

# **Derby County Football Club Limited**

## **Directors' report and financial statements**

**For the year ended 30 June 2016**

**Registered number 49139**

FRIDAY



A11  
31/03/2017  
COMPANIES HOUSE

\*A63C9NS1\*

#317

# Derby County Football Club Limited

<b>Contents</b>
-----------------

Page 2  
Company information

Pages 3 - 4  
Strategic Report

Pages 5 - 6  
Directors' report

Page 7  
Report of the independent auditors

Page 8  
Statement of comprehensive income

Page 9  
Company statement of financial position

Page 10  
Statement of cash flows

Page 11  
Statement of changes in equity

Pages 12 - 25  
Notes

# **Derby County Football Club Limited**

<b>Company information</b>
----------------------------

**Directors**

**M Morris  
S J Rush**

**Company Secretary**

**S A Pearce**

**Registered Office**

**Pride Park Stadium, Derby DE24 8XL**

**Company Number**

**49139**

**Auditors**

**Smith Cooper Limited, St Helen's House, Cathedral Quarter, King Street, Derby DE1 3EE**

**Bankers**

**Barclays Bank PLC, 69 Albion Street, Leeds LS1 5AA**

**Solicitors**

**Geldards, Number One Pride Place, Pride Park, Derby, DE24 8QR  
Smith Partnership, 4th Floor, Celtic House, Heritage Gate, Friary Street, Derby DE1 1LS**

# Derby County Football Club Limited

## Strategic Report

### Introduction

The Company operates as a professional football club, currently competing in the Championship division of the EFL (English Football League).

The Club was founded in 1884 as an off-shoot of Derbyshire County Cricket Club. As this was prior to the introduction of the Football League, up until 1888 the Club only ever competed in friendly matches and the FA Cup. In 1888, the Club was one of the founding 12 teams in the Football League, alongside the likes of Preston North End, Aston Villa, Wolverhampton Wanderers, Blackburn Rovers, Bolton Wanderers, West Bromwich Albion, Accrington FC, Everton, Burnley, Notts County and Stoke City, all clubs based across the midlands and north-west of England.

The Club's vision is:

*"To make Derby County Football Club a sustainable and perennial competitor in the top half of the Premier League with a philosophy both on and off the field of continuous personal and team development supported by first class facilities, staff, coaching, youth development and support systems. We are committed to building a reputation for excellence in everything we do and becoming the 'club of choice' for all our staff, players, supporters and other stakeholders as well as highly talented players and aspiring youngsters"*

### Business review and future developments

Following the acquisition of a 20% stake in the club in May 2014, local businessman Melvyn Morris purchased the remaining shareholding from North American Derby Partners LP in September 2015, becoming the ultimate beneficiary and controlling party of the Club (see note 23). Mr Morris has stated that his intention is to make Derby County a perennial competitor in the upper reaches of the Premier League. The vision stated above, which centres around a thriving senior football and academy set up, will ensure that the Club recruits exceptional talent and develops its existing players to the maximum level possible.

On the field, Paul Clement joined Derby County as Head Coach on June 1 2015 and, to support him, the Board invested heavily in the playing squad during the Summer and January transfer windows, with the purchase of Bradley Johnson, Jacob Butterfield, Jason Shackell, Tom Ince, Andreas Weimann, Nick Blackman, Marcus Olsson and Abdoul Camara, together with the free transfers of Scott Carson, Darren Bent, Alex Pearce and Chris Baird. The club transfer record was broken three times.

At the half way mark in the season Clement had lead the club to first place in the league and their highest points total (47) in nearly a century. A poor run of form, however, from the team early in 2016 saw him lose his job in February 2016 with the team in 5th place in the league after 30 games. For the remaining time in the season, Clement was replaced by Academy Director and former player Darren Wassall. Wassall maintained Derby's place in the play offs but a disappointing 3-0 loss in the semi-final first leg v Hull City meant that, despite a 2-0 win in the return leg at Hull, the club would play at least one more season in the Championship.

In June 2016, Nigel Pearson was appointed Manager of Derby County and while he was quieter than his predecessor in the transfer market, he also broke the club transfer record with the £8.5 million purchase of Matej Vydra from Watford. Pearson's spell with the club was though short lived and after a poor run of form he was initially suspended and then subsequently left his role in October 2016. The club had won one league game under his reign and were around the relegation places at the time of his departure. On 12 October 2016 Steve McClaren returned to Derby as Manager and immediately transformed team affairs. By 30 November 2016, the club had risen to 9th place in the league and with still 28 games to go, the club's stated objective to compete at the top end of the league was again achievable.

