

# **UKSV Holdings Company Limited**

Annual report and consolidated  
financial statements

Registered number 07393872

31 May 2016



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## Group strategic report

The directors present their strategic report and financial statements of UKSV Holdings Company Limited (the “Company”) and its subsidiaries (together “the Group”) for the year ended 31 May 2016.

### Principal activities

The Company is a wholly owned subsidiary of UKSV I, LLC, a company incorporated in the United States of America.

The Company’s principal activity during the year was as the holding company of The Liverpool Football Club and Athletic Grounds Limited.

### Strategy

The four key elements of the Group’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 profitable revenue growth.

### Review of the business

These are the Group’s and Company’s first financial statements prepared in accordance with FRS 102. Details of the transition to FRS 102 are given in notes 1 and 26 of the financial statements.

#### *Profit and Loss Account*

Turnover for the year ended 31 May 2016 was £302.0 million (2015: £298.1 million).

Media revenue for the year ended 31 May 2016 was £123.8 million (2015: £122.8 million). The favourable revenue attained by progression in domestic and European cup competitions was offset by lower Premier League revenue as a result of finishing eighth in the Premier League in 2015/16 season versus sixth in the 2014/15 season.

Match day revenue for the year ended 31 May 2016 was £62.5 million (2015: £59.0 million). This increase was mainly due to additional Pre-Season Tour revenue.

Commercial revenue for the year ended 31 May 2016 was £115.7 million (2015: £116.4 million). Higher sponsorship revenue was offset by lower revenue in other areas including merchandising.

Administrative expenses for the year ended 31 May 2016 were £334.8 million (2015: £269.8 million). The increase mainly relates to higher player and backroom salary costs, higher player amortisation and redundancy and associated costs.

The profit on the disposal of player registrations for the year ended 31 May 2016 was £42.1 million (2015: £52.5 million).

Interest payable for the year ended 31 May 2016 was £5.5 million (2015: £6.0 million).

The loss before taxation for the year ended 31 May 2016 was £24.4 million (2015 profit: £48.3 million)

## Group strategic report (*continued*)

### Review of the business (*continued*)

#### *Balance Sheet*

Intangible fixed assets have increased from £211.9 million (restated) at 31 May 2015 to £230.6 million at 31 May 2016. The main element of this is the player registration movement from a net book value of £164.0 million (restated) at 31 May 2015 to £185.8 million at 31 May 2016. This is as a result of player acquisitions of £101.9 million offset by the net book value of disposals of £7.2 million and amortisation and impairment of £72.9 million.

There has been a decrease within intangible assets of £3.1 million in relation to the amortisation of goodwill.

Tangible fixed assets have increased from £100.6 million at 31 May 2015 to £161.5 million at 31 May 2016. This includes £58.5 million (*2015: £30.0 million*) of stadium development costs.

Net bank debt has decreased by £0.3 million from £45.2 million at 31 May 2015 to £44.9 million at 31 May 2016.

Intercompany debt has increased from £115.3 million at 31 May 2015 to £175.9 million at 31 May 2016. This increase is related to additional intercompany finance in respect of the Anfield Stadium expansion.

On the football pitch the Club finished eighth in the Premier League and were also runners-up in both the domestic Capital One Cup Final and UEFA Europa League Final.

On 11 September 2015, the Group refinanced its revolving credit debt under a new revolving credit facility. This provided £150.0 million of facilities for a term of five years and is available for general corporate purposes including working capital and letters of credit.

### Key performance indicators

The principal key performance indicators for the financial year were as follows:

#### *Non-financial*

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

#### *Financial*

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

## Group strategic report (continued)

### Principal risks and uncertainties

The Board acknowledges there are risks that affect the Group 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. An area of focus is the player transfer market and wage costs, 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 Club 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 given in note 18 of the financial statements.

### Stadium development

The main stand expansion project was substantially completed in September 2016. The expanded 20,500 capacity stand features high quality fan concourse and hospitality facilities together with premium public space which has created more than 1,000 new match day roles at the stadium and has broadened the stadium's hospitality, conferencing and events offering.

By order of the board



G Morris

Director

Anfield Road  
Liverpool  
L4 0TH

## Group directors' report

The directors present their directors' report and financial statements of UKSV Holdings Company Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 May 2016.

### Results and dividend

The Group Profit and Loss Account on page 9 shows a loss before taxation for the year of £24.4 million (2015: restated profit of £48.3 million). The directors do not recommend the payment of a dividend (2015: nil).

### Directors

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

D Ginsberg (resigned 1 January 2016)  
E Weiss  
G Morris (appointed 22 March 2016)

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

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Strategic report on pages 1 to 3, as are the financial position of the Group and its borrowing facilities.

The Group has a credit facility that was refinanced under a new revolving credit facility on 11 September 2015 and matures 11 September 2020. The Group's forecasts and projections show that the Group should be able to operate within the level of the new facility, and meet its obligations as they fall due in the foreseeable future.

