Reform Acquisitions Limited

Annual Report and Financial Statements

for the year ended 31 May 2016

Registered number: 05891280

Reform Acquisitions Limited

Annual Report for the year ended 31 May 2016

Reform Acquisitions Limited

Directors and advisors
for the year ended 31 May 2016

Directors

Mr J Xia

Registered office

Villa Park
Birmingham
West Midlands
B6 6HE

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

Bankers

HSBC Bank PLC
8 Stephenson Place
New Street
Birmingham
B2 4NH

Reform Acquisitions Limited

Strategic report for the year ended 31 May 2016

The directors present their strategic report and the audited financial statements for the year ended 31 May 2016.

Principal activities

The Group operates a professional football club. The principal activity of the Company is that of a holding Company.

Results and Review of business

The Club finished 20th in the Premier League in 2015/16, its worst performance since the creation of the league in 1992. The club was relegated from the Premier League and will compete in the English Football League Championship for the 2016/17 season.

There was a change of ownership of the Club on 14th June 2016. From this date the ultimate holding company is Zhejiang Ruikang (Recon) Investment Co. Ltd and the ultimate controlling party is Mr J Xia.

The directors have not declared or paid an interim dividend during the year (2015: £nil). They do not recommend a final dividend (2015: £nil).

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 May 2015. The date of transition to FRS 102 was 1 June 2014. The impact of this adoption is further explained in note 26.

Key Performance Indicators ('KPIs')

The directors consider that the key performance indicators of a professional football club are finishing position in the league, progress in cup competitions, attendance and turnover.

The key financial performance indicators that the Directors monitor are turnover, players' payroll, net transfer spending, EBITDA and daily cash flow.

Principal risks and uncertainties

The key risk facing any club is that of relegation. The board attempts to mitigate this risk by providing the manager with first class training facilities and appropriate payroll & transfer budgets, and through generous support to the Academy.

This report was approved by the board on 29-11-16 and signed on its behalf.

Mr J Xia
Director

Reform Acquisitions Limited

Directors' report for the year ended 31 May 2016

The directors present their report for the year ended 31 May 2016.

Future developments

The Club's prime goal under the new ownership of Jian Tong Xia is securing a return to the Premier League.

Dividends

The directors do not recommend payment of a final dividend (2015: £nil).

Charitable contributions

All fund raising events are dealt with by the Aston Villa Charitable Trust which is registered with the Charity Commission. There were no political contributions (2015: £nil).

Post balance sheet events

Since the balance sheet date various players have been bought and sold, details of which can be seen in Note 23.

Financial risk management

The Group's residual financial risks relate to trade receivables and liquidity.

Trade receivables comprise transfer fees receivable and other receivables. The risk associated with transfer fees receivable is in part transferred to the Premier League via the Football League's registration clearing system. The Group maintains rigorous credit control procedures to mitigate credit risk associated with other trade receivables.

Going concern

The Directors have formed a judgement at the time of approving the financial statements that the Company has adequate resources available to continue operating and to discharge all financial obligations as they fall due for the foreseeable future from the date of approval of the financial statements.

Based both on the continuing financial support committed to by the owner and the availability of the Group's financing facilities, as incorporated in the directors' cash flow forecasts, the directors consider it appropriate to prepare the financial statements on a going concern basis. Following relegation from the Premier League, the Club will receive a reduced level of broadcasting revenue for the 2016/17 season and reduced commercial revenues, although some funding will continue to be received from the Premier League in the form of parachute payments. The directors have included these factors in their cash flow forecasts to ascertain the level of required funding from the ultimate controlling party to support the club's operations. Following the acquisition of the club by Mr J Xia, funding has been received to support the club's operations for the 2016/17 season, which has been invested in the playing squad and underlying operations of the Club. The cash flow forecasts indicate a requirement for additional funding from the ultimate parent company to support the Group's operations for a period of at least one year from the date of signing these financial statements, and the Directors are satisfied that the ultimate controlling party has the ability to provide this funding. The directors have received confirmation that the ultimate holding Company, Zhejiang Ruikang (Recon) Investment Co. Ltd, intends to provide this support to the Group and Company for at least one year from the date these financial statements are signed.