During the 2015/16 season, Derby continued to be the best supported club in the EFL, with an average attendance of over 29,500 for its league fixtures (2014/15: circa 29,200) which is more than 4,000 greater than its nearest competitor and double that of many in its own league. It is only as a result of Newcastle United and Aston Villa being relegated to the Championship in 2016/17 with capacities of c52,300 and c42,700 respectively, that the club comes a close third on attendances.

The financial year to 30 June 2016 reported a further increase in turnover of £1.1 million, to £22.6 million compared to £21.5 million in the previous financial year. Ticketing and commercial revenues have grown by £0.6 million and TV and League related income £0.5 million.

As in the previous financial year, the Board continued with the strategic decision that further investment was to be made on the playing side, the operational functions and in the infrastructure of the Club, whilst recognising it must still continue to operate within the boundaries and rules of financial fair play as set by the EFL.

# Derby County Football Club Limited

## Strategic Report (continued)

As discussed above, a number of permanent player signings were made during the transfer windows of summer 2015 and January 2016, which boosted the balance sheet intangible assets to £33.5 million from £7.4 million. In addition to the increased investment on the playing side, further operational spend took place and during the year £5.8 million (2015: £4.1 million) of development was made at the club's stadium and training facility. This development included, but was not limited to, four new semi synthetic "sisgrass" pitches at the training facility, a new undersoil heating system and semi synthetic pitch at the stadium, together with new LED floodlights.

During the previous financial year, the company settled the secured mortgage element of the loan from the Co-operative Bank plc. The settlement of this loan was initially funded via a loan from the company's then ultimate parent Global Derby (UK) Limited under arm's length commercial terms and rate of interest. As part of the change in ownership of the group on 1 September 2015 (see note 23), the beneficial ownership of the loan passed to the previous controlling party, North American Derby Partners LP. On 29 June 2016, North American Derby Partners LP cancelled the loan, which resulted in a gain of £12.0 million in the current financial year.

The result of the above has contributed to an increase in the loss for the financial year to £14.7 million from £10.1 million in the previous financial year. However, the Board believes that this financial result, level of spend and investment is required in order to build a sustainable club for the long term and is being monitored in line with the club's strategy and vision.

### Principal risks and uncertainties

Due to the principal activities of the company the revenues of the business are susceptible to the on-pitch performance of the football team.

In order to compete in the world's most competitive league, significant investment is required on an ongoing basis in both financial and non-financial terms. As discussed above, the directors will continue to research any commercial opportunities that will create additional revenue for the Club in order to improve its long term position and prospects.

The company's credit risk is relatively low and is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements.

The company is financed by a mixture of parent company capital injections and the revenue that is raised through its business activities. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the company.

The EFL financial fair play regulations continues to provide a significant challenge. The Club needs to balance success on the field together with the financial imperatives of this regulatory framework.

### Key performance indicators

The principal key performance indicators used by the board in assessing performance of the Club are as follows:

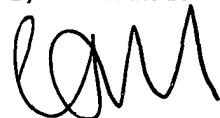
#### Non financial

- ♦ league position of football team
- ♦ average league attendance

#### Financial

- ♦ revenue by income stream
- ♦ payroll cost
- ♦ operating result before player trading and amortisation
- ♦ cash/borrowings position against budget

By order of the board



**Sam Rush**  
President and Chief Executive Officer  
Date: 29 November 2016

# Derby County Football Club Limited

## Directors' Report

The directors present their report and the audited financial statements of Derby County Football Club Limited ('the Club') for the year ended 30 June 2016.

### Principal activity

The principal activity of the company is the operation of a professional football club. There have been no changes in the company's activities in the year under review and this is the activity in which the company will continue to be involved.

### Results and dividends

The loss for the period after taxation amounted to £14,725,000 (2015: £10,068,000)

The directors do not recommend the payment of an ordinary dividend.

### Creditor payment policy

The company's policy is to pay all creditors in accordance with contractual and other legal obligations. Advantage is taken of available discounts for prompt payment whenever possible.

### Directors

The directors who held office were as follows:

A D Appleby	(resigned 2 September 2015)
W Luby	(resigned 2 September 2015)
J Mallett	(resigned 2 September 2015)
M Morris	
D Richardson	(resigned 2 September 2015)
T Ricketts	(resigned 2 September 2015)
S J Rush	
T Vertin	(resigned 2 September 2015)

None of the directors who held office at the end of the financial year had any beneficial interest in the shares of the company.

The directors' beneficial interests in the ultimate parent company, Sevco 5112 Limited, are shown in the financial statements of that company.

### Financial instruments

The company does not use financial instruments.

### Post balance sheet events

These are detailed in note 21 of the financial statements.

