTER MK GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 30 June 2016

	Note	2016 £	2015 £
Net cash flows from operating activities	19	3,793,461	(4,688,725)
Cash flows from investing activities			
Interest paid		(346,553)	(383,759)
Purchase of tangible fixed assets		(1,366,590)	(2,809,064)
Purchase of intangible fixed assets		(358,759)	(412,125)
Disposal of tangible fixed assets		775,000	5,403,034
Disposal of tangible fixed assets		71,564	-
Net cash flows from investing activities		(1,225,338)	1,798,086
Cash flows from financing activities			
Repayments of borrowings		(1,334,776)	(383,803)
New bank loans raised		-	3,000,000
Increase/(Decrease) in finance leases		5,450	(1,642)
Net cash flows from financing activities		(1,329,326)	2,614,555
Net increase/(decrease) in cash and cash equivalents		<u>1,238,798</u>	<u>(276,085)</u>
Cash and cash equivalents at beginning of year		684,705	960,790
Cash and cash equivalents at end of year		<u>1,923,503</u>	<u>684,705</u>

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES

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

General information and basis of accounting

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

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has applied the amendments to FRS 102 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

This is the first year that the Company and Group has presented its financial statement under FRS 102. The last financial statements, for the year ended 30 June 2015, were prepared under previous UK GAAP. The transition date therefore is 1 July 2014.

Upon adoption of FRS 102, the following accounting policy change has been implemented:

Property, Plant and equipment

At transition land and buildings, recognised previously at a net book value of £Nil, were recorded at deemed cost, being its fair value on that date of £106,500,000. The Company's revaluation reserve, was credited, net of deferred tax, by £85,270,000. The ongoing policy for depreciation remains unchanged.

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

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

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The directors of the Group have prepared cashflow forecasts through 30 June 2018 and beyond, which include certain key assumptions around revenue, profitability and working capital management. The forecasts show that the Group has adequate resources to operate for the foreseeable future. Accordingly, the directors are satisfied on the ability of the Group to continue to meet its liabilities as and when they fall due for the foreseeable future, being a period of at least 12 months from the date of signing and approving this report. Accordingly, the directors of the group continue to adopt the going concern basis of preparation.

Turnover

Turnover is stated net of VAT and trade discounts.

Milton Keynes Dons Limited

Turnover represents income from commercial activities excluding income from disposal of player registrations and value added tax. Revenue generated in advance, such as season tickets and commercial hospitality income, are deferred and released to the profit and loss account as the associated matches are played.

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (continued)

Inter MK Limited

Turnover relates to the supply of procurement services relating to property development, together with charges receivable for the supply of services in relation to retail units. Where a development contract is partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included within creditors. Profits anticipated on long term contracts are recorded proportionally as contracts progress, once the overall profitability of the contracts can be assessed with reasonable certainty.

Hotel MK Limited

Turnover from the sale of food and drink is recognised at the point of sale. Turnover from the supply of services, which principally comprise accommodation charges and the provision of corporate event facilities, is recognised to the extent that there is a right to consideration and is recorded at the value of the consideration due; this is typically either the date of the event or the day of departure respectively. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Stadium MK Limited

Turnover from the sale of food and drink is recognised at the point of sale. Turnover from the supply of services, which principally comprise of the provision of corporate event facilities, is recognised to the extent that there is a right to consideration and is recorded at the value of the consideration due; this is typically either the date of the event or the day of departure respectively. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of the costs of obtaining the finance. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. The carrying value of long term debt is not discounted.

Goodwill

Goodwill is stated at cost net of amortisation and any provision for impairment. Goodwill is amortised over a period of 20 years.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets, once they are brought into use, by equal instalments over their estimated useful economic lives as follows:

Land	Not depreciated
Buildings	50 years
Office equipment	3 years
Plant and machinery	5 years
Furniture and fittings	5 years
IT equipment	3 years
Vehicles	5 years

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (continued)

Player registrations (within intangible fixed assets)

When acquired the costs of obtaining players' registrations are capitalised and amortised evenly over the period of the associated player's contract. Provision is made where, in the opinion of the directors, an impairment of the carrying value of the players' registrations has occurred. Potential future registration fees, contingent on certain conditions agreed in the registration contracts with the selling company, are disclosed as contingent liabilities (see note 22).

