UKSV Holdings Company Limited

Annual report and consolidated
financial statements
Registered number 07393872
31 May 2017

Contents

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 2017.

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

Profit and Loss Account

Turnover for the year ended 31 May 2017 was £364.5 million *(2016: £302.0 million).*

Media revenue for the year ended 31 May 2017 was £154.4 million *(2016: £123.8 million).* The increase mainly related to additional amounts received from the Premier League as a result of the new three year media deal which started in the 2016/17 season and also as a result of finishing fourth in the Premier League in the 2016/17 season versus eighth in the 2015/16 season. This increase was offset by having no European competition in the 2016/17 season.

Match day revenue for the year ended 31 May 2017 was £73.5 million *(2016: £62.5 million).* The increase was mainly as a result of the additional capacity from the New Main Stand which opened at the start of the 2016/17 season.

Commercial revenue for the year ended 31 May 2017 was £136.6 million *(2016: £115.7 million).* The increase mainly related to higher sponsorship, merchandising & catering revenue.

Administrative expenses for the year ended 31 May 2017 were £324.7 million *(2016: £334.8 million).* The decrease mainly related to lower player registration amortisation and impairment costs.

The profit on the disposal of player registrations for the year ended 31 May 2017 was £38.1 million *(2016: £42.1 million).*

Interest payable for the year ended 31 May 2017 was £6.7 million *(2016: £5.5 million).*

The profit before taxation for the year ended 31 May 2017 was £34.9 million *(2016 loss before taxation: £24.4 million).*

Group strategic report *(continued)*

Review of the business *(continued)*

Balance Sheet

Intangible fixed assets have decreased from £230.6 million at 31 May 2016 to £210.4 million at 31 May 2017. The main element of this is the player registration movement from a net book value of £185.8 million at 31 May 2016 to £168.7 million at 31 May 2017. This is as a result of player acquisitions of £76.3 million offset by the net book value of disposals of £34.6 million and amortisation of £58.8 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 £161.5 million at 31 May 2016 to £200.8 million at 31 May 2017. This includes £36.4 million of additional stadium development costs.

Net bank debt after deferred loan costs has increased by £22.5 million from £44.9 million at 31 May 2016 to £67.4 million at 31 May 2017.

Intercompany debt has remained the same as the prior year at £175.9 million at 31 May 2017.

On the football pitch the Club finished fourth in the Premier League and reached the semi-finals of the domestic EFL Cup.

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 completed during the course of this financial year. 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 2017.

Results and dividend

The Consolidated Group Profit and Loss Account on page 9 shows a profit before taxation for the year of £34.9 million *(2016 loss before taxation: £24.4 million).* The directors do not recommend the payment of a dividend *(2016: nil)*.

Directors

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

E Weiss
G Morris

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 this facility, and meet its obligations as they fall due in the foreseeable future.

Notwithstanding the net current liability position of £206.0 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

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 2017 set out on pages 9 to 32. 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.

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 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of 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 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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
Date: 27th September 2017

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 May 2017

	Note	2017	2016
		£000	£000
Turnover	2	**364,508**	301,967
Cost of sales		**(37,629)**	(29,871)
Gross profit		**326,879**	272,096
Administrative expenses	3	**(324,718)**	(334,785)
Group operating profit/(loss)		**2,161**	(62,689)
Profit on disposal of players' registrations		**38,095**	42,148
Interest receivable and similar income	5	**1,392**	1,625
Interest payable and similar charges	6	**(6,746)**	(5,531)
Profit/(loss) on ordinary activities before taxation		**34,902**	(24,447)
Tax on profit/(loss) on ordinary activities	7	**(667)**	(1,487)
Profit/(loss) for the financial year		**34,235**	(25,934)
Other comprehensive loss			
Effective portion of changes in fair value of cash flow hedges		**(54)**	(121)
Total comprehensive income/(loss) for the year attributable to the shareholders of the parent company		**34,181**	(26,055)

The activities represent the continuing activities of the Group.

The notes on pages 15 to 32 form part of the financial statements.