Directors' report for the year ended 31 May 2016 (continued)

Directors

The directors of the Company who held office during the year and up to the date of signing the financial statements, unless stated, are given below:

Mr R Lerner (resigned 14th June 2016)
Mr R Russell (resigned 11th February 2016)
Mr T Fox (resigned 17th March 2016)
Mr D Bernstein (appointed 11th March 2016 resigned 18thth April 2016)
Mr S Hollis (appointed 4th February 2016 resigned 14th June 2016)
Mr M King (appointed 4th February 2016 resigned 18th April 2016)
General C Krulak (appointed 11th March 2016 resigned 14th June 2016)
Mr J Xia (appointed 14th June 2016)

Employees

The Company continues its policy of keeping its employees informed on a regular basis of matters concerning them as employees and on financial and economic factors affecting the performance of the Company.

Disabled persons

The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the Company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available and any necessary training is arranged.

Disabled employees are treated equally with all employees in respect of their eligibility for training, career development and promotion.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report for the year ended 31 May 2016 (continued)

Directors' responsibilities statement (continued)

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.

Directors' and officers' insurance

The Company maintains cover under a qualifying third party indemnity for all directors and officers against liabilities which may be incurred by them whilst acting as directors or officers.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware, and
- each director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting. This report was approved by the board on 29-11-16 and signed on its behalf.

Mr J Xia
Director

Independent auditors' report to the members of Reform Acquisitions Limited

Report on the financial statements

Our opinion

In our opinion, Reform Acquisitions Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 May 2016 and of the Group's loss and cash flows 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.

What we have audited

The financial statements comprise:

- the consolidated balance sheet as at 31 May 2016;
- the company balance sheet as at 31 May 2016;
- the consolidated statement of changes in equity for the period then ended;
- the company statement of changes in equity for the period then ended;
- the consolidated profit and loss account for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Reform Acquisitions Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on pages 4 and 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

Reform Acquisitions Limited

Registered number: 05891280

Consolidated profit and loss account for the year ended 31 May 2016

				2016			2015
		Operations excluding player trading	**Player transactions**	**Total**	Operations excluding player trading	Player transactions	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Turnover	2	**105,840**	**2,976**	**108,816**	113,235	2,457	115,692
Operating expenses before exceptional items		**(129,175)**	**(16,017)**	**(145,192)**	(119,707)	(19,683)	(139,390)
Operating loss before exceptional items		**(23,335)**	**(13,041)**	**(36,376)**	(6,472)	(17,226)	(23,698)
Profit on disposal of players' registrations	4	**-**	**34,764**	**34,764**	-	375	375
Operating expenses – exceptional items	3	**(44,802)**	**(34,842)**	**(79,644)**	(3,308)	-	(3,308)
Total Operating expenses	3	**(173,977)**	**(16,095)**	**(190,072)**	(123,015)	(19,308)	(142,323)
Operating loss		**(68,137)**	**(13,119)**	**(81,256)**	(9,780)	(16,851)	(26,631)
Interest receivable and similar income	6			**1,303**			-
Interest payable and similar charges	7			**(714)**			(1,218)
Loss on ordinary activities before taxation				**(80,667)**			(27,849)
Tax on loss on ordinary activities	8			**-**			534
Loss for the financial year				**(80,667)**			(27,315)

The results derive wholly from continuing operations of the Group.

There are no recognised gains and losses other than the loss for the current and previous financial year. Accordingly, no statement of other comprehensive income is presented.

Player transactions includes fees received for players out on loan, as well as amortisation, impairment and profit on disposal of players' registrations.

Reform Acquisitions Limited

Registered number: 05891280

Consolidated balance sheet as at 31 May 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	**29,648**	30,790
Tangible assets	11	**43,393**	90,436
		73,041	121,226
Current assets			
Stocks	13	**326**	594
Debtors	14	**30,925**	10,130
Cash at bank and in hand		**648**	115
		31,899	10,839
Creditors: amounts falling due within one year	15	**(95,370)**	(49,326)
Net current liabilities		**(63,471)**	(38,487)
Total assets less current liabilities		**9,570**	82,739
Creditors: amounts falling due after more than one year	16	**(12,998)**	(16,000)
Provisions for liabilities	18	**-**	-
Net (liabilities)/assets		**(3,428)**	66,739
Capital and reserves			
Called up share capital	19	**325,688**	315,188
Profit and loss account		**(329,116)**	(248,449)
Total shareholders' (deficit)/funds		**(3,428)**	66,739

The financial statements on pages 8 to 33 were approved by the board of directors on 29-11-16