Profits or losses on the disposal of these registrations represent the fair value of the consideration receivable, net of any transaction costs, less the unamortised cost of the original registration

Stocks

Stocks comprise development property for onward sale, retail stock, food and beverages and consumables and are stated at the lower of cost and net realisable value.

Where properties which are intended to be sold have been acquired they have been included in stock as development properties. Development property comprises freehold land inclusive of the direct cost of acquisition and other directly attributable property development costs including interest costs.

Signing on fees

Signing on fees are initially capitalised as intangible assets and amortised evenly over the period covered by the players' contracts.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Finance costs

Finance costs of debt, in the form of bank loans, (including the costs directly attributable to obtaining the loan finance) are recognised in the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Pensions

The company contributes to the Football League Limited Pension and Life Assurance Scheme for certain former employees, the assets of which are held separately from those of the company in independently administered funds. The company is not able to identify its share of the assets and liabilities of the scheme and therefore accounts for the scheme as a defined contribution scheme, in accordance with FRS 102 'employee benefits'. The pension cost charges represent contributions payable by the company during the year towards an actuarial deficit on the scheme, and a provision for the future settlement of the deficit in the Scheme, as advised by the Trustees (see note 17).

Grants

Grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Government income relating to the cost of the construction of the Stadium is credited to the profit and loss account when the cash is received.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The directors are of the opinion that there are no accounting judgements that are not described in sufficient detail in note 1.

Key source of estimation uncertainty – present value of pension obligation

The funding objective of the Trustees of the Scheme is to have sufficient assets to meet the Technical Provisions of the Scheme. In order to remove the deficit revealed at the previous actuarial valuation (dated 31 August 2014), deficit contributions are payable by all participating clubs. Payments are made in accordance with a payment schedule. Determining the present value of the clubs share of the pension obligations requires significant assumptions determined by the schemes actuaries and therefore represents a key source of uncertainty.

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

3. TURNOVER

Turnover, all of which originates in the UK, comprises the following:

	2016 £	2015 £
Football, entertainment and related activities	10,625,876	4,400,293
Hotel	8,774,957	7,466,084
Arena and Stadium	949,338	1,655,826
Property development	7,467,966	5,316,198
	<u>27,818,138</u>	<u>18,838,401</u>

4. PROFIT ON DISPOSAL OF PLAYER REGISTRATIONS

	2016 £	2015 £
Consideration	775,000	5,403,034
Net book value of disposal	-	-
	<u>775,000</u>	<u>5,403,034</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

Profit on ordinary activities before interest and taxation is after charging/(crediting):	2016 £	2015 £
Depreciation		
Owned assets	2,907,503	2,855,414
Amortisation of players' registrations	410,748	145,631
Amortisation of goodwill	12,263	12,264
Profit on disposal of players' registrations	(775,000)	(5,403,034)
Auditor's remuneration	82,000	61,000
	<u>82,000</u>	<u>61,000</u>

The analysis of auditor's remuneration is as follows:

	2016 £	2015 £
Fees payable to the company's auditor for the audit of the group's annual accounts	7,500	8,000
The audit of the company's subsidiaries, pursuant to legislation	45,500	33,000
Taxation compliance services	29,000	20,000
	<u>82,000</u>	<u>61,000</u>

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016 £	2015 £
Directors' remuneration		
Emoluments	325,500	272,500
During the current year the highest paid director was paid £125,500 (2015 - £125,500). No directors (2015 - none) were members of pension schemes in the current year.		
	No	No
The average number of employees of the group during the year were:		
Directors	7	3
Full-time playing, training and management	82	55
Administration and commercial	502	392
	591	450

In addition to the above, the group employs an average of 150 (2015 - 150) temporary staff on match days.