Notwithstanding the net current liability position of £238.5 million at year end, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Post balance sheet events

Details of post balance sheet events are given in note 24 of the financial statements.

### Employees

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

The Group 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.

## **Group directors' report** *(continued)*

### **Employees** *(continued)*

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

  
**G Morris**  
Director

Anfield Road  
Liverpool  
L4 0TH

## **Statement of directors' responsibilities in respect of the annual report and the financial statements**

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.





KPMG LLP  
8 Princes Parade  
Liverpool  
L3 1QH  
United Kingdom

## **Independent auditor's report to the members of UKSV Holdings Company Limited**

We have audited the financial statements of UKSV Holdings Company Limited for the year ended 31 May 2016 set out on pages 9 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 6, 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 website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2016 and of the group's loss 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 UKSV Holdings Company Limited** *(continued)*

### **Opinion on other matters 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.

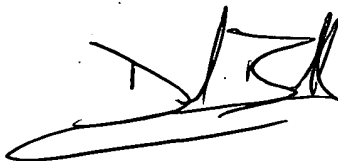
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and.
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

### **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.



**David Bills**  
**(Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*8 Princes Parade*  
*Liverpool*  
*L3 1QH*  
Date: 27 September 2016

**Consolidated Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 May 2016*

	Note	2016 £000	Restated 2015 £000
<b>Turnover</b>	2	<b>301,967</b>	298,134
Cost of sales		<u>(29,871)</u>	<u>(28,265)</u>
<b>Gross profit</b>		<b>272,096</b>	269,869
Administrative expenses	3	<u>(334,785)</u>	<u>(269,758)</u>
<b>Group operating (loss)/profit</b>		<b>(62,689)</b>	111
Profit on disposal of players' registrations		<b>42,148</b>	52,501
Interest receivable and similar income	5	<b>1,625</b>	1,648
Interest payable and similar charges	6	<u>(5,531)</u>	<u>(5,986)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(24,447)</b>	48,274
Tax on (loss)/profit on ordinary activities	7	<u>(1,487)</u>	<u>385</u>
<b>(Loss)/profit for the financial year</b>		<b>(25,934)</b>	48,659
<b>Other comprehensive (loss)/income</b>			
Effective portion of changes in fair value of cash flow hedges		<u>(121)</u>	<u>152</u>
<b>Total comprehensive (loss)/income for the year attributable to the shareholders of the parent company</b>		<b>(26,055)</b>	48,811

The activities represent the continuing activities of the group.


The notes on pages 15 to 37 form part of the financial statements.

## Consolidated Balance Sheet at 31 May 2016

	Note	2016 £000	2016 £000	Restated 2015 £000	Restated 2015 £000
<b>Fixed assets</b>					
Intangible assets	8		230,622		211,905
Tangible assets	9		161,495		100,639
			<u>392,117</u>		<u>312,544</u>
<b>Current assets</b>					
Stocks		6,793		9,858	
Debtors (including £16.9 million (2015 restated : £18.2 million) due after more than one year)	11	94,677		98,385	
Cash at bank and in hand		8,462		4,341	
		<u>109,932</u>		<u>112,584</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(348,384)</u>		<u>(299,271)</u>	
<b>Net current liabilities</b>			<u>(238,452)</u>		<u>(186,687)</u>
<b>Total assets less current liabilities</b>			<u>153,665</u>		<u>125,857</u>
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(82,053)</u>		<u>(28,190)</u>
<b>Net assets</b>			<u><u>71,612</u></u>		<u><u>97,667</u></u>
<b>Capital and reserves</b>					
Called up share capital	17		-		-
Share premium account			217,789		217,789
Capital contribution reserve			16,816		16,816
Cash flow hedging reserve			28		149
Retained earnings			<u>(163,021)</u>		<u>(137,087)</u>
<b>Shareholders' funds</b>			<u><u>71,612</u></u>		<u><u>97,667</u></u>

The notes on pages 15 to 37 form part of the financial statements.

These financial statements were approved by the board of directors on 22 September 2016 and were signed on its behalf by:

  
**G Morris**  
Director

Company registered number: 07393872

## Company Balance Sheet at 31 May 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
<b>Fixed assets</b>					
Investments ( <i>shares in group undertakings</i> )	10		299,316		299,316
<b>Current assets</b>					
Debtors	11	109,964		49,371	
Cash at bank and in hand		282		282	
		<u>110,246</u>		<u>49,653</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(175,909)</u>		<u>(115,271)</u>	
<b>Net current liabilities</b>			<b>(65,663)</b>		<b>(65,618)</b>
<b>Total assets less current liabilities</b>			<b>233,653</b>		<b>233,698</b>
<b>Creditors: amounts falling due after more than one year</b>	13		-		-
<b>Net assets</b>			<b>233,653</b>		<b>233,698</b>
<b>Capital and reserves</b>					
Called up share capital	17		-		-
Share premium account			217,789		217,789
Capital contribution reserve			16,816		16,816
Retained earnings			(952)		(907)
<b>Shareholders' funds</b>			<b>233,653</b>		<b>233,698</b>