Consolidated Balance Sheet
at 31 May 2017

	Note	**2017**	**2017**	2016	2016
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*8*		**210,446**		230,622
Tangible assets	*9*		**200,831**		161,495
			411,277		392,117
Current assets					
Stocks		**7,395**		6,793	
Debtors (including £19.6 million *(2016: £16.9 million)* due after more than one year)	*11*	**112,086**		94,677	
Cash at bank and in hand		**4,333**		8,462	
		123,814		109,932	
Creditors: amounts falling due within one year	*12*	**(329,783)**		(348,384)	
Net current liabilities			**(205,969)**		(238,452)
Total assets less current liabilities			**205,308**		153,665
Creditors: amounts falling due after more than one year	*13*		**(99,515)**		(82,053)
Net assets			**105,793**		71,612
Capital and reserves					
Called up share capital	*17*		**-**		-
Share premium account			**217,789**		217,789
Capital contribution reserve			**16,816**		16,816
Cash flow hedging reserve			**(26)**		28
Retained earnings			**(128,786)**		(163,021)
Shareholders' funds			**105,793**		71,612

The notes on pages 15 to 32 form part of the financial statements.

These financial statements were approved by the Board of directors on 20 September 2017 and were signed on its behalf by:

G Morris
Director

Company registered number: 07393872

Company Balance Sheet
at 31 May 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Investments *(shares in Group undertakings)*	*10*		**299,316**		299,316
Current assets					
Debtors	*11*	**109,953**		109,964	
Cash at bank and in hand		**282**		282	
		110,235		110,246	
Creditors: amounts falling due within one year	*12*	**(175,965)**		(175,909)	
Net current liabilities			**(65,730)**		(65,663)
Total assets less current liabilities			**233,586**		233,653
Creditors: amounts falling due after more than one year	*13*		**-**		-
Net assets			**233,586**		233,653
Capital and reserves					
Called up share capital	*17*		**-**		-
Share premium account			**217,789**		217,789
Capital contribution reserve			**16,816**		16,816
Retained earnings			**(1,019)**		(952)
Shareholders' funds			**233,586**		233,653

The notes on pages 15 to 32 form part of these financial statements.

These financial statements were approved by the Board of directors on 20 September 2017 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 2015	217,789	16,816	149	(137,087)	97,667
Total comprehensive loss for the period					
Loss for the period	-	-	-	(25,934)	(25,934)
Other comprehensive loss	-	-	(121)	-	(121)
Total comprehensive loss for the period	-	-	(121)	(25,934)	(26,055)
Balance at 31 May 2016	**217,789**	**16,816**	**28**	**(163,021)**	**71,612**
Total comprehensive income for the period					
Profit for the period	-	-	-	34,235	34,235
Other comprehensive loss	-	-	(54)	-	(54)
Total comprehensive income for the period	-	-	(54)	34,235	34,181
Balance at 31 May 2017	**217,789**	**16,816**	**(26)**	**(128,786)**	**105,793**

The notes on pages 15 to 32 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 2015	217,789	16,816	(907)	233,698
Loss for the period	-	-	(45)	(45)
Total comprehensive loss for the period	-	-	(45)	(45)
Balance at 31 May 2016	**217,789**	**16,816**	**(952)**	**233,653**
Loss for the period	-	-	(67)	(67)
Total comprehensive loss for the period	-	-	(67)	(67)
Balance at 31 May 2017	**217,789**	**16,816**	**(1,019)**	**233,586**

The notes on pages 15 to 32 form part of the financial statements.