### Employee involvement

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

### Disabled employees

Disabled employees are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain him/her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

# Derby County Football Club Limited

## Directors' Report (continued)

### Directors' responsibilities

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

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

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

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of information needed by the company's auditors for the purposes of their audit and established that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, Smith Cooper Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board



S A Pearce

Company Secretary

Date: 29 November 2016

# Derby County Football Club Limited

## Report of the independent auditors

### Independent auditor's report to the members of Derby County Football Club Limited

We have audited the financial statements of Derby County Football Club Limited for the year ended 30 June 2016 set out on pages 8 to 25. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

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

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' report has been

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

**Andrew Delve (Senior statutory auditor)**

For and on behalf of Smith Cooper Limited, Chartered Accountants & Statutory Auditors  
St Helen's House, King Street Derby DE1 3EE

Date: 29 November 2016



# Derby County Football Club Limited

## Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	Year to 30 June 2016 £000	Year to 30 June 2015 £000
Turnover	2	22,559	21,467
Direct operating costs		(35,003)	(26,474)
<b>Gross loss</b>		<b>(12,444)</b>	<b>(5,007)</b>
Administrative expenses		(14,980)	(7,982)
Operating loss before amortisation and exceptional items		(24,054)	(9,669)
Amortisation of players' registrations, transfer fee levies and associated costs		(3,370)	(3,320)
<b>Operating profit/(loss) before exceptional items</b>		<b>(27,424)</b>	<b>(12,989)</b>
Exceptional operating income		12,434	3,000
<b>Operating loss</b>	3	<b>(14,990)</b>	<b>(9,989)</b>
Profit on sale of players' registrations		200	343
Interest receivable and similar income		8	3
Interest payable and similar charges	6	57	(425)
<b>Loss on ordinary activities before taxation</b>		<b>(14,725)</b>	<b>(10,068)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss on ordinary activities after taxation</b>	17, 18	<b>(14,725)</b>	<b>(10,068)</b>
<b>Comprehensive income for the year</b>		<b>(14,725)</b>	<b>(10,068)</b>

The results shown above have been derived from continuing activities in both financial periods.

The notes on pages 11 to 25 form part of these financial statements.

# Derby County Football Club Limited

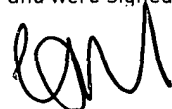
## Company Statement Of Financial Position

at 30 June 2016

Company number 49139	Note	2016		2015	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	8		33,456		7,394
Tangible assets	9		58,470		55,101
Investments	10		-		-
			91,926		62,495
<b>Current assets</b>					
Players' registration fees receivable		-		-	
Debtors	11	4,654		3,259	
Cash at bank and in hand		11,938		2,932	
		16,592		6,191	
<b>Creditors: amounts falling due within one year</b>	12	(15,188)		(14,522)	
<b>Players' registration fees payable within one year</b>		(11,523)		(2,406)	
<b>Net current liabilities</b>			(10,119)		(10,737)
<b>Total assets less current liabilities</b>			81,807		51,758
<b>Creditors: amounts falling due after more than one year</b>	13		(2,183)		(14,192)
<b>Players' registration fees payable after more than one year</b>			(7,833)		(3,050)
<b>Net assets</b>			71,791		34,516
<b>Financed by:</b>					
<b>Capital and reserves</b>					
Called up share capital	17		9,900		9,380
Share premium account	18		110,593		59,113
Revaluation reserve	18		31,230		32,103
Profit and loss account	18		(79,932)		(66,080)
			71,791		34,516
<b>Shareholders' funds</b>	18		71,791		34,516

The notes on pages 11 to 25 form part of these financial statements.

These financial statements were approved by the board and were authorised for issue on 29 November 2016 and were signed on its behalf by:



S J Rush  
Director

# Derby County Football Club Limited

<b>Statement Of Cash Flows</b>			
For the year ended 30 June 2016			
	Year to 30 June 2016		Year to 30 June 2015
	£000	£000	£000
<b>Cash flows from operating activities</b>			
(Loss) for the financial year		(14,725)	(10,068)
Adjustments for:			
Amortisation of intangible assets	3,370		3,320
Depreciation of tangible fixed assets	2,446		2,210
Amortisation of deferred grant income	(78)		(78)
Gain on loan settlement	(12,434)		(3,000)
Loan interest release	(514)		-
Interest paid	457		425
Interest received	(8)		(3)
Profit on sale of player registrations	(200)		(343)
Taxation	-		21
Decrease/(increase) in trade and other debtors	(1,395)		379
Increase/(decrease) in trade creditors	(1,576)		70
<b>Net cash generated from operating activities</b>		<b>(24,657)</b>	<b>(7,067)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible assets	-		-
Purchases of tangible assets	(5,815)		(4,098)
Purchases of intangible assets	(12,698)		(4,464)
Proceeds from sale of intangible assets	439		607
Interest received	8		3
<b>Net cash from investing activities</b>		<b>(18,066)</b>	<b>(7,952)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary share capital	52,000		17,401
New loans from group undertakings	52,041		29,383
Repayment of loans	(52,000)		(29,401)
Repayment of finance lease obligations	(68)		(127)
Interest paid	(244)		(320)
Dividends paid	-		-
<b>Net cash used in financing activities</b>		<b>51,729</b>	<b>16,936</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,006</b>	<b>1,917</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>2,932</b>	<b>1,015</b>
<b>Cash and cash equivalents at end of year</b>		<b>11,938</b>	<b>2,932</b>