The notes on pages 15 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 22 September 2016 and were signed on its behalf by:



**G Morris**  
Director

Company registered number: 07393872

## Consolidated Statement of Changes in Equity

	Share premium account £000	Capital contribution reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 June 2014	217,789	16,816	-	(183,046)	51,559
Effect of transition to FRS 102 (note 26)	-	-	(3)	(2,700)	(2,703)
Balance at 1 June 2014 (restated)	217,789	16,816	(3)	(185,746)	48,856
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	48,659	48,659
Other comprehensive income	-	-	152	-	152
Total comprehensive income for the period	-	-	152	48,659	48,811
<b>Balance at 31 May 2015 (restated)</b>	<b>217,789</b>	<b>16,816</b>	<b>149</b>	<b>(137,087)</b>	<b>97,667</b>
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	-	-	(25,934)	(25,934)
Other comprehensive loss	-	-	(121)	-	(121)
Total comprehensive loss for the period	-	-	(120)	(25,934)	(26,055)
<b>Balance at 31 May 2016</b>	<b>217,789</b>	<b>16,816</b>	<b>28</b>	<b>(163,021)</b>	<b>71,612</b>

The notes on pages 15 to 37 form part of the financial statements.

## Company Statement of Changes in Equity

	Share premium account £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 June 2014	217,789	16,816	2,956	237,561
Loss for the period	-	-	(3,863)	(3,863)
Total comprehensive loss for the period	-	-	(3,863)	(3,863)
<b>Balance at 31 May 2015</b>	<b>217,789</b>	<b>16,816</b>	<b>(907)</b>	<b>233,698</b>
Loss for the period	-	-	(45)	(45)
Total comprehensive loss for the period	-	-	(45)	(45)
<b>Balance at 31 May 2016</b>	<b>217,789</b>	<b>16,816</b>	<b>(952)</b>	<b>233,653</b>

The notes on pages 15 to 37 form part of the financial statements.

## Consolidated Statement of Cash Flows

for year ended 31 May 2016

	2016 £000	Restated 2015 £000
<b>Cash flows from operating activities</b>		
Operating (loss)/profit for the year	(62,689)	111
Adjustments for:		
Depreciation, amortisation and impairment	82,225	68,320
Loss/(gain) on sale of tangible fixed assets	19	(667)
Transfer of deferred credits to Profit and Loss Account	(104)	(104)
Increase in trade and other debtors	(11,566)	(4,996)
Decrease/(increase) in stocks	3,065	(2,227)
Increase in trade and other creditors	28,144	4,212
<b>Cash flow from operations</b>	<b>39,094</b>	<b>64,649</b>
Interest received	73	32
Interest paid	(2,393)	(2,822)
<b>Net cash from operating activities</b>	<b>36,774</b>	<b>61,859</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	26	667
Acquisition of tangible fixed assets	(57,431)	(40,225)
Proceeds from sale of player registrations	61,994	36,946
Acquisition of player registrations	(99,873)	(95,621)
<b>Net cash from investing activities</b>	<b>(95,284)</b>	<b>(98,233)</b>
<b>Cash flows from financing activities</b>		
Cash inflow/(outflow) from change in borrowings – bank loans	3,031	(9,060)
Proceeds from intercompany debt	59,600	49,000
<b>Net cash from financing activities</b>	<b>62,631</b>	<b>39,940</b>
Net increase in cash and cash equivalents	4,121	3,566
Cash and cash equivalents at 1 June	4,341	775
<b>Cash and cash equivalents at 31 May 2016</b>	<b>8,462</b>	<b>4,341</b>

The notes on pages 15 to 37 form part of the financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

UKSV Holdings Company Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from previous UK GAAP, the Group has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Group is provided in note 26.

In the transition to FRS 102 from previous UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 June 2014 have not been restated.
- Separate financial instruments – carrying amount of the Company’s cost of investment in subsidiaries is its deemed cost at 1 June 2014.
- Lease incentives – for leases commenced before 1 June 2014 the Group and Company continued to account for lease incentives under previous UK GAAP.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Statement of Cash Flows with related notes is included; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the long term player debtors and player creditors are measured at the present value of future receipts and payments discounted at a market rate of instrument for a similar debt instrument. In addition, derivative financial instruments are stated at their fair value.

#### 1.2 Going concern

The Group has a credit facility that was refinanced under a new revolving credit facility on 11 September 2015 and matures 11 September 2020. The Group's forecasts and projections show that the Group should be able to operate within the level of the new facility, and meet its obligations as they fall due in the foreseeable future.

