

**The Liverpool Football Club and  
Athletic Grounds Limited**

Annual report and consolidated  
financial statements

Registered number 00035668

31 May 2018



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## Group Strategic report

The directors present their strategic report and financial statements of The Liverpool Football Club and Athletic Grounds Limited ("the Club" or "Company") and its subsidiaries (together "the Group") for the year ended 31 May 2018.

The entity is preparing consolidation accounts for the first time including the results of its subsidiaries, having previously taken permitted exemption under the Companies Act.

### Principal activities

The Company is a wholly owned subsidiary of UKSV Holdings Company Limited, a company incorporated in the United Kingdom.

The Company's principal activity during the year continued to be those of a professional football club and related activities.

### 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 2018 was £455.1 million (2017: £364.5 million).

Media revenue for the year ended 31 May 2018 was £220.1 million (2017: £154.4 million). The increase mainly related to additional amounts received from UEFA as a result of qualifying for the UEFA Champions League competition and progressing through to the Final. The Club did not participate in any European competitions in the 2016/17 season.

Match day revenue for the year ended 31 May 2018 was £80.7 million (2017: £73.5 million). The increase was mainly as a result of the Club's participation and successful progression in the UEFA Champions League in season 17/18.

Commercial revenue for the year ended 31 May 2018 was £154.3 million (2017: £136.6 million). The increase mainly related to higher sponsorship, merchandising & catering revenue.

Administrative expenses for the year ended 31 May 2018 were £405.3 million (2017: £320.2 million). The increase mainly related to higher salary and overhead costs as a result of progressing to the Final of the UEFA Champions League competition and there was also an increase in player registration amortisation costs during the period.

The profit on the disposal of player registrations for the year ended 31 May 2018 was £123.9 million (2017: £38.3 million).

Interest payable for the year ended 31 May 2018 was £7.6 million (2017: £6.7 million).

The profit before taxation for the year ended 31 May 2018 was £125.1 million (2017: £39.6 million).

## **Group Strategic report** *(continued)*

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

#### *Balance Sheet*

Intangible fixed assets have increased from £172.4 million at 31 May 2017 to £275.8 million at 31 May 2018. The main element of this is the player registration movement from a net book value of £168.3 million at 31 May 2017 to £273.0 million at 31 May 2018. This is as a result of player acquisitions of £195.2 million offset by the net book value of disposals of £13.2 million, impairment of £0.2 million and amortisation of £77.1 million.

There has been a decrease in other intangible assets of £1.3 million in relation to the amortisation of goodwill.

Tangible fixed assets have increased from £169.6 million at 31 May 2017 to £176.5 million at 31 May 2018.

Net bank debt after deferred loan costs has decreased by £22.9 million from £67.7 million at 31 May 2017 to £44.8 million at 31 May 2018.

Intercompany debt has decreased by £10.0 million from £109.9 million at 31 May 2017 to £99.9 million at 31 May 2018.

On the football pitch the Club finished fourth in the Premier League and reached the final of the UEFA Champions League.

### **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)*

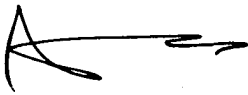
### **Principal risks and uncertainties**

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 Group's exposure to liquidity and cash flow risk, currency risk and credit risk is given in note 19 of the financial statements.

By order of the board



**Andrew Hughes**  
*Director*

Anfield Road  
Liverpool  
L4 0TH

## Group Directors' report

The directors present their directors' report and financial statements of The Liverpool Football Club and Athletic Grounds Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 May 2018.

### Results and dividend

The Consolidated Group Profit and Loss Account on page 10 shows a profit before taxation for the year of £125.1 million (2017: £39.6 million). The directors do not recommend the payment of a dividend (2017: nil).

### Directors

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

J Henry  
T Werner  
M Gordon  
P Moore (Appointed 1<sup>st</sup> September 2017)  
M Egan  
K Dalglish  
A Hughes

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 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 £120.8 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 25 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 Group'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 Group's auditor is aware of that information.

### **Auditor**

Pursuant to Section 485 of the Companies Act 2006, Ernst and Young LLP were appointed auditors during the financial period.