# Derby County Football Club Limited

## Statement Of Changes In Equity

For the year ended 30 June 2016

	Called-up share capital	Share premium account	Revaluation Reserve	Profit and loss account	Total
	£000	£000	£000	£000	£000
At 1 July 2014	8,945	42,147	33,096	(57,005)	27,183
Profit and total comprehensive income for the year	-	-	-	(10,068)	(10,068)
Transfer	-	-	(933)	933	-
Issue of shares	435	16,966	-	-	17,401
<b>At 30 June 2015</b>	<b>9,380</b>	<b>59,113</b>	<b>32,163</b>	<b>(66,140)</b>	<b>34,516</b>
Profit and total comprehensive income for the year	-	-	-	(14,725)	(14,725)
Transfer	-	-	(933)	933	-
Issue of shares	520	51,480	-	-	52,000
<b>At 30 June 2016</b>	<b>9,900</b>	<b>110,593</b>	<b>31,230</b>	<b>(79,932)</b>	<b>71,791</b>

# Derby County Football Club Limited

## Notes

### Company Information

The Derby County Football Club Limited is a company registered in England and Wales, with its registered office at Pride Park Stadium, Pride Park, Derby, DE24 8XL.

### Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets and are in accordance with applicable accounting standards, including Financial Reporting Standard 102 and with the Companies Act 2006.

The balance sheet format as set out in the Companies Act 2006 has been amended to show players' registration fees receivable and payable separately on the face of the balance sheet. The directors believe this is an appropriate presentation given the significance of the amounts involved.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts. These financial statements present information about the company as an individual undertaking not about its group. The company and its subsidiary undertaking are included by full consolidation in the financial statements of its ultimate United Kingdom parent company, Sevco 5112 Limited, a company registered in England and Wales.

### Going concern

The financial statements, which show net current liabilities of £10.1 million and net assets of £71.8 million have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future.

The company's borrowings at the balance sheet date, comprised other loans as set out in notes 12 and 13.

The directors have prepared cashflow projections for the period to 30 June 2017. These projections are prepared using assumptions which the directors consider to be appropriate to the financial position of the company as regards future expected revenues and changes in the cost base. These forecasts indicate that additional working capital financing is required to enable the company to fund its business plan and to meet its liabilities as they fall due. The directors have obtained written confirmation from ultimate parent undertaking, Sevco 5112 Limited, of their intention to provide such financial support as is required by the company for its continued operation for a period of at least twelve months from the date of approval of the financial statements.

Given the financial projections and the support provided by the parent company, the directors consider it appropriate to prepare the financial statements on the going concern basis.

### Significant judgements and estimates

#### Stadium revaluation

The freehold buildings known as Pride Park Stadium were valued by independent valuers Jones Lang LaSalle on 23 May 2013. Based on this valuation the Directors have assessed the carrying value of the freehold buildings and determined that the current value is appropriate.

#### Depreciation

Fixed assets are depreciated over their useful life. The useful life is based on management's estimate of the period that the assets will generate revenue and will be reviewed annually for continued appropriateness. The carrying values will be tested for impairment where there is an indication that the value of an asset might be impaired. No such indication of impairment has been noted

# Derby County Football Club Limited

## Notes

### Significant judgements and estimates (continued)

#### Amortisation and residual values on intangible assets

Intangible assets are amortised on a straight line basis over their useful life after consideration of their residual values. Those intangible assets capitalised in relation to amounts paid to third parties for players' registrations, EFL levies, agents' commissions and compensation are allocated a residual value and amortised over the life of the asset down to the residual value. This value will be reviewed continuously for its appropriateness and any indications the value might be impaired. The directors believe that the current residual values are appropriate based on market values.

#### Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### Turnover

Turnover represents amounts receivable from third parties as disclosed in note 2, excluding value added tax. Match receipts are shown after deduction of net levies paid to the EFL, the Football Association and amounts due to visiting clubs. Revenue from match receipts 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 in line with the contractual terms. Income arising from the fixed element of TV receipts is recognised over the course of the playing season. The non-fixed element of TV receipts relating to match coverage is recognised as the matches are played.