Notwithstanding the net current liability position of £238.5 million at year end, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 May 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated Profit and Loss Account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

A joint venture is a contractual arrangement undertaking in which the Group exercises joint control over the operating and financial policies of the entity. Where the joint venture is carried out through an entity, it is treated as a jointly controlled entity. The Group's share of the profits less losses of associates and of jointly controlled entities is included in the consolidated Profit and Loss Account and its interest in their net assets is recorded on the balance sheet using the equity method.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

#### 1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Classification of financial instruments issued by the group

The Group uses foreign exchange contracts to manage foreign currency risk impacting assets and liabilities due at a future date. These derivative financial instruments are recognised at fair value.

The Group accounts for certain foreign currency contracts as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any ineffective portion of the hedge is recognised in profit or loss.

The Group also uses foreign exchange contracts to mitigate foreign currency risks that are not designated as cash flow hedges. The gain or loss on re-measurement to fair value of these contracts is recognised in profit or loss.

#### 1.6 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors/creditors are recognised initially at transaction price less/plus attributable transaction costs. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The carrying amounts of the entity's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

##### *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 Other financial instruments

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as hedging instruments in a designated hedging relationship shall be recognised as set out below.

##### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

##### *Cash flow hedges*

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss. When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Profit and Loss Account immediately.

#### 1.8 Tangible fixed assets

Land includes the value attributed to the land element of Anfield Stadium, Melwood Training Ground and the Youth Academy. This is not depreciated.

Anfield Stadium includes the value of the four stands. These are depreciated on a straight line basis over their estimated useful lives which range from 13 to 22 years.

Other facilities include the valuation of the buildings at Melwood Training Ground, the Youth Academy and residential property. These are depreciated on a straight line basis over their estimated useful lives which range from 27 to 50 years.

Other assets include fixtures, fittings, equipment and computers. The fixtures, fittings and equipment are depreciated on a reducing balance basis at rates of 10% to 33%. Computers are depreciated on a straight line basis at 25% per annum.

An asset under construction represents the cost of land, payments to building contractors, and other relevant expenses. Finance costs in respect of the stadium redevelopment are capitalised in accordance with the Group's accounting policy on finance costs. Assets under construction are held at cost until the asset is ready for use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

The carrying amounts of the Group'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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 June 2014 at fair market value. In respect of acquisitions prior to 1 June 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

#### 1.10 Intangible assets, goodwill and negative goodwill

##### Goodwill

Goodwill is stated at cost less any accumulated amortisation. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Goodwill is amortised over its estimated useful life of 20 years and is reviewed annually for impairment. The useful life has been arrived at by considering the longevity of the club, the nature and longevity of the market place and long term financial forecasts. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

##### Other intangible assets – player registrations

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.

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 the criteria are met.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). In respect of player registrations, the squad as a whole is considered to be one cash-generating unit (or "CGU") unless there are indications that an individual player is clearly out of the squad. Such individual players are assessed separately for impairment.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Intangible assets, goodwill and negative goodwill (continued)

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.11 Signing on fees

##### *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 period are charged against the profit/loss on disposal of players' registrations in the period in which the disposal is recognised.

#### 1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

#### 1.13 Pensions

##### *Defined contribution plans and other long term employee benefits*

The company operates its own contributory defined contribution scheme which is managed by Legal and General Group Plc. 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, accounts for the scheme as if it were a defined contribution scheme.

#### 1.14 Provisions

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

#### 1.15 Turnover

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.16 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in Profit and Loss Account over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

#### 1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences are not provided for differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

## Notes (continued)

### 2 Turnover

	2016 £000	2015 £000
By activity:		
Media	123,773	122,762
Commercial	115,725	116,401
Match day	62,469	58,971
	<hr/> 301,967 <hr/>	<hr/> 298,134 <hr/>
By geographical market:		
United Kingdom	286,902	285,471
EU	2,642	2,409
Rest of the World	12,423	10,254
	<hr/> 301,967 <hr/>	<hr/> 298,134 <hr/>

### 3 Administrative expenses

*Included in administrative expenses are the following:*

	2016 £000	2015 £000
Amortisation of players' registrations	65,047	59,597
Redundancy and associated costs	15,669	-
Impairment loss on player registrations	7,878	241
Depreciation of tangible fixed assets	6,182	5,364
Amortisation of goodwill	3,118	3,118
Operating lease rentals	2,397	2,341
Loss/(gain) on disposal of tangible fixed assets	19	(667)
Stadium development related (credits)	-	(338)
	<hr/>	<hr/>

*Auditor's remuneration:*

	2016 £000	2015 £000
Audit of these financial statements	18	14
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	100	101
Audit-related assurance services	18	5
Taxation compliance services	10	23
Other tax advisory services	19	-
	<hr/> 165 <hr/>	<hr/> 143 <hr/>



## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration, commercial and other	503	439
Players, managers and coaches	141	147
Ground and maintenance staff	61	53
	<hr/>	<hr/>
	705	639
	<hr/>	<hr/>

Full-time employees are those employed for more than 20 hours per week. In addition, the Group engaged on match days an average of 1,496 temporary staff (2015: 1,368). The Group also engages an additional 58 part-time scouts, coaches and semi-professional LFC Ladies players (2015: 103).