By order of the board



**Andrew Hughes**  
*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 strategic report, director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 state of affairs of the Group and parent company and of the profit or loss for the Group and company 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.



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

## **Opinion**

We have audited the financial statements of The Liverpool Football Club and Athletic Grounds Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 May 2018 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 May 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you were:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### **Use of our report**

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

*Ernst & Young LLP*

**Andy Williams (Senior Statutory Auditor)**

**for and on behalf of Ernst & Young LLP, Statutory Auditor**

*Chartered Accountants  
No 1 Colmore Square  
Birmingham  
B4 6HQ*

Date: 27 September 2018

**Consolidated Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 May 2018*

	<i>Note</i>	2018	2017
		£000	£000
<b>Turnover</b>	2	455,089	364,508
Cost of sales		(42,495)	(37,628)
<b>Gross profit</b>		412,594	326,880
Administrative expenses	3	(405,319)	(320,197)
<b>Operating profit</b>		7,275	6,683
Profit on disposal of players' registrations		123,854	38,263
Interest receivable and similar income	6	1,578	1,392
Interest payable and similar charges	7	(7,572)	(6,746)
<b>Profit on ordinary activities before taxation</b>		125,135	39,592
Tax on profit on ordinary activities	8	(19,129)	(621)
<b>Profit for the financial year</b>		106,006	38,971
<b>Other comprehensive income/(loss)</b>			
Effective portion of changes in fair value of cash flow hedges		26	(54)
<b>Total comprehensive income for the year attributable to the shareholders of the parent company</b>		106,032	38,917

The activities represent the continuing activities of the Group.

The notes on pages 16 to 35 form part of the financial statements.

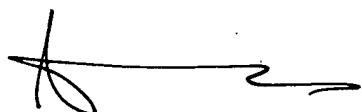
## Consolidated Balance Sheet

at 31 May 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>					
Intangible assets	9		275,776		172,361
Tangible assets	10		176,455		169,576
			<u>452,231</u>		<u>341,937</u>
<b>Current assets</b>					
Stocks		8,885		7,396	
Debtors (including £7.8 million (2017: £19.6 million) due after more than one year)	12	194,835		112,098	
Cash at bank and in hand		10,314		4,051	
		<u>214,034</u>		<u>123,545</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(334,839)</u>		<u>(263,784)</u>	
<b>Net current liabilities</b>			<u>(120,805)</u>		<u>(140,239)</u>
<b>Total assets less current liabilities</b>			<u>331,426</u>		<u>201,698</u>
<b>Creditors: amounts falling due after more than one year</b>	14		<u>(109,011)</u>		<u>(99,515)</u>
<b>Provisions for liabilities</b>					
Deferred tax	16		<u>(14,200)</u>		<u>-</u>
<b>Net assets</b>			<u>208,215</u>		<u>102,183</u>
<b>Capital and reserves</b>					
Called up share capital	18		174		174
Share premium account			101,847		101,847
Capital contribution reserve			101,084		101,084
Cash flow hedging reserve			-		(26)
Retained earnings			5,110		(100,896)
<b>Shareholders' funds</b>			<u>208,215</u>		<u>102,183</u>

The notes on pages 16 to 35 form part of the financial statements.

These financial statements were approved by the board of directors on 26 September 2018 and were signed on its behalf by:



**Andrew Hughes**  
Director

Company registered number: 00035668

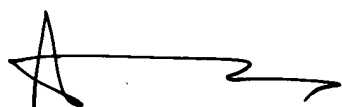
**Company Balance Sheet**  
*at 31 May 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	<b>2018</b> <b>£000</b>	<b>2017</b> <b>£000</b>	<b>2017</b> <b>£000</b>
<b>Fixed assets</b>					
Intangible assets	9		275,763		172,328
Tangible assets	10		176,450		169,574
Investments	11		15,890		15,890
			<hr/>		<hr/>
			468,103		357,792
<b>Current assets</b>					
Stocks		8,885		7,396	
Debtors (including £7.8 million (2017: £19.6 million) due after more than one year)	12	195,789		112,295	
Cash at bank and in hand		10,284		4,012	
		<hr/>		<hr/>	
		214,958		123,703	
<b>Creditors: amounts falling due within one year</b>	13	(334,678)		(263,437)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(119,720)		(139,734)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			348,383		218,058
<b>Creditors: amounts falling due after more than one year</b>	14		(129,012)		(119,516)
<b>Provisions for liabilities</b>					
Deferred tax	16		(14,200)		-
			<hr/>		<hr/>
<b>Net assets</b>			205,171		98,542
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	18		174		174
Share premium account			101,847		101,847
Capital contribution reserve			101,084		101,084
Cash flow hedging reserve			-		(26)
Retained earnings			2,066		(104,537)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			205,171		98,542
			<hr/>		<hr/>