Income from match receipts, sponsorship and commercial contracts, which has been received prior to the period end in respect of future football seasons, is treated as deferred income.

#### Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

#### Signing on fees

Signing on fees and loyalty bonuses are charged to the profit and loss account in the accounting period in which payment is made. However, those instalments due in the future based on continued service are not provided for but are noted as contingent liabilities. Where signing on fees are paid to a player as a consequence of the transfer of his registration to another club, the charge is included in profit or loss on disposal of player registrations.

#### Transfer costs

Amounts paid to third parties for players' registrations, EFL levies, agents' commissions and compensation for management and coaching staff are capitalised as intangible assets and amortised on a straight line basis over the period of the players' or other employees' contracts. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

#### Profit or loss on sale of players' registrations

The profit or loss on sale of players' registrations represents the proceeds of sale less the net book value of the registration and any direct costs.

# Derby County Football Club Limited

## Notes

### 1 Principal accounting policies (continued)

#### Land and buildings

The freehold buildings known as the iPro Stadium are held at valuation based on the depreciated replacement cost of the property. The property is subject to a full valuation on a sufficiently regular basis. Property is reviewed for any indications of impairment on an annual basis.

#### Depreciation of tangible assets

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows :

Freehold buildings	2% to 10% per annum
Fixtures and fittings	2% to 20% per annum
Motor vehicles	20% per annum
Computer equipment	25% per annum

Freehold land is not depreciated.

The cost of fixed assets includes directly attributable costs capable of making the asset operate as intended and interest incurred on borrowings to finance specific developments in respect of the period of production.

Work in progress relates to assets under construction for which depreciation has yet to be provided on the basis that these are not currently available for use.

#### Investments

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

#### Capital grants

Capital grants are accounted for under the accruals model. They are released to the profit and loss account over the estimated life of the asset to which they relate.

#### Pensions

Certain employees are members of the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' Benefit Scheme (the "Schemes"). The company continues to make contributions in respect of its share of the deficit of these defined benefit pension Schemes. Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the company is advised only of its share of the Scheme's deficit and recognises a liability in respect of this. Contributions payable to the Scheme's reduce this liability.

The company also contributes to individuals' money purchase pension schemes with contributions being charged to the profit and loss account as they become payable.

#### Leases

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors

Rentals payable under operating leases are charged to the profit and loss on a straight line basis over the lease term.

# Derby County Football Club Limited

## Notes

### 1 Principal accounting policies (continued)

#### Taxation

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

#### Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

#### Debtors

Short term debtors are measured at transaction price, less any impairment.

#### Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



# Derby County Football Club Limited

## Notes (continued)

### 2 Turnover

	2016 £000	2015 £000
All of the below turnover arose in the United Kingdom.		
Match receipts	8,302	7,897
Sponsorship and advertising income	3,022	2,902
TV receipts	5,610	5,094
Commercial activities	3,578	3,420
Programme sales and related activities	162	190
Merchandising	275	281
Other receipts	1,610	1,683
	<u>22,559</u>	<u>21,467</u>

### 3 Operating loss

	2016 £000	2015 £000
This is stated after charging/(crediting):		
Auditors remuneration		
- audit services	16	16
- non-audit services	14	4
Depreciation	2,446	2,210
Amortisation	2,632	2,097
- players' registrations	738	1,223
- transfer fee levies and associated costs	(78)	(78)
- grants received	61	14
Hire of plant and machinery - rentals payable under operating leases	(16)	3
Foreign exchange losses/(gains)	(12,434)	(3,000)
Exceptional operating income		

Exceptional operating income is in relation to the refinancing of the Company's loan, see note 13.

### 4 Staff numbers and costs

The average number of persons employed by the company during the year was as follows:

Category	2016 Number	2015 Number
Players and apprentices	62	61
Management and coaching	60	54
Groundsmen, kitchen and cleaning *	16	14
Administration and marketing *	113	96
	<u>251</u>	<u>225</u>

# Derby County Football Club Limited

## Notes (continued)

### 4 Staff numbers and costs (continued)

\* includes the following part time staff:

Management and coaching	14	16
Groundsmen, kitchen and cleaning	-	-
Administration and marketing	46	35
	<u>60</u>	<u>51</u>

The costs of employment (including directors) were:

	2016 £000	2015 £000
Wages and salaries	28,125	19,273
Social security costs	3,635	2,442
Other pension costs	148	52
	<u>31,908</u>	<u>21,767</u>

In addition to the above, the company employs an average of 323 (2015:344) casual matchday staff at a total cost of £624,094 (2015: £540,444)

Key management compensation:

	2016 £000	2015 £000
Wages and salaries	274	802
Other pension costs	9	27
	<u>283</u>	<u>829</u>

Key management includes directors and members of senior management

### 5 Directors' emoluments

	2016 £000	2015 £000
Directors' emoluments	190	435
Company contributions to money purchase pension schemes	5	15
	<u>195</u>	<u>450</u>

Emoluments of the highest paid director amounted to £194,583 (2014: £449,578).