Consolidated Statement of Cash Flows

for year ended 31 May 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Operating profit/(loss) for the year	2,161	(62,689)
Adjustments for:		
Depreciation, amortisation and impairment	71,351	82,225
(Gain)/loss on sale of tangible fixed assets	(3)	19
Transfer of deferred credits to Profit and Loss Account	(104)	(104)
Increase in trade and other debtors	(5,164)	(11,566)
(Increase)/decrease in stocks	(602)	3,065
Increase in trade and other creditors	5,932	28,144
Cash flow from operations	73,571	39,094
Interest received	32	73
Interest paid	(2,531)	(2,393)
Net cash from operating activities	71,072	36,774
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets	12	26
Acquisition of tangible fixed assets	(52,000)	(57,431)
Proceeds from sale of player registrations	58,388	61,994
Acquisition of player registrations	(97,201)	(99,873)
Net cash from investing activities	(90,801)	(95,284)
Cash flows from financing activities		
Cash inflow from change in borrowings – bank loans	18,000	3,031
Cash (outflow)/inflow from change in intercompany debt	(2,400)	59,600
Net cash from financing activities	15,600	62,631
Net (decrease)/increase in cash and cash equivalents	(4,129)	4,121
Cash and cash equivalents at 1 June	8,462	4,341
Cash and cash equivalents at 31 May	4,333	8,462

The notes on pages 15 to 32 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.

FRS 102 granted 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.

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 interest 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 this facility, and meet its obligations as they fall due in the foreseeable future.

Notwithstanding the net current liability position of £205.3 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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 2017. 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.

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.

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 recognised in other comprehensive income. Any ineffective portion of the hedge is recognised in the Profit and Loss Account.

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 the Profit and Loss Account.

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 interest for a similar debt instrument.

A financial asset not carried at fair value through the Profit and Loss Account 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Basic financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. 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.

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 the Profit or Loss Account 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 the Profit or Loss Account. 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 the Profit or Loss Account.

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 Other Comprehensive Income is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in the Profit or Loss Account the hedging gain or loss is reclassified to the Profit and Loss Account. 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 50 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Tangible fixed assets (continued)

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

1.9 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 Group 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.

1.10 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.

1.11 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Pensions

Defined contribution plans and other long term employee benefits

The Group operates its own 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 Group 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 Group 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 Group 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.

1.13 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.

1.14 Turnover

Turnover represents income receivable from the Group's principal activities and is exclusive of value added tax and transfer fees. Match day 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 match day income and media income as appropriate.

Turnover relating to retail and mail order consists of the amounts receivable for goods supplied by the Group to customers, excluding value added tax. Mail order sales are recognised on delivery to the customer.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 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 the 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 the Profit and Loss Account as they accrue, using the effective interest method.

1.16 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2017 £000	2016 £000
By activity:		
Media	**154,413**	123,773
Commercial	**136,560**	115,725
Match day	**73,535**	62,469
	364,508	301,967

	2017 £000	2016 £000
By geographical market:		
United Kingdom	**349,856**	286,902
EU	**2,935**	2,642
Rest of the World	**11,717**	12,423
	364,508	301,967

3 Administrative expenses

Included in administrative expenses are the following:

	2017 £000	2016 £000
Amortisation of players' registrations	**58,794**	65,047
Redundancy and associated costs	**-**	15,669
Impairment loss on player registrations	**5**	7,878
Depreciation of tangible fixed assets	**9,434**	6,182
Amortisation of goodwill	**3,118**	3,118
Operating lease rentals	**2,439**	2,397
Auditors remuneration	**126**	165
(Gain)/loss on disposal of tangible fixed assets	**(3)**	19

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	
	2017	2016
Administration, commercial and other	**524**	503
Players, managers and coaches	**155**	141
Ground and maintenance staff	**65**	61
	744	705

Full-time employees are those employed for more than 20 hours per week. In addition, the Group engaged on match days an average of 1,716 temporary staff *(2016: 1,496)*. The Group also engages an additional 33 part-time scouts, coaches and semi-professional LFC Ladies players (*2016: 58*).

	2017	2016
	£000	£000
Aggregate amounts for both staff and directors charged in respect of:		
Wages and salaries	**184,999**	185,511
Social security costs	**22,457**	22,683
Pension costs	**822**	808
	208,278	209,002

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

5 Interest receivable and similar income

	2017	2016
	£000	£000
Notional interest on deferred receipts for sales of players' registrations	**1,360**	1,519
Bank interest	**32**	74
Effective gains on derivatives treated as hedging instruments	**-**	32
Total interest receivable and similar income	**1,392**	1,625