The Company made a profit after tax for the financial year of £106.6 million.

The notes on pages 16 to 35 form part of the financial statements.

These financial statements were approved by the board of directors on 26 September 2018 and were signed on its behalf by:



**Andrew Hughes**  
*Director*

Company registered number: 00035668

## Consolidated Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 June 2016	174	101,847	101,084	28	(139,867)	63,266
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	38,971	38,971
Other comprehensive loss	-	-	-	(54)	-	(54)
Total comprehensive income for the period	-	-	-	(54)	38,971	38,917
<b>Balance at 31 May 2017</b>	<b>174</b>	<b>101,847</b>	<b>101,084</b>	<b>(26)</b>	<b>(100,896)</b>	<b>102,183</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	106,006	106,006
Other comprehensive income	-	-	-	26	-	26
Total comprehensive income for the period	-	-	-	26	106,006	106,032
<b>Balance at 31 May 2018</b>	<b>174</b>	<b>101,847</b>	<b>101,084</b>	<b>-</b>	<b>5,110</b>	<b>208,215</b>

The notes on pages 16 to 35 form part of the financial statements.

## Company Statement of Changes in Equity

	Called up share capital £000	Share premium account £000	Capital contribution reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 June 2016	174	101,847	101,084	28	(143,675)	59,458
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	39,138	39,138
Other comprehensive loss	-	-	-	(54)	-	(54)
Total comprehensive income for the period	-	-	-	(54)	39,138	39,084
<b>Balance at 31 May 2017</b>	<b>174</b>	<b>101,847</b>	<b>101,084</b>	<b>(26)</b>	<b>(104,537)</b>	<b>98,542</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	106,603	106,603
Other comprehensive income	-	-	-	26	-	26
Total comprehensive income for the period	-	-	-	26	106,603	106,629
<b>Balance at 31 May 2018</b>	<b>174</b>	<b>101,847</b>	<b>101,084</b>	<b>-</b>	<b>2,066</b>	<b>205,171</b>

The notes on pages 16 to 35 form part of the financial statements.



## **Consolidated Statement of Cash Flows**

*For the year ended 31 May 2018*

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>		
Operating profit for the year	7,275	6,683
Adjustments for:		
Depreciation, amortisation and impairment	87,442	66,852
Loss / (gain) on sale of tangible fixed assets	61	(3)
Transfer of deferred credits to Profit and Loss Account	(104)	(104)
Increase in trade and other debtors	(23,847)	(5,165)
Increase in stocks	(1,490)	(603)
Increase in trade and other creditors	33,714	5,910
<b>Cash flows from operations</b>	<b>103,051</b>	<b>73,570</b>
Interest received	11	32
Interest paid	(1,831)	(2,531)
<b>Net cash from operating activities</b>	<b>101,231</b>	<b>71,071</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of tangible fixed assets	-	12
Acquisition of tangible fixed assets	(15,888)	(52,000)
Proceeds from sale of player registrations	104,905	58,388
Acquisition of player registrations	(154,085)	(97,202)
<b>Net cash from investing activities</b>	<b>(65,068)</b>	<b>(90,802)</b>
<b>Cash flows from financing activities</b>		
Cash (outflow) / inflow from change in borrowings – bank loans	(17,000)	18,000
Cash outflow from change in intercompany debt	(12,900)	(2,400)
<b>Net cash (used in)/from financing activities</b>	<b>(29,900)</b>	<b>15,600</b>
Net increase / (decrease) in cash and cash equivalents	6,263	(4,131)
Cash and cash equivalents at 1 June	4,051	8,182
<b>Cash and cash equivalents at 31 May</b>	<b>10,314</b>	<b>4,051</b>

The notes on pages 16 to 35 form part of the financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

The Liverpool Football Club and Athletic Grounds 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 presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

Judgements made by the management, 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 26.