There are no directors in the company's pension scheme (2015: none).

# Derby County Football Club Limited

## Notes (continued)

### 6 Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	-	109
Finance charges payable in respect of finance leases and hire purchase contracts	6	16
Other interest	(63)	300
	<u>(57)</u>	<u>425</u>

### 7 Taxation

	2016 £000	2015 £000
Analysis of credit in period:		
UK corporation tax:		
Current tax on loss for the period	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>

### 7 Taxation (continued)

#### Factors affecting the tax charge for the current period:

The current tax credit for the period is different to the standard rate of corporation tax in the UK (20%, 2015: 20%).

The differences are explained below:

	2016 £000	2015 £000
<b>Current tax reconciliation:</b>		
Loss on ordinary activities before tax	(14,725)	(10,160)
	<u>(2,945)</u>	<u>(2,013)</u>
Current tax at 20% (2015: 20%)	(2,945)	(2,013)
<b>Effects of:</b>		
Expenditure not deductible for tax purposes	(2,387)	34
Movements on provisions	-	-
Fixed asset timing differences	100	119
Increase in tax losses carried forward	2,832	1,837
Utilisation of tax losses	2,400	6
Group relief surrendered	-	17
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Current tax credit	-	-

# Derby County Football Club Limited

## Notes (continued)

### 8 Intangible fixed assets

	Players' registrations	Transfer fee levies and associated costs	Total
	£000	£000	£000
<b>Cost:</b>			
At 1 July 2015	10,120	5,183	15,303
Additions	26,647	3,308	29,955
Disposals	(3,905)	(1,328)	(5,233)
<b>At 30 June 2016</b>	<b>32,862</b>	<b>7,163</b>	<b>40,025</b>
<b>Amortisation:</b>			
At 1 July 2015	5,751	2,158	7,909
Charge for the period	2,632	738	3,370
Disposals	(3,552)	(1,158)	(4,710)
<b>At 30 June 2016</b>	<b>4,831</b>	<b>1,738</b>	<b>6,569</b>
<b>Net book value: At 30 June 2016</b>	<b>28,031</b>	<b>5,425</b>	<b>33,456</b>
<b>At 30 June 2015</b>	<b>4,369</b>	<b>3,025</b>	<b>7,394</b>

### 9 Tangible fixed assets

	Land and buildings	Fixtures plant and equipment	Motor vehicles	Work in progress	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>					
At 1 July 2015	62,811	11,426	31	232	74,500
Additions	986	1,777	28	3,024	5,815
Disposals	-	(5,814)	(31)	-	(5,845)
<b>At 30 June 2016</b>	<b>63,797</b>	<b>7,389</b>	<b>28</b>	<b>3,256</b>	<b>74,470</b>
<b>Depreciation:</b>					
At 1 July 2015	11,626	7,742	31	-	19,399
Charge for the period	1,517	923	6	-	2,446
Disposals	-	(5,814)	(31)	-	(5,845)
<b>At 30 June 2016</b>	<b>13,143</b>	<b>2,851</b>	<b>6</b>	<b>-</b>	<b>16,000</b>
<b>Net book value: At 30 June 2016</b>	<b>50,654</b>	<b>4,538</b>	<b>22</b>	<b>3,256</b>	<b>58,470</b>
<b>At 30 June 2015</b>	<b>51,185</b>	<b>3,684</b>	<b>-</b>	<b>232</b>	<b>55,101</b>

# Derby County Football Club Limited

## Notes (continued)

### 9 Tangible fixed assets (continued)

The freehold buildings with a historical cost of £20,852,867 known as the Pride Park Stadium were valued by independent valuers Jones Lang LaSalle on 23 May 2013. The valuation was prepared on a depreciated replacement cost basis and was made in accordance with the Royal Institution of Chartered Surveyors Asset Statements of Valuation Practice and Guidance Notes. Based on this valuation the Directors have assessed the carrying value of the freehold buildings and determined that the current value is appropriate. Tangible fixed assets with a net book value of £58.5 million (2015: £55.1 million) are pledged as security for the Company's banking facilities.

All assets are subject to depreciation with the exception of freehold land of £1,109,125 (2015: £1,109,125) which is not depreciated.