Staff costs incurred during the year in respect of these employees were:

	£	£
Wages and salaries	11,375,954	7,482,483
Social security costs	1,241,913	748,145
Other pension costs	116,411	92,433
	12,734,278	8,323,061

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Bank loans and overdrafts	346,553	383,759

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £	2015 £
Current tax		
United Kingdom corporation tax at blended standard UK rate of 20.00% (2015-20.75%) based on the results for the year	-	57,436
Adjustment in respect of prior year	(57,436)	(21,245)
Total current tax charge	(57,436)	36,191
Deferred tax		
Origination and reversal of timing differences	(337,437)	264,589
Effect of rate change	1,228	(197)
Adjustment in respect of prior year	(67,875)	(91,131)
Tax on profit on ordinary activities	(461,520)	209,452

The tax assessed for the year differs to the amount resulting from applying the blended standard rate of corporation tax in the UK of 20.00% (2015-20.75%). The differences are explained below:

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2016 £	2015 £
(Loss)/Profit on ordinary activities before tax	(2,629,691)	6,849
Tax on profit on ordinary activities at blended standard rate of 20.00% (2015– 20.75%)	(526,120)	1,370
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	54,515	32,251
Losses	99,464	305,627
Adjustments to tax charge in respect of previous periods	(125,311)	(112,375)
Tax rate changes	42,428	(17,421)
Deferred tax not recognised	(6,497)	-
Total tax (credit)/charge for the year	(461,520)	209,452

The elements of deferred tax, not recognised are as follows:

	2016 £	2015 £
Accelerated capital allowances	117,768	112,921
Tax losses	394,139	504,328
STTDs - trading	93,160	57,645
Deferred tax asset (not recognised)	605,067	674,894

The deferred tax asset has not been recognised on the basis that, in the directors' opinion, there is not sufficient certainty that taxable profits will be available in the foreseeable future against which to utilise these tax losses.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 18% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 18%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

A reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this reduced rate. This rate change is to be included in the Finance Bill 2016 but this has not been substantively enacted at the balance sheet date.

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

9. GOODWILL

	£
GROUP	
Goodwill at 1 July 2015	232,996
Amortisation charged in the financial year	(12,263)
	<hr/>
Goodwill at 30 June 2016	220,733
	<hr/>
No amortisation was charged in the year of acquisition.	

10. INTANGIBLE FIXED ASSETS

	Player registrations £
GROUP	
Cost	
At 1 July 2015	412,125
Additions	358,759
	<hr/>
At 30 June 2016	770,884
	<hr/>
Amortisation	
At 1 July 2015	145,631
Charge for the year	410,748
	<hr/>
At 30 June 2016	556,379
	<hr/>
Net book value	
At 30 June 2016	214,505
	<hr/>
At 30 June 2015	266,494
	<hr/>

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

11. TANGIBLE FIXED ASSETS

GROUP	Land and buildings £	Office equipment £	Plant and machinery £	Furniture and fittings £	IT equipment £	Vehicles £	Total £
Cost							
At 1 July 2015	108,383,787	255,784	2,541,243	2,709,905	644,408	114,533	114,649,660
Additions	41,165	71,832	28,992	1,033,297	173,911	17,392	1,366,590
Disposals	-	-	(71,564)	-	-	-	(71,564)
At 30 June 2016	108,424,952	327,616	2,498,672	3,743,202	818,319	131,925	115,944,686
Depreciation							
At 1 July 2015	2,362,522	244,600	1,641,777	1,310,482	393,857	85,807	6,039,045
Charge for the year	2,082,032	32,820	185,856	433,165	157,461	16,168	2,907,503
At 30 June 2016	4,444,554	277,420	1,827,633	1,743,647	551,318	101,975	8,946,548
Net book value							
At 30 June 2016	103,980,398	50,196	671,038	1,999,555	267,001	29,950	106,998,139
At 30 June 2015	106,021,265	11,184	899,466	1,399,423	250,551	28,726	108,610,615

12. INVESTMENTS

COMPANY

Subsidiary
undertakings
£

Cost and net book value

At 1 July 2015 and 30 June 2016

2,001,003

The following are the subsidiary undertakings of the company:

Subsidiary undertaking	Country of incorporation	Description of shares held	Business activity	Proportion of nominal value of shares held by the company
Stadium MK Limited	United Kingdom	Ordinary £1 shares	Event management	100%
Hotel MK Limited	United Kingdom	Ordinary £1 shares	Hotel operator	100%
Milton Keynes Dons Limited	United Kingdom	Ordinary £1 shares	Professional football	100%
Inter M.K. Limited	United Kingdom	Ordinary £1 shares	Property development	100%
MRT Development Consultants Limited	United Kingdom	Ordinary £1 shares	Development consulting	100%
Milton Keynes City Football Club Limited	United Kingdom	Ordinary £1 shares	Non-trading	100%
Milton Keynes Football Club Limited	United Kingdom	Ordinary £1 shares	Non-trading	100%
Stadium MK Properties Limited	United Kingdom	Ordinary £1 shares	Non-trading	100%

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

13. STOCKS

	2016 £	2015 £
GROUP		
Development properties	-	1,103,042
Retail stock	125,171	154,854
Cuttlery, bed furnishing, food and beverages	218,387	209,277
	<u>343,558</u>	<u>1,467,173</u>

Development properties comprised of the cost of developing commercial property, the two properties were sold during the period for in excess of their book value.