#### **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 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 £120.8 million at year end, the directors have a reasonable expectation that the Company 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 2018. 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 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 Group's cash management are included as a component of cash and cash equivalents for the purpose only of the Consolidated 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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

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

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

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **1.8 Tangible fixed assets (continued)**

Assets under construction are not depreciated until they are available for use, at which point they are transferred into the relevant category of fixed assets.

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 in the Profit and Loss Account whenever the carrying amount of an asset exceeds its recoverable amount.

#### **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 on loan and overdraft, notional interest expense on deferred payments for player registrations, 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.

Interest receivable and similar income include interest receivable on cash held at bank, notional interest on deferred receipts for sale of players' registrations 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Turnover

	2018 £000	2017 £000
By activity:		
Media	220,058	154,413
Commercial	154,288	136,560
Match day	80,743	73,535
	<u>455,089</u>	<u>364,508</u>
By geographical market:		
United Kingdom	440,842	349,856
EU	6,511	2,935
Rest of the World	7,736	11,717
	<u>455,089</u>	<u>364,508</u>

### 3 Administrative expenses

*Included in administrative expenses are the following:*

	2018 £000	2017 £000
Amortisation of players' registrations	77,057	58,385
Impairment loss on player registrations	257	5
Depreciation of tangible fixed assets	8,855	7,190
Operating lease rentals	2,604	2,439
Amortisation of goodwill	1,273	1,272
Auditors remuneration	70	96
Non-audit fees	14	56
Loss / (gain) on disposal of tangible fixed assets	61	(3)
	<u></u>	<u></u>



## 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	
	2018	2017
Administration, commercial and other	593	524
Players, managers and coaches	178	155
Ground and maintenance staff	66	65
	<u>837</u>	<u>744</u>

Full-time employees are those employed for more than 20 hours per week. In addition, the Group engaged on match days an average of 1,965 part-time temporary staff (2017: 1,716). The Group also engages an additional 32 part-time scouts, coaches and LFC Ladies players (2017: 33).

	2018	2017
	£000	£000
Aggregate amounts for both staff and directors charged in respect of:		
Wages and salaries	232,672	184,999
Social security costs	27,605	22,457
Pension costs	3,338	822
	<u>263,615</u>	<u>208,278</u>

### 5 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	2,252	1,618
Group contributions to money purchase pension plans	24	31
	<u>2,276</u>	<u>1,649</u>

	2018	2017
	£000	£000
Highest paid director's remuneration:		
Remuneration	1,329	907
Group contributions to money purchase pension plans	-	7
	<u>1,329</u>	<u>914</u>

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase pension plans	<u>1</u>	<u>1</u>

## Notes (continued)

### 6 Interest receivable and similar income

	2018 £000	2017 £000
Notional interest on deferred receipts for sale of players' registrations	1,567	1,360
Bank interest	11	32
	<hr/>	<hr/>
Total interest receivable and similar income	1,578	1,392
	<hr/>	<hr/>

### 7 Interest payable and similar charges

	2018 £000	2017 £000
Notional interest expense on deferred payments for players' registrations	2,500	1,881
On loan and overdrafts	4,614	4,301
Other finance costs	450	518
Effective loss on derivatives treated as hedging instruments	8	46
	<hr/>	<hr/>
Total interest payable and similar charges	7,572	6,746
	<hr/>	<hr/>

### 8 Taxation

#### *Total tax expense recognised in the Profit and Loss Account and Other Comprehensive Income*

	2018 £000	2017 £000
<i>Current tax</i>		
Current tax on income for the period	5,309	822
Adjustments in respect of prior periods	(405)	(176)
	<hr/>	<hr/>
Total current tax	4,904	646
<i>Deferred tax (see note 16)</i>		
Origination and reversal of timing differences	14,200	(25)
Adjustments in respect of prior periods	25	-
	<hr/>	<hr/>
Total deferred tax	14,225	(25)
	<hr/>	<hr/>
Total tax	19,129	621
	<hr/>	<hr/>