The cost of tangible fixed assets include capitalised borrowing costs of £872,678 (2015: £872,678).

The directors are not aware of any material change in the valuations of freehold land and buildings and the current valuation above reflects their best assessment of the existing open market value of the property.

Included within fixed assets are fixtures and fittings and computer equipment which are held under hire purchase or finance leases, as follows:

	2016		2015	
	Net book value £000	Depreciation charge £000	Net book value £000	Depreciation charge £000
Fixtures and fittings	124	21	145	21
Computers	94	57	151	57
	<u>218</u>	<u>78</u>	<u>296</u>	<u>78</u>

### 10 Investments

Net book value:	£000
At 1 July 2015 and 30 June 2016	-

The original cost of investments was £7,500,000 which have been fully written down in prior years.

Investments comprise the following subsidiary undertaking:

Company	Country of incorporation	Percentage of ordinary £1 shares held	Principal activity
Derby County Stadium Limited	England and Wales	100%	Dormant company

### 11 Debtors

	2016 £000	2015 £000
Trade debtors	2,290	1,428
Other debtors	1,035	839
Prepayments and accrued income	1,329	992
	<u>4,654</u>	<u>3,259</u>

An impairment loss of £408,556 (2015: £2,902) has been recognised against trade debtors

# Derby County Football Club Limited

## Notes (continued)

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

	2016 £000	2015 £000
Bank loans (unsecured)	3,000	3,000
Obligations under finance leases and hire purchase contracts (see note 14)	4	68
Trade creditors	2,888	2,343
Other taxes and social security costs	1,946	1,094
Other creditors	66	-
Accruals and deferred income	7,284	8,017
	<u>15,188</u>	<u>14,522</u>

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

	2016 £000	2015 £000
Obligations under finance leases and hire purchase contracts (see note 14)	-	5
Amounts owed to group undertakings	-	-
Bank loans (unsecured)	-	-
Accruals and deferred income	1,628	1,706
Preference shares of £1 each	-	434
Amounts owed to group undertakings	555	12,047
	<u>2,183</u>	<u>14,192</u>

As part of the change in ownership of the group on 1 September 2015 the 433,568 preference shares of £1.00 each were cancelled.

Included within accruals and deferred income are amounts relating to capital expenditure grants received, as follows:

	£000
<b>Amounts received or valuation:</b>	
At 1 July 2015 and 30 June 2016	3,325
<b>Amortisation:</b>	
At 1 July 2015	1,619
Amortised in the period	78
	<u>1,697</u>
At 30 June 2016	1,697
<b>Net book value:</b>	
At 30 June 2016	1,628
	<u>1,706</u>
At 30 June 2015	1,706

# Derby County Football Club Limited

## Notes (continued)

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

#### Analysis of debt excluding finance leases

	2016 £000	2015 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	3,000	3,000
Between one and two years	-	-
Between two and five years	-	-
In five years or more	555	12,434
	<u>3,555</u>	<u>15,434</u>

During the previous financial year, the company settled the secured mortgage element of the loan from the Co-operative Bank plc. The settlement of this loan was initially funded via a loan from the company's then ultimate parent Global Derby (UK) Limited under arm's length commercial terms and rate of interest. As part of the change in ownership of the group on 1 September 2015 (see note 22), the beneficial ownership of the loan passed to the previous controlling party, North American Derby Partners LP. In addition, the 433,568 preference shares of £1.00 each were cancelled.

On 29 June 2016, North American Derby Partners LP cancelled the loan, which resulted in a gain of £12,000,000 in the current financial year.

### 14 Obligations under finance leases and hire purchase contracts

	2016 £000	2015 £000
<b>Gross obligations repayable:</b>		
Within one year	5	74
Between one and two years	-	4
	<u>5</u>	<u>78</u>
<b>Finance charges repayable:</b>		
Within one year	-	6
Between one and two years	-	-
	<u>-</u>	<u>6</u>
<b>Net obligations repayable:</b>		
Within one year	5	68
Between one and two years	-	5
	<u>5</u>	<u>73</u>

Finance leases and hire purchase contracts are secured against the assets to which they relate

# Derby County Football Club Limited

## Notes (continued)

### 15 Operating leases

The group's future minimum operating lease payments are as follows:

	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring:				
Within one year	61	79	31	44
Between two and five years	244	62	124	33
Over five years	2,858	-	2,469	-
	<u>3,163</u>	<u>141</u>	<u>2,624</u>	<u>77</u>

### 16 Deferred taxation

The company has unprovided deferred taxation assets/(liabilities) as follows:

	2016 £000	2015 £000
Differences between accumulated depreciation and capital allowances	697	561
Other timing differences	147	159
Tax losses	23,113	20,270
Deferred tax on property	(8,138)	(8,419)
	<u>15,819</u>	<u>12,571</u>

### 17 Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid:		
9,899,698 / 9,379,698 ordinary shares of £1 each	9,900	9,380
433,568 2½% non-voting preference shares of £1 each (see note 13)	-	-
	<u>9,900</u>	<u>9,380</u>

If there is a surplus on winding up after the repayment of share capital it will be paid either to the Football Association Benevolent Fund, or a company in Derbyshire with similar objectives to this company, or to a local charity and not to the shareholders.