14. DEBTORS

	2016 £	2015 £
GROUP		
<i>Amounts falling due within one year:</i>		
Trade debtors	2,470,937	5,621,062
Other debtors	568,029	520,355
Prepayments and accrued income	485,981	189,402
Tax credit due	43,000	-
Total debtors	<u>3,567,947</u>	<u>6,330,819</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
GROUP		
Bank loans	266,664	333,328
Finance leases	99,020	68,171
Trade creditors	2,932,670	2,137,967
Taxation and social security	879,703	851,829
Other creditors	241,565	271,922
Accruals	628,181	985,458
Deferred income	4,199,293	5,058,543
Corporation tax	-	57,436
	<u>9,247,095</u>	<u>9,764,654</u>
COMPANY		
Amounts owed to subsidiary undertakings	<u>2,000,003</u>	<u>2,000,003</u>

Deferred income shown above includes an amount of £1,659,768 (2015- £3,092,951) relating to contractual obligations to be incurred on the completion of the Stadium.

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

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

GROUP	2016 £	2015 £
Bank loans	5,608,777	6,876,889
Finance Leases	34,765	60,164
	<u>5,643,542</u>	<u>6,937,053</u>

Total bank borrowings are repayable as follows:

Bank loans		
Between one and two years	266,664	333,330
Between two and five years	5,342,113	6,543,559
After five years	-	-
	<u>5,608,777</u>	<u>6,876,889</u>
On demand or within one year	266,664	333,328
	<u>5,875,441</u>	<u>7,210,217</u>

An amount of £5.9m (2015: £7.2m), included within bank loans, is secured by a fixed and floating charge on the assets of the Group. The loan is on a five year commitment with capital payment calculated over 15 years. Interest is payable on the term loan at 2.6% above 3 month LIBOR.

Finances leases are repayable as follows:

Between one and two years	34,765	60,164
	<u>34,765</u>	<u>60,164</u>
On demand or within one year	99,020	68,172
	<u>133,785</u>	<u>128,336</u>

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

17. PROVISIONS FOR LIABILITIES

GROUP

	Deferred tax £	Pension scheme £	Total £
At 1 July 2015	20,840,223	458,651	21,298,874
Charged to profit and loss account	(336,208)	22,446	(313,762)
Charged to other comprehensive income	(2,018,800)	-	(2,018,800)
Adjustment in respect of prior years (note 21)	(67,876)	110,253	42,377
Club contributions	-	(73,793)	(73,793)
At 30 June 2016	<u>18,417,339</u>	<u>517,557</u>	<u>18,934,896</u>

Analysis of deferred tax provision

	2016 £	2015 £
Revaluation of property	18,428,400	20,818,000
Accelerated capital allowances	(8,924)	22,223
Short term timing differences	(2,137)	-
	<u>18,417,339</u>	<u>20,840,223</u>

The amount provided under pension schemes relates to a share of a Football League pension scheme deficit attributable to the company - see note 21. The Club currently pays total contributions of £73,793 per annum which increases at 5.0% per annum (first increase due as at 1 September 2016) and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31 August 2022.

18. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Called up, allotted and fully paid 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

19. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016 £	2015 £
Operating loss	(3,058,138)	(5,012,426)
Depreciation	2,907,503	2,855,414
Amortisation of intangible assets	423,011	157,895
Operating cash flow before movement in working capital	<u>272,376</u>	<u>(1,999,117)</u>
Increase in stocks	1,123,615	(112,947)
Increase in debtors	2,762,872	(2,410,060)
(Decrease)/Increase in creditors	(481,744)	459,603
(Decrease)/Increase in provisions	(2,363,978)	20,183,248
Non cash tax movement	<u>2,480,320</u>	<u>(20,809,452)</u>
Net cash outflow from operating activities	<u>3,793,461</u>	<u>(4,688,725)</u>