## Notes (continued)

### 8 Taxation (continued)

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

	2018 £000	2017 £000
UK corporation tax	5,237	527
Double taxation relief	(239)	(277)
Foreign tax	(94)	396
	<hr/>	<hr/>
Total current tax recognised in the Profit and Loss Account	4,904	646
	<hr/>	<hr/>

#### **Reconciliation of effective tax rate**

	2018 £000	2017 £000
Profit for the year	106,006	38,971
Total tax expense	19,129	621
	<hr/>	<hr/>
Profit excluding taxation	125,135	39,592
Tax using the UK corporation tax rate of 19.0% (2017: 19.8%)	23,776	7,852
Effect of tax rates in foreign jurisdictions	-	128
Non-deductible expenses	1,319	1,146
Current year movement in tax losses for which no deferred tax was recognised	-	(5,316)
Recognition of previously unrecognised tax losses	(3,865)	-
Reduction in tax rate on deferred tax balances	(1,746)	-
Other timing differences for which no deferred tax asset was recognised	-	(3,013)
Group relief	24	-
Over provided in prior years	(379)	(176)
	<hr/>	<hr/>
Total tax expense included in Profit and Loss Account	19,129	621
	<hr/>	<hr/>

A reduction in the main rate of UK corporation tax has been enacted. The rate will reduce from 19% to 17% from 1 April 2020. As this change had been enacted at the balance sheet date it has been recognised in these financial statements.

## Notes (continued)

### 9 Intangible assets and goodwill

Group	Goodwill £000	Players' registrations £000	Total £000
<b>Cost</b>			
Balance at 1 June 2017	13,994	332,601	346,595
Additions	-	195,238	195,238
Disposals	-	(42,822)	(42,822)
<b>Balance at 31 May 2018</b>	<b>13,994</b>	<b>485,017</b>	<b>499,011</b>
<b>Amortisation and impairment</b>			
Balance at 1 June 2017	9,965	164,269	174,234
Amortisation for the year	1,273	77,057	78,330
Impairment charge	-	257	257
Disposals	-	(29,586)	(29,586)
<b>Balance at 31 May 2018</b>	<b>11,238</b>	<b>211,997</b>	<b>223,235</b>
<b>Net book value</b>			
At 1 June 2017	4,029	168,332	172,361
<b>At 31 May 2018</b>	<b>2,756</b>	<b>273,020</b>	<b>275,776</b>

Included within intangible assets and goodwill is £13,000 relating to subsidiary undertakings of the Company.

### 10 Tangible fixed assets

Group	Freehold Land and buildings £000	Long leasehold £000	Stands, fixtures, fittings and equipment £000	Motor vehicles £000	Assets under construction £000	Total £000
<b>Cost</b>						
Balance at 1 June 2017	22,080	3	207,098	160	7,735	237,076
Additions	-	-	13,164	136	2,495	15,795
Disposals	-	-	(1,380)	(26)	-	(1,406)
Transfers	-	-	4,104	-	(4,104)	-
<b>Balance at 31 May 2018</b>	<b>22,080</b>	<b>3</b>	<b>222,986</b>	<b>270</b>	<b>6,126</b>	<b>251,465</b>
<b>Depreciation and impairment</b>						
Balance at 1 June 2017	13,815	-	53,533	152	-	67,500
Depreciation charge for the year	181	-	8,656	18	-	8,855
Disposals	-	-	(1,319)	(26)	-	(1,345)
<b>Balance at 31 May 2018</b>	<b>13,996</b>	<b>-</b>	<b>60,870</b>	<b>144</b>	<b>-</b>	<b>75,010</b>
<b>Net book value</b>						
At 1 June 2017	8,265	3	153,565	8	7,735	169,576
<b>At 31 May 2018</b>	<b>8,084</b>	<b>3</b>	<b>162,116</b>	<b>126</b>	<b>6,126</b>	<b>176,455</b>

## Notes (continued)

### 10 Tangible fixed assets (continued)

Included within tangible fixed assets is £5,000 relating to subsidiary undertakings of the Company.