	2016	2015
	£000	£000
Aggregate amounts for both staff and directors charged in respect of:		
Wages and salaries	185,511	146,127
Social security costs	22,683	18,329
Pension costs	808	2,135
	<hr/>	<hr/>
	209,002	166,591
	<hr/>	<hr/>

The company had no employees during the financial period. The directors received no remuneration in respect of their services to the Company.

## Notes (continued)

### 5 Interest receivable and similar income

	2016 £000	Restated 2015 £000
Notional interest on deferred receipts for sales of players' registrations	1,519	1,510
Bank interest	74	32
Effective gains on derivatives treated as hedging instruments	32	106
	<hr/>	<hr/>
Total interest receivable and similar income	<b>1,625</b>	<b>1,648</b>
	<hr/>	<hr/>

### 6 Interest payable and similar charges

	2016 £000	Restated 2015 £000
Notional interest expense on deferred payments for players' registrations	2,374	2,367
Interest expense	2,242	2,735
Other finance costs	915	884
	<hr/>	<hr/>
Total interest payable and similar charges	<b>5,531</b>	<b>5,986</b>
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation

#### Total tax expense recognised in the Profit and Loss Account, other comprehensive income and equity

	2016 £000	2015 £000
<i>Current tax</i>		
Current tax on income for the period	1,493	(385)
Adjustments in respect of prior periods	(3)	-
	<hr/>	<hr/>
Total current tax	1,490	(385)
<i>Deferred tax (see note 15)</i>		
Origination and reversal of timing differences	(3)	-
	<hr/>	<hr/>
Total deferred tax	(3)	(385)
	<hr/>	<hr/>
Total tax	<u>1,487</u>	<u>(385)</u>

## Notes (continued)

### 7 Taxation (continued)

#### Analysis of current tax recognised in Profit and Loss Account

	2016 £000	2015 £000
UK corporation tax	-	(404)
Foreign tax	1,490	19
	<hr/>	<hr/>
Total current tax recognised in Profit and Loss Account	1,490	(385)
	<hr/>	<hr/>

#### Reconciliation of effective tax rate

	2016 £000	Restated 2015 £000
(Loss)/Profit excluding taxation	(24,447)	48,274
Tax using the UK corporation tax rate of 20% (2015: 20.83%)	(4,889)	10,057
Effect of tax rates in foreign jurisdictions	1,494	19
Non-deductible expenses	1,370	2,319
Current year movement in tax losses for which no deferred tax was recognised	10,723	(3,559)
Other timing differences for which no deferred tax asset was recognised	(7,208)	(9,150)
Under / (over) provided in prior years	(3)	-
Tax rate difference on loss carry back claim	-	(71)
	<hr/>	<hr/>
Total tax expense/(credit) included in Profit and Loss Account	1,487	(385)
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 May 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset

## Notes (continued)

### 8 Intangible assets and goodwill

#### Group

	<b>Goodwill £000</b>	<b>Players' registrations £000</b>	<b>Total £000</b>
<b>Cost</b>			
Balance at 1 June 2015 (restated)	62,360	309,794	372,154
Additions	-	101,899	101,899
Disposals	-	(53,946)	(53,946)
	<hr/>	<hr/>	<hr/>
Balance at 31 May 2016	62,360	357,747	420,107
	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>			
Balance at 1 June 2015 (restated)	14,421	145,828	160,249
Amortisation for the year	3,118	65,047	68,165
Impairment charge	-	7,878	7,878
Disposals	-	(46,807)	(46,807)
	<hr/>	<hr/>	<hr/>
Balance at 31 May 2016	17,539	171,946	189,485
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 1 June 2015 (restated)	47,939	163,966	211,905
	<hr/>	<hr/>	<hr/>
<b>At 31 May 2016</b>	<b>44,821</b>	<b>185,801</b>	<b>230,622</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Tangible fixed assets

<i>Group</i>	<b>Land £000</b>	<b>Anfield Stadium £000</b>	<b>Other facilities £000</b>	<b>Other assets £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost</b>						
Balance at 1 June 2015	8,000	42,700	17,200	20,765	34,469	123,134
Additions	-	-	-	8,593	58,513	67,106
Disposals	-	-	-	(715)	-	(715)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2016	8,000	42,700	17,200	28,643	92,982	189,525
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
Balance at 1 June	-	11,637	2,770	7,977	111	22,495
Depreciation charge for the year	-	2,241	597	3,344	-	6,182
Disposals	-	-	-	(647)	-	(647)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2016	-	13,878	3,367	10,674	111	28,030
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 1 June 2015	8,000	31,063	14,430	12,788	34,358	100,639
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2016	8,000	28,822	13,833	17,969	92,871	161,495
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### *Tangible fixed assets under construction*

During the year, the Main Stand at Anfield Stadium was redeveloped to increase capacity and improve facilities. The amount of borrowing costs capitalised during the period was £1.0 million (2015:£0.3 million).