6 Interest payable and similar charges

	2017	2016
	£000	£000
Notional interest expense on deferred payments for players' registrations	**1,881**	2,374
Interest expense	**4,301**	2,242
Other finance costs	**518**	915
Effective loss on derivatives treated as hedging instruments	**46**	-
Total interest payable and similar charges	**6,746**	5,531

Notes *(continued)*

7 Taxation

Total tax expense recognised in the Profit and Loss Account and Other comprehensive Income

	2017 £000	2016 £000
Current tax		
Current tax on income for the period	868	1,493
Adjustments in respect of prior periods	(176)	(3)
Total current tax	692	1,490
Deferred tax (see note 15)		
Origination and reversal of timing differences	(25)	(3)
Total deferred tax	(25)	(3)
Total tax	667	1,487

Analysis of current tax recognised in the Profit and Loss Account

	2017 £000	2016 £000
UK corporation tax	575	-
Double taxation relief	(279)	-
Foreign tax	396	1,490
Total current tax recognised in the Profit and Loss Account	692	1,490

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) for the year	34,235	(25,934)
Tax expense	667	1,487
Profit/(loss) excluding taxation	34,902	24,447
Tax using the UK corporation tax rate of 19.83% (2016: 20%)	6,921	(4,889)
Effect of tax rates in foreign jurisdictions	124	1,494
Non-deductible expenses	2,288	1,370
Current year movement in tax losses for which no deferred tax was recognised	(5,482)	10,723
Other timing differences for which no deferred tax asset was recognised	(3,013)	(7,208)
Over provided in prior years	(175)	(3)
Reduction in tax rate on deferred tax balances	4	-
Total tax expense included in the Profit and Loss Account	667	1,487

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. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The deferred tax asset at 31 May 2017 has been calculated based on these rates.

Notes *(continued)*

8 Intangible assets and goodwill

Group

	Goodwill £000	Players' registrations £000	Total £000
Cost			
Balance at 1 June 2016	62,360	357,747	420,107
Additions	-	76,291	76,291
Disposals	-	(100,783)	(100,783)
Balance at 31 May 2017	62,360	333,255	395,615
Amortisation and impairment			
Balance at 1 June 2016	17,539	171,946	189,485
Amortisation for the year	3,118	58,794	61,912
Impairment charge	-	5	5
Disposals	-	(66,233)	(66,233)
Balance at 31 May 2017	20,657	164,512	185,169
Net book value			
At 1 June 2016	44,821	185,801	230,622
At 31 May 2017	**41,703**	**168,743**	**210,446**

9 Tangible fixed assets

Group	Land £000	Anfield Stadium £000	Other facilities £000	Other assets £000	Assets under construction £000	Total £000
Cost						
Balance at 1 June 2016	8,000	42,700	17,200	28,643	92,982	189,525
Additions	-	-	-	41,584	7,224	48,808
Disposals	-	-	-	(5,954)		(5,954)
Reclassification	-	92,609	-	(138)	(92,471)	-
Balance at 31 May 2017	8,000	135,309	17,200	64,135	7,735	232,379
Depreciation						
Balance at 1 June 2016	-	13,878	3,367	10,674	111	28,030
Depreciation charge for the year	-	3,391	595	5,448	-	9,434
Disposals	-	-	-	(5,916)	-	(5,916)
Reclassification	-	-	-	111	(111)	-
Balance at 31 May 2017	-	17,269	3,962	10,317	-	31,548
Net book value						
At 1 June 2016	8,000	28,822	13,833	17,969	92,871	161,495
At 31 May 2017	**8,000**	**118,040**	**13,238**	**53,818**	**7,735**	**200,831**

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 £0.5 million *(2016: £1.0 million)*.