### 11 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At 1 June 2017 and 31 May 2018	15,890

The investment carrying value of £15.9 million in the Company represents the cost of acquiring the entire share capital of Liverpoolfc.TV Limited. This company is now dormant following the transfer of the trade and assets to the Company in July 2009. The net assets of Liverpoolfc.TV Limited as at 31 May 2018 were £20.0 million.

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

All subsidiary undertakings of the Company are as follows:

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

\* Operating company

Y Dormant company

For all subsidiary undertakings in the above table, the Company owns directly 100% of the ordinary share capital.

#### (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)

### 12 Debtors

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade debtors	168,594	105,996	168,542	105,956
Amounts owed by Group undertakings	-	15	1,016	349
Other debtors	4,381	139	4,381	111
Prepayments and accrued income	21,860	5,948	21,850	5,879
	<u>194,835</u>	<u>112,098</u>	<u>195,789</u>	<u>112,295</u>
Due within one year	187,043	92,457	187,997	92,654
Due after more than one year	7,792	19,641	7,792	19,641
	<u>194,835</u>	<u>112,098</u>	<u>195,789</u>	<u>112,295</u>

## Notes (continued)

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

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Trade creditors	96,517	49,251	96,516	49,252
Amounts owed to parent	99,919	109,949	99,919	109,949
Taxation and social security	31,479	21,866	31,450	21,836
Corporation tax	3,054	3,042	3,051	3,037
Other creditors	5,828	1,705	5,828	1,705
Accruals	56,276	35,212	56,163	35,091
Deferred income	41,766	42,759	41,751	42,567
	<u>334,839</u>	<u>263,784</u>	<u>334,678</u>	<u>263,437</u>

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

	Group 2018 £000	2017 £000	Company 2018 £000	2017 £000
Bank loans and overdrafts (see note 15)	55,103	71,709	55,103	71,709
Trade creditors	51,216	26,744	51,216	26,744
Amounts owed to group undertakings	-	-	20,001	20,001
Other creditors	2,692	1,062	2,692	1,062
	<u>109,011</u>	<u>99,515</u>	<u>129,012</u>	<u>119,516</u>

## Notes (continued)

### 15 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 2018 £000	2017 £000	Company 2018 £000	2017 £000
<b>Creditors falling due within one year</b>				
Intercompany loan	99,919	109,949	99,919	109,949
	<u>99,919</u>	<u>109,949</u>	<u>99,919</u>	<u>109,949</u>
<b>Creditors falling due more than one year</b>				
Secured bank loans	56,000	73,000	56,000	73,000
Less: deferred loan costs	(897)	(1,291)	(897)	(1,291)
	<u>55,103</u>	<u>71,709</u>	<u>55,103</u>	<u>71,709</u>

#### *Terms and debt repayment schedule*

Group and Company	Nominal interest rate	Year of maturity	Repayment schedule	2018 £000	2017 £000
Secured bank loan	1.73%	2020	Revolver	56,000	73,000
Intercompany loan – stadium loan	2.44%	N/A	On demand	99,919	109,909
				<u>155,919</u>	<u>182,909</u>

The Group has a £150.0 million revolving credit facility that is available for general corporate purposes including working capital and letters of credit and matures in September 2020.

The £99.9 million (2017: £109.9 million) due to group undertaking at 31 May 2018 represented an intercompany creditor with the Club's UK holding Company, UKSV Holdings Company Limited. This intercompany loan has been provided to fund the stadium expansion work.



## Notes (continued)

### 16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are summarised as follows:

Group	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	-	-	3,105	2,321	3,105	2,321
Intangible asset timing differences	-	-	26,578	14,732	26,578	14,732
Employee benefits	(1,331)	(1,003)	-	-	(1,331)	(1,003)
Unused tax losses	(14,080)	(16,005)	-	-	(14,080)	(16,055)
Other	(72)	(70)	-	-	(72)	(70)
Total	<u>(15,483)</u>	<u>(17,078)</u>	<u>29,683</u>	<u>17,053</u>	<u>14,200</u>	<u>(25)</u>

There is an unprovided deferred tax asset of £0.1 million (2017 £3.5 million) in respect of tax losses carried forward.