## **Notes (continued)**

### **10 Fixed asset investments**

#### **(a) Investments in wholly owned Group undertakings comprise:**

All subsidiary undertakings of the Group are as follows.

<b>Name of subsidiaries</b>	<b>Nature of business</b>	<b>Class of Shares held</b>	<b>Shares held</b>	<b>Issued share capital</b>
The Liverpool Football Club and Athletic Grounds Limited	Operating company	100% Ordinary	Directly	£174,125
Liverpool Ladies Football Club Limited	Operating company	100% Ordinary	Indirectly	£100
LFC International Limited	Operating company	100% Ordinary	Indirectly	£100
Liverpoolfc.tv Limited	Dormant	100% Ordinary	Indirectly	£1,000
LFC Financial Services Limited	Dormant	100% Ordinary	Indirectly	£1,000
LFC Travel Limited	Dormant	100% Ordinary	Indirectly	£1,000
Liverpool Limited	Dormant	100% Ordinary	Indirectly	£1,000
LFC Television Limited	Dormant	100% Ordinary	Indirectly	£100
LFC Limited	Dormant	100% Ordinary	Indirectly	£100
LFC Properties Limited	Dormant	100% Ordinary	Indirectly	£100
LFC Leisure Limited	Dormant	100% Ordinary	Indirectly	£100
Liverpool FC Limited	Dormant	100% Ordinary	Indirectly	£1,000
LFC Services Limited	Dormant	100% Ordinary	Indirectly	£1,000
Liverpool Football Club Limited	Dormant	100% Ordinary	Indirectly	£1,000
LFC TV Limited	Dormant	100% Ordinary	Indirectly	£100
Anfield Arena Limited	Dormant	100% Ordinary	Indirectly	£1

#### **(b) Joint venture**

The group owns 50% of the share capital in 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)

### 11 Debtors

	Group 2016 £000	Restated 2015 £000	Company 2016 £000	2015 £000
Trade debtors	86,919	84,647	-	-
Amounts owed by group undertakings	-	-	109,961	49,369
Other debtors	138	179	3	2
Prepayments and accrued income	7,620	13,559	-	-
	<u>94,677</u>	<u>98,385</u>	<u>109,964</u>	<u>49,371</u>
Due within one year	77,793	80,194	109,964	49,371
Due after more than one year	16,884	18,191	-	-
	<u>94,677</u>	<u>98,385</u>	<u>109,964</u>	<u>49,371</u>

### 12 Creditors: amounts falling due within one year

	Group 2016 £000	Restated 2015 £000	Company 2016 £000	2015 £000
Bank loans and overdrafts (see note 14)	-	49,519	-	-
Trade creditors	75,126	61,668	-	-
Amounts owed to parent undertakings	175,887	115,253	175,887	115,253
Taxation and social security	23,649	21,476	-	-
Corporation tax	1,276	22	-	-
Other creditors	2,330	1,763	-	-
Accruals	30,518	23,322	22	18
Other financial liabilities	250	-	-	-
Deferred income	39,348	26,248	-	-
	<u>348,384</u>	<u>299,271</u>	<u>175,909</u>	<u>115,271</u>

### 13 Creditors: amounts falling due after more than one year

	Group 2016 £000	Restated 2015 £000	Company 2016 £000	2015 £000
Bank loans and overdrafts (see note 14)	53,315	-	-	-
Trade creditors	27,117	25,928	-	-
Other creditors	1,621	2,262	-	-
	<u>82,053</u>	<u>28,190</u>	<u>-</u>	<u>-</u>



## Notes (continued)

### 14 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
<b>Creditors falling due within one year</b>				
Secured bank loans	-	50,000	-	-
Less: deferred loan costs	-	(481)	-	-
Intercompany loan	175,887	115,253	175,887	115,253
	<u>175,887</u>	<u>164,772</u>	<u>175,887</u>	<u>115,253</u>
<b>Creditors falling due more than one year</b>				
Secured bank loans	55,000	-	-	-
Less: deferred loan costs	(1,685)	-	-	-
	<u>53,315</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Secured bank loan	£	2.24%	2015	Revolver	-	50,000
Secured bank loan	£	2.74%	2020	Revolver	55,000	-
Intercompany loan – stadium loan	£	1.24%	N/A	On demand	109,904	49,270
Intercompany loan	£	Interest free	N/A	On demand	65,983	65,983
					<u>230,887</u>	<u>165,253</u>

On 11 September 2015, the Group refinanced its revolving credit debt under a new revolving credit facility. This provided £150.0 million of facilities for a term of five years and is available for general corporate purposes including working capital and letters of credit.

The £175.9 million (2015: £115.3 million) due to parent undertaking at 31 May 2016 represented an intercompany creditor with UKSV I, LLC. The intercompany loan has increased to provide funding for the stadium expansion work.