Notes *(continued)*

10 Fixed asset investments

(a) Investments in wholly owned Group undertakings comprise:

All subsidiary undertakings of the Group are as follows:

Name of subsidiaries	Issued share capital (£)
The Liverpool Football Club and Athletic Grounds Limited *	174,125
Liverpool Ladies Football Club Limited *	100
LFC International Limited *	1
Anfield Arena Limited ϒ	1
LFC Financial Services Limited ϒ	1,000
LFC Leisure Limited ϒ	100
LFC Limited ϒ	100
LFC Properties Limited ϒ	100
LFC Services Limited ϒ	1,000
LFC Television Limited ϒ	100
LFC Travel Limited ϒ	1,000
LFC TV Limited ϒ	100
Liverpool FC Limited ϒ	1,000
Liverpoolfc.TV Limited ϒ	1,000
Liverpool Football Club Limited ϒ	1,000
Liverpool Limited ϒ	1,000

* Operating company

ϒ Dormant company

For all investments listed in the above table, the Company owns 100% of the ordinary share capital. These are held directly in respect of The Liverpool Football Club and Athletic Grounds Limited and all other investments are held indirectly.

(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.

11 Debtors

	Group 2017 £000	2016 £000	**Company 2017 £000**	2016 £000
Trade debtors	**105,996**	86,919	**-**	-
Amounts owed by Group undertakings	**-**	-	**109,950**	109,961
Other debtors	**117**	135	**3**	3
Deferred tax (note 15)	**25**	3	**-**	-
Prepayments and accrued income	**5,948**	7,620	**-**	-
	112,086	94,677	**109,953**	109,964
Due within one year	**92,445**	77,793	**109,953**	109,964
Due after more than one year	**19,641**	16,884	**-**	-
	112,086	94,677	**109,953**	109,964

Notes *(continued)*

12 Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade creditors	**49,252**	75,126	-	-
Amounts owed to Group undertakings	**175,892**	175,887	175,907	175,887
Taxation and social security	**21,866**	23,649	-	-
Corporation tax	**3,071**	1,276	31	-
Other creditors	**1,705**	2,330	-	-
Accruals	**35,238**	30,518	27	22
Other financial liabilities	-	250	-	-
Deferred income	**42,759**	39,348	-	-
	329,783	348,384	**175,965**	175,909

13 Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank loans and overdrafts (see note 14)	**71,709**	53,315	-	-
Trade creditors	**26,744**	27,117	-	-
Other creditors	**1,062**	1,621	-	-
	99,515	82,053	-	-

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		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Creditors falling due within one year				
Intercompany loan	**175,892**	175,887	**175,892**	175,887
	175,892	175,887	**175,892**	175,887
Creditors falling due more than one year				
Secured bank loans	**73,000**	55,000	-	-
Less: deferred loan costs	**(1,291)**	(1,685)	-	-
	71,709	53,315	-	-

Notes *(continued)*

14 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2017	2016
					£000	£000
Secured bank loan	£	1.48%	2020	Revolver	**73,000**	55,000
Intercompany loan – stadium loan	£	1.24%	N/A	On demand	**109,909**	109,904
Intercompany loan	£	Interest free	N/A	On demand	**65,983**	65,983
					248,892	230,887

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 *(2016: £175.9 million)* due to parent undertaking at 31 May 2017 represented an intercompany creditor with UKSV I, LLC. The intercompany loan has mainly provided funding for the stadium expansion work.

15 Deferred tax assets and liabilities

The Company does not have any recognised or unrecognised deferred tax assets or liabilities.

The Group's deferred tax assets and liabilities are summarised as follows:

Group	Assets		Liabilities		Net	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	-	**2,321**	517	**2,321**	517
Intangible asset timing difference	-	-	**14,732**	14,108	**14,732**	14,108
Employee benefits	**(1,003)**	(1,056)	-	-	**(1,003)**	(1,056)
Unused tax losses	**(16,005)**	(13,482)	-	-	**(16,005)**	(13,482)
Other	**(70)**	(91)	-	-	**(70)**	(91)
Tax (assets) / liabilities	**(17,078)**	(14,629)	**17,053**	14,625	**(25)**	(3)
Net tax (assets) / liabilities	**(17,078)**	(14,629)	**17,053**	14,625	**(25)**	(3)

Notes *(continued)*

15 Deferred tax assets and liabilities (continued)

The Group's unprovided deferred tax assets and liabilities are summarised as follows:

Group	**Assets**		**Liabilities**		**Net**	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(1)**	(1)	**-**	-	**(1)**	(1)
Intangible asset timing difference	**-**	-	**-**	-	**-**	-
Employee benefits	**-**	-	**-**	-	**-**	-
Unused tax losses	**(3,503)**	(11,635)	**-**	-	**(3,503)**	(11,635)
Other	**-**	(1)	**-**	-	**-**	(1)
Net tax (assets) / liabilities	**(3,504)**	(11,637)	**-**	-	**(3,504)**	(11,637)

The Group has total gross tax losses of £114.8 million *(2016: £139.5 million)*. A deferred tax asset has been recognised in respect of £94.1 million of these losses *(2016: £74.9m)*.

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 *(2016: £0.8 million)*.

17 Called up share capital

Group and Company share capital

	Ordinary shares 2017	Ordinary shares 2016
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
	2017	**2017**	**2017**	2016	2016	2016
	£000	**£000**	**£000**	£000	£000	£000
At fair value through profit and loss:						
Player receivables	**66,186**	**-**	**66,186**	51,230	-	51,230
At amortised cost:						
Trade debtors (excluding player receivables)	**39,810**	**-**	**39,810**	35,689	-	35,689
Other receivables	**142**	**5,948**	**6,090**	138	7,620	7,758
Total Assets	**106,138**	**5,948**	**112,086**	87,057	7,620	94,677

Group Financial Liabilities	**Financial Liabilities**	**Non-financial Liabilities**	**Total Liabilities**	Financial Liabilities	Non-financial Liabilities	Total Liabilities
	2017	**2017**	**2017**	2016	2016	2016
	£000	**£000**	**£000**	£000	£000	£000
At fair value through profit and loss:						
Derivative financial instruments	**-**	**-**	**-**	250	-	250
Player creditors	**71,316**	**-**	**71,316**	88,622	-	88,622
Designated and effective as hedging instrument:						
Derivative financial instruments	**(281)**	**-**	**(281)**	(255)	-	(255)
Other financial liabilities (amortised)						
Trade creditors and other payables (excluding player creditors)	**264,688**	**21,866**	**286,554**	264,856	23,649	288,505
Bank loans and overdrafts	**71,709**	**-**	**71,709**	53,315	-	53,315
Total Liabilities	**407,432**	**21,866**	**429,298**	406,788	23,649	430,437

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 €10.0 million designated as a cash flow hedge which matures in less than one year. The Group also has a foreign currency contract to sell €3.3 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. The Group's borrowings are denominated in pounds sterling.

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 loan facility. 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 model;

			2017			2016
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000
Forward exchange contracts:						
Liabilities	**11,332**	**11,639**	**11,639**	4,807	5,078	5,078
	11,332	**11,639**	**11,639**	4,807	5,078	5,078

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 £0.8 million credit *(2016: £1.2 million credit)* was recognised in the Profit and Loss Account in respect of future player hedging arrangements.

19 Operating leases

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

	Group 2017 £000	2016 £000	**Company 2017 £000**	2016 £000
Less than one year	**2,008**	2,007	-	-
Between one and five years	**3,119**	4,587	-	-
More than five years	**364**	594	-	-
	5,491	7,188	-	-

During the year £2.4 million was recognised as an expense in the Profit and Loss Account in respect of operating leases *(2016:£2.4 million).*

20 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £11.5 million *(2016: £29.7 million).*

Notes *(continued)*

21 Contingencies

Under the terms of certain contracts for the acquisition of players' registrations, future transfer fees may be payable of £18.5 million *(2016: £17.1 million)*. In addition there are £2.6 million (*2016: £2.0 million*) of other contingent liabilities at the year end. In accordance with the Group'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 £3.5 million 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 2017 the maximum amount that could be received is £19.2 million *(2016: £8.2 million).* Since the period end £0.4 million 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 £5.5 million (*2016: £4.6 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), 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 £146.0 million. This activity will be accounted for in the year ending 31 May 2018.

The cumulative effect on the Profit and Loss Account since the period end in relation to the profit on sales of players is a £20.6 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 included within the squad for cash-generating unit purposes, in addition to the assumed market value of individual play 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.