The Group has total gross tax losses of £82.8 million (2017: £114.5 million). A deferred tax asset has been recognised on £82.8 million of these losses (2017: £94.1 million).

### 17 Employee benefits

The Company operates a defined contribution pension plan.

The total expense relating to these plans in the current year was £3.3 million (2017: £0.8 million).

### 18 Capital and reserves

#### Share capital

Group and Company	Ordinary shares 2018	Ordinary shares 2017
On issue at 1 June	34,825	34,825
On issue at 31 May – fully paid	34,825	34,825
	<u>2018 £000</u>	<u>2017 £000</u>
<i>Allotted, called up and fully paid</i> 34,825 ordinary shares of £5 each	174	174
Shares classified in shareholders' funds	<u>174</u>	<u>174</u>

## Notes (continued)

### 19 Financial instruments

#### 19 (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
	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2017 £000
At fair value through profit and loss:						
Player receivables	111,710	-	111,710	66,186	-	66,186
At amortised cost:						
Cash	10,314	-	10,314	4,051	-	4,051
Trade debtors (excluding player receivables)	56,884	-	56,884	39,811	-	39,811
Other receivables	4,381	21,860	26,241	153	5,948	6,101
Total Assets	183,289	21,860	205,149	110,201	5,948	116,149

Group Financial Liabilities	Financial Liabilities	Non-financial Liabilities	Total Liabilities	Financial Liabilities	Non-financial Liabilities	Total Liabilities
	2018 £000	2018 £000	2018 £000	2017 £000	2017 £000	2017 £000
At fair value through profit and loss:						
Player creditors	141,449	-	141,449	71,316	-	71,316
Designated and effective as hedging instrument:						
Derivative financial instruments	-	-	-	(281)	-	(281)
Other financial liabilities (amortised):						
Trade creditors and other payables (excluding player creditors)	205,532	41,766	247,298	177,796	42,759	220,555
Bank loans and overdrafts	55,103	-	55,103	71,709	-	71,709
Total Liabilities	402,084	41,766	443,850	320,540	42,759	363,299

## **Notes (continued)**

### **19 Financial instruments (continued)**

#### **19 (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 Group 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).

##### *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).

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 its 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. Responsibility for liquidity risk management rests with management. The management use predictive financial models to constantly monitor and manage current and future liquidity.

## Notes (continued)

### 19 Financial instruments (continued)

#### 19 (c) Hedge accounting

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

	Carrying amount £000	Expected cash flows £000	2018 1 year or less £000	Carrying amount £000	Expected cash flows £000	2017 1 year or less £000
<b>Forward exchange contracts:</b>						
Liabilities	-	-	-	11,332	11,639	11,639
	-	-	-	11,332	11,639	11,639

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.

### 20 Operating leases

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

	2018 £000	2017 £000
Less than one year	1,740	2,008
Between one and five years	1,728	3,119
More than five years	134	364
	3,602	5,491

During the year £2.6 million was recognised as an expense in the Profit and Loss Account in respect of operating leases (2017: £2.4 million).

### 21 Commitments

#### Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £5.8 million (2017: £11.5 million).

## **Notes (continued)**

### **22 Contingencies**

Under the terms of certain contracts for the acquisition of players' registrations, future transfer fees may be payable of £38.2 million (2017: £18.5 million). In addition, there are £3.0 million (2017: £2.6 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 £2.0 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 2018 the maximum amount that could be received is £35.7 million (2017: £19.2 million). Since the period end £0.2 million have crystallised.

### **23 Related parties**

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

### **24 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 Holdings Company Limited incorporated in the United Kingdom.

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

### **25 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 £181.2 million. This activity will be accounted for in the year ending 31 May 2019.

The cumulative effect on the Profit and Loss Account since the period end in relation to the profit on sales of players is a £18.1 million profit.

### **26 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 first team squad for cash-generating unit 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.