The Company made an allotment of 520,000 ordinary shares of £1 each at £100.00 per share. The difference between the total consideration of £52,000,000 and the nominal value of £520,000 has been credited to the share premium account (£51,480,000).



# Derby County Football Club Limited

## Notes (continued)

### 18 Reserves

Share premium - represents the premium arising on the issue of shares net of issue costs.

Revaluation reserve - represents the cumulative effect of revaluations of tangible fixed assets where a policy of

Profit and loss account - represents cumulative profits and losses.

### 19 Pension commitments

Certain employees of the company participate in the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' Benefit Scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League.

Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the company is advised only of its share of the Scheme's deficit and recognises a liability in respect of this.

The latest valuation of the scheme deficit has shown further underfunding of the scheme and accordingly an additional provision of £41,600 was made in the financial statements for the year ended 30 June 2012. The liability stands at £31,661 as at 30 June 2016 and is included within other creditors.

Contributions paid to individuals' money purchase pension schemes were £251,544 (2015: £66,774.73).

### 20 Contingent liabilities

	2016 £000	2015 £000
Signing and other bonuses due to players under the terms of their contracts	5,401	2,760
Maximum liability under sell on clauses	12,528	4,600

The Club has entered into agreements with other football clubs in respect of the sale of players from which the Club may receive receipts contingent upon a number of circumstances including the number of appearances made by the players sold.

### 21 Post balance sheet events

#### Players registrations

In the period since the end of the financial year the company has entered into agreements to dispose of first team players with a net book value of £671,944 for £9,667,431 (2015: no disposals made post year end in prior year) and has made purchases of both academy and first team players, inclusive of EFL levies and agents commissions of £14,183,500. These amounts are payable in multiple instalments which fall due over a four year period to the 2018/19 season (2014: £22,055,526).

#### Financing

In the period since the financial year end, funding of £29.0 million (2015: £22.3 million) has been received from Sevco 5112 Limited, the company's immediate parent.

# Derby County Football Club Limited

## Notes [continued]

### 22 Related party transactions

During the year management charges and expenses of £25,994 (2014: £85,347) payable to General Sports and Entertainment LLC were incurred. At the year end Enil (2014: Enil) remained outstanding. These charges relate to all the management and consultancy services that the company has utilised within the twelve month period to 30 June 2016. Sales made to Melvyn Morris during the year of £56,099 (2014: £22,849) were in relation to matchday hospitality during the 2015/16 season. All transactions were conducted at arm's length, commercial rates.

Company	2016	2016	2016	2016
	Sales to related party £000	Purchases from related party £000	Balances receivable £000	Balances payable £000
General Sports Entertainment	0	2	0	0
Melvyn Morris	64	0	88	0
The Derby County Community Trust	9	7	19	0
	2015	2015	2015	2015
	Sales to related party £000	Purchases from related party £000	Balances receivable £000	Balances payable £000
General Sports Entertainment	0	26	0	0
Melvyn Morris	56	0	23	0
The Derby County Community Trust	13	35	6	0

The company has taken advantage of the exemption conferred by FRS102 regarding 'Related party disclosures' not to disclose transactions with members of the group headed by Sevco 5112 Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

### 23 Ultimate controlling parties

On 1 September 2015, 100% of the share capital of the company's ultimate parent Global Derby (UK) Limited was purchased by Sevco 5112 Limited from North American Derby Partners LP. Subsequently, on the 5 May 2016, Sevco 5112 Limited purchased 100% of the company's share capital from Global Derby (UK) Limited. Sevco 5112 Limited is a limited company registered in England and Wales of whom the ultimate controlling party is Melvyn Morris, the Company's Chairman and Director.

At 30 June 2016 the company's ultimate and immediate parent undertaking is Sevco 5112 Limited. Sevco 5112 Limited prepares accounts which consolidate the results of Derby County Football Club Limited. These consolidated accounts are available from Companies House.

### 24 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements prepared under the previous UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014 and restatement of prior year balances was not required, thus the profit for the financial year ended 30 June 2015 and the total equity as at 1 July 2014 and 30 June 2015 remain unaltered.