## Notes (continued)

### 15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Other	(3)	-	-	-	(3)	-
Tax (assets)	(3)	-	-	-	(3)	-
Net tax (assets)	(3)	-	-	-	(3)	-

The company does not have any recognised deferred tax assets or liabilities

The group's un-provided deferred tax assets and liabilities are summarised as follows:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Accelerated capital allowances	(1)	(1)	517	393	516	392
Intangible asset timing difference	-	-	14,108	9,344	14,108	9,344
Employee benefits	(1,057)	(1,229)	-	-	(1,057)	(1,229)
Unused tax losses	(25,117)	(17,216)	-	-	(25,117)	(17,216)
Other	(87)	(752)	-	-	(87)	(752)
Tax (assets) / liabilities	(26,262)	(19,198)	14,625	9,737	(11,637)	(9,461)
Net tax (assets) / liabilities	(26,262)	(19,198)	14,625	9,737	(11,637)	(9,461)

The group has unrecognised gross tax losses of £139.5 million (2015: £86.1 million)

### 16 Employee benefits

#### Group

The Group operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £0.8 million (2015: £2.1 million).

### 17 Called up share capital

#### Group and Company share capital

	Ordinary shares 2016	Ordinary shares 2015
On issue at 1 June	200	200
On issue at 31 May – fully paid (ordinary shares of £1 each)	200	200

## Notes (continued)

### 18 Financial instruments

#### 18 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

Group Financial Assets	Financial Assets	Non-financial Assets	Total Assets	Financial Assets	Non-financial Assets	Total Assets
	2016 £000	2016 £000	2016 £000	2015 £000	2015 £000	2015 £000
At fair value through profit and loss:						
Player receivables	51,230	-	51,230	59,266	-	59,266
At amortised cost:						
Trade debtors (excluding player receivables)	35,689	-	35,689	25,381	-	25,381
Other receivables	138	7,620	7,758	179	13,559	13,738
<b>Total Assets</b>	<b>87,057</b>	<b>7,620</b>	<b>94,677</b>	<b>84,826</b>	<b>13,559</b>	<b>98,385</b>

Group Financial Liabilities	Financial Liabilities	Non-financial Liabilities	Total Liabilities	Financial Liabilities	Non-financial Liabilities	Total Liabilities
	2016 £000	2016 £000	2016 £000	2015 £000	2015 £000	2015 £000
At fair value through profit and loss:						
Derivative financial instruments	250	-	250	-	-	-
Player creditors	88,622	-	88,622	80,619	-	80,619
Designated and effective as hedging instrument:						
Derivative financial instruments	(255)	-	(255)	17	-	17
Other financial liabilities (amortised):						
Trade creditors and other payables (excluding player creditors)	264,856	23,649	288,505	175,830	21,476	197,306
Bank loans and overdrafts	53,315	-	53,315	49,519	-	49,519
<b>Total Liabilities</b>	<b>406,788</b>	<b>23,649</b>	<b>430,437</b>	<b>305,985</b>	<b>21,476</b>	<b>327,461</b>

## Notes (continued)

### 18 Financial instruments (continued)

#### 18 (b) Financial instruments measured at fair value

##### *Financial risk management*

The Group's activities expose it to a variety of financial risks: market risks (including currency risk and interest rate risk), credit risk and liquidity risk. The Group uses derivative financial instruments to hedge certain exposures, and has designated certain derivatives as hedges of cash flows (cash flow hedge).

The policy for each of the above risks is described in more detail below;

##### *Currency risk*

Where currencies other than sterling are used, the Company looks at natural hedges in the business, and enters hedging arrangements where appropriate. The fair value of foreign currency contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

At the reporting date, the Group has a foreign currency contract to purchase €6.7 million designated as a cash flow hedge which matures in less than one year. The Group also has a foreign currency contracts to sell €16.5 million which matures in less than one year.

##### *Interest rate risk*

The Group has no significant interest bearing assets other than cash on deposit which attracts interest at a small margin above the UK base rates.

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Having borrowings at variable rates spreads the risk of significant movements in the interest rate. The Group's borrowings are denominated in pounds sterling. The Group does not consider this risk as significant.

##### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a Group basis and arises from cash and cash equivalents and trade and other receivables (excluding receivables from parent undertakings and prepayments).

There are no other significant concentrations of credit risk within the Group. The maximum exposure risk relates to football debtors but this is mitigated by the governing bodies of international and national football associations.

Credit evaluations are performed on all customers requiring credit over a certain amount. The maximum credit risk exposure of the Group comprises the amounts presented in the balance sheet which are stated net of provisions for doubtful debts.

##### *Liquidity risk*

The Group's policy is to maintain a balance of continuity of funding and flexibility through the use of secured term loan facility's and other borrowings as applicable. The annual cash flow is cyclical in nature with a significant portion of cash inflows being received prior to the start of the playing season. Ultimate responsibility for liquidity risk management rests with the Directors. The Directors use predictive financial models to constantly monitor and manage current and future liquidity.