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 June 2016

20. ANALYSIS AND RECONCILIATION OF NET DEBT

	At 1 July 2015 £	Cash flow £	At 30 June 2016 £
Cash and cash equivalents	684,705	1,238,798	1,923,503
Debt due after 1 year	(6,876,889)	1,268,112	(5,608,777)
Debt due within 1 year	(333,328)	66,664	(266,664)
Finance Leases	(128,335)	(5,450)	(133,785)
	<u>(7,338,552)</u>	<u>1,329,326</u>	<u>(6,009,226)</u>
Net debt	<u>(6,653,847)</u>	<u>2,568,124</u>	<u>(4,085,723)</u>
		2016 £	2015 £
Change in net debt resulting from cash flows		2,568,124	(2,890,640)
Movement in net debt in the year		2,568,124	(2,890,640)
Net debt as at 1 July		<u>(6,653,847)</u>	<u>(3,763,207)</u>
Net debt as at 30 June		<u>(4,085,723)</u>	<u>(6,653,847)</u>

21. PENSION SCHEME

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

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

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

The results of the 2014 valuation were rolled forward to 30 June 2016 on the same assumptions as detailed above, and the Club's notional share of the deficit was £418,974 (£458,651 as at 30 June 2015).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

21. PENSION SCHEME (continued)

The Club currently pays total contributions of £73,793 per annum which increases at 5.0% per annum (first increase due as at 1 September 2016) and based on the actuarial valuation assumptions detailed above, will be sufficient to pay off the deficit by 31. August 2022.

As at 30 June 2016, based on an appropriate discount rate of 1.29% per annum, the present value of the Club's outstanding contributions (i.e. their future liability) is £517,557. This amounts to £76,868 (2015: £73,793) due within one year and £440,689 (2015: £495,110) due after more than one year and is included within provisions.

Present value of defined benefit obligation

	2016 £	2015 £
Present value of defined benefit obligation	<u>517,557</u>	<u>568,903</u>

Reconciliation of defined benefit obligation

	2016 £
Defined benefit obligation at 1 July 2015	568,903
Net interest charge	12,237
Club contribution (deficit contribution)	(73,793)
Changes in assumptions (note 7)	<u>10,209</u>
At 30 June 2016	<u>517,557</u>

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

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

22. CONTINGENT LIABILITIES AND ASSETS

Player registration fees

At the year end, no additional transfer fees payable (2014 - £nil) will arise contingent upon certain contractual events occurring after the year end, such as players making specific numbers of appearances and gaining international honours.

Additional transfer fees may become receivable should certain contingent events occur in respect of players already sold by the year end. No amounts have been recognised in these financial statements in respect of these fees, as they are dependent on future events.

INTER MK GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

23. COMMITMENTS

The Company and Group had no capital commitments at the balance sheet date (2015 - none).

24. RELATED PARTY TRANSACTIONS

No transactions with related parties in the financial period to be noted.

25. ULTIMATE CONTROLLING PARTY

The controlling and ultimate controlling party is considered to be Mr P J Winkelman by virtue of his shareholding in Inter MK Group Limited.

26. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company and Group have presented their financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 30 June 2015 and the date of transition to FRS 102 was therefore 1 July 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed, which have been described in note 1.

Reconciliation of equity

	At 1 July 2014 £	At 30 June 2015 £
Equity reported under previous UK GAAP	(5,475,176)	(4,029,779)
Adjustments to equity on transition to FRS 102		
Revaluation of property to deemed cost	106,500,000	106,500,000
Depreciation of revalued property	-	(2,060,000)
Tax effect of revaluation of property	(21,230,000)	(20,818,000)
Equity reported under FRS 102	<u>79,794,824</u>	<u>79,592,221</u>

Notes to the reconciliation of equity at 1 June 2014 and 30 June 2015

At transition land and buildings, recognised previously at a net book value of £Nil, were recorded at deemed cost, being its fair value on that date of £106,500,000. The Company's revaluation reserve, was credited, net of deferred tax, by £85,270,000. The ongoing policy for depreciation remains unchanged.

Reconciliation of profit or loss for 2015

	£
Profit for the financial year under previous UK GAAP	1,445,398
Depreciation of revalued property	(2,060,000)
Tax effect of revaluation of property	412,000
Loss for the financial year under FRS 102	<u>(202,602)</u>