## Notes (continued)

### 18 Financial instruments (continued)

#### 18 (c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as well as profit or loss as required by FRS 102.29(a) for the cash flow hedge accounting models;

	Carrying amount £000	Expected cash flows £000	2016 1 year or less £000	1 to <2years £000	Carrying amount £000	Expected cash flows £000	2015 1 year or less £000	1 to <2years £000
<b>Forward exchange contracts:</b>								
Liabilities	4,807	5,078	5,078	-	14,982	15,314	10,464	4,850
	<u>4,807</u>	<u>5,078</u>	<u>5,078</u>	<u>-</u>	<u>14,982</u>	<u>15,314</u>	<u>10,464</u>	<u>4,850</u>

There are no impacts to cash flows or profit and loss after one year.

Where possible and depending on the payment profile of transfer fees payable and receivable the Group will seek to hedge future payments and receipts at the point it becomes reasonably certain that the payments will be made or the income will be received.

During the period £1.2 million credit (2015: £0.1 million cost) was recognised in the Profit and Loss Account in respect of future player hedging arrangements.

#### 18 (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	Fair value 2016 £000	Fair value 2015 £000
Foreign Exchange contracts	(250)	-
Foreign Exchange contracts designated as hedge	255	(17)
	<u>5</u>	<u>(17)</u>

## Notes (continued)

### 19 Operating leases

Non-cancellable retail and office operating lease rentals are payable as follows:

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Less than one year	2,007	2,141	-	-
Between one and five years	4,587	6,567	-	-
More than five years	594	824	-	-
	<u>7,188</u>	<u>9,532</u>	<u>-</u>	<u>-</u>

During the year £2.4 million was recognised as an expense in the Profit and Loss Account in respect of operating leases (2015: £2.3 million).

### 20 Commitments

#### Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £29.7 million (2015: £85.2 million).

### 21 Contingencies

Under the terms of certain contracts for the acquisition of players' registrations, future transfer fees may be payable of £17.1 million (2015: £12.7 million). In addition there are £1.8 million of other contingent liabilities at the year end. 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 no 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 2016 the maximum amount that could be received is £8.2 million (2015: £4.1 million). Since the period end £0.5 million of the contingent assets have crystallised.

### 22 Related parties

#### Group and Company

Transactions with related parties are limited to those companies that are wholly owned within the wider group and as such are exempt from disclosure.

#### Transactions with key management personnel

Total compensation of key management personnel across the Group (including the directors) in the year amounted to £4.6 million (2015: £3.9 million).

### 23 Ultimate parent company and parent company of larger group

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

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

### 24 Subsequent 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 £3.4 million. This activity will be accounted for in the year ending 31 May 2017.

## Notes (continued)

### 24 Subsequent events (continued)

The cumulative effect on the Profit and Loss Account since the period end in relation to the profit on sales of players is a £31.2 million profit.

### 25 Accounting estimates and judgements

#### *Valuation of players' registrations*

The recoverability of the squad value is considered in accordance with the accounting policy as described in note 1. The key sources of estimation uncertainty relate to which players are deemed within the squad for CGU purposes, in addition to the assumed market value of individual player registrations. This is subject to fluctuations in the wider transfer market. Management make their assessment based on internal and external sources, such as recent comparable transfers or offers received for those player registrations.

### 26 Explanation of transition to FRS 102 from previous UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 May 2016 and the comparative information presented in these financial statements for the year ended 31 May 2015.

#### *Group*

In preparing its FRS 102 balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the Group's financial position and financial performance is set out in the following table and the notes that accompany the table.

#### *Reconciliation of profit and equity from previous UK GAAP to FRS 102*

		Profit for the year ended 31 May 2015 £000	Equity as at 31 May 2015 £000	Equity as at 1 June 2014 £000
	Note			
<b>Amount under previous GAAP</b>		49,558	101,117	51,559
Discounting of long term receivables and payables	a)	(1,073)	(3,573)	(2,501)
Recognition of hedged derivatives	b)	297	999	698
Hedging of foreign exchange transactions	c)	(123)	(876)	(900)
<b>Amount under FRS 102</b>		<b>48,659</b>	<b>97,667</b>	<b>48,856</b>

#### *Notes to the reconciliation of profit and equity from previous UK GAAP to FRS 102*

a) Under previous UK GAAP long term receivables and payables were not discounted. Long term receivables and payables are primarily related to the acquisition and disposal of player registrations and typically feature deferred instalments. Such amounts are classified as debt instruments under FRS 102 and are measured initially at the transaction price. Subsequent measurement is at amortised cost using the effective interest method, unless the payment is receivable or payable within one year, in which case it is measured at the undiscounted amount.

b) Under previous UK GAAP derivatives such as forward foreign currency contracts are held off balance sheet. Under FRS 102, such contracts are recognised on the balance sheet at fair value.

c) Hedge accounting has been adopted following the recognition of derivatives as noted in b) above.

#### *Company*

There were no transition adjustments for the Company.