Signed on behalf of the board of directors

Mr J Xia
Director

Reform Acquisitions Limited

Registered number: 05891280

Consolidated statement of changes in equity for the year ended 31 May 2016

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 June 2014	223,250	(221,134)	2,116
Loss for the year	-	(27,315)	(27,315)
Share capital issued in the year	91,938	-	91,938
Balance at 31 May 2015	315,188	(248,449)	66,739
Loss for the year	-	(80,667)	(80,667)
Share capital issued in the year	10,500	-	10,500
Balance at 31 May 2016	**325,688**	**(329,116)**	**(3,428)**

Company statement of changes in equity for the year ended 31 May 2016

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 June 2014	223,250	(79,277)	143,973
Loss for the year	-	(91,671)	(91,671)
Share capital issued in the year	91,938	-	91,938
Balance at 31 May 2015	315,188	(170,948)	144,240
Loss for the year	-	(118,280)	(118.280)
Share capital issued in the year	10,500	-	10,500
Balance at 31 May 2016	**325,688**	**(289,228)**	**36,460**

The accounting policies and the notes on pages 13 to 33 form part of these financial statements.

Reform Acquisitions Limited

Registered number: 05891280

Company balance sheet
as at 31 May 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Investments	12	**57,000**	175,051
Current assets			
Debtors	14	**-**	-
			-
Creditors: amounts falling due within one year	15	**(20,540)**	(20,414)
Net current liabilities		**(20,540)**	(20,414)
Total assets less current liabilities		**36,460**	154,637
Creditors: amounts falling due after more than one year	16	**-**	(10,397)
Net assets		**36,460**	144,240
Capital and reserves			
Called up share capital	19	**325,688**	315,188
Profit and loss account		**(289,228)**	(170,948)
Total shareholders' funds		**36,460**	144,240

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements on pages 8 to 33 were approved by the Board of Directors on 29-11-16

Signed on behalf of the Board of Directors

Mr J Xia
Director

Reform Acquisitions Limited

Registered number: 05891280

Consolidated cash flow statement for the year ended 31 May 2016

	Note	**2016**	2015
		£'000	£'000
Net cash from operating activities	20	**(11,042)**	(1,808)
Taxation paid		**-**	-
Net cash used in operating activities		**(11,042)**	**(1,808)**
Cash flow from investing activities			
Purchase of tangible fixed assets		**(1,504)**	(2,909)
Purchase of intangible fixed assets		**(32,909)**	(16,133)
Proceeds from disposal of tangible fixed assets		**25**	16
Proceeds from disposal of intangible fixed assets		**21,300**	1,022
Interest received		**1**	-
Net cash used in investing activities		**(13,087)**	(18,004)
Cash flow from financing activities			
Issue of share capital		**10,500**	7,000
Interest paid		**(714)**	(743)
Increase in other borrowings		**23,603**	9,215
Net cash from financing activities		**33,389**	15,472
Net (decrease) in cash and cash equivalents		**9,260**	(4,340)
Cash and cash equivalents at the beginning of the year		**(20,247)**	(15,907)
Cash and cash equivalents at the end of the year		**(10,987)**	(20,247)
Cash and cash equivalents consists of:			
Cash at bank and in hand		**648**	115
Bank overdraft		**(11,635)**	(20,362)
Cash and cash equivalents		**(10,987)**	(20,247)

Notes to the financial statements for the year ended 31 May 2016

1 Accounting policies

General information

Reform Acquisitions Limited ('the company') principal activity continues to be that of a holding company. The principal activity of the Group is the operation of a professional football club.

The company is incorporated and domiciled in the UK. The address of its registered office is Villa Park, Trinity Road, Birmingham B6 6HE.

Statement of compliance

The individual financial statements of the company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 26.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are also disclosed in this note.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. Exemptions under FRS 102 paragraph 1.12 have been applied for the Company: in relation to presentation of a cash flow statement, related party transactions, certain financial instrument disclosures and the non-disclosure of key management personnel compensation.

1 Accounting policies (continued)

Going Concern

Based both on the continuing financial support committed to by the owner and the availability of the Group's financing facilities, as incorporated in the directors' cash flow forecasts, the directors consider it appropriate to prepare the financial statements on a going concern basis. Following relegation from the Premier League, the Club will receive a reduced level of broadcasting revenue for the 2016/17 season and reduced commercial revenues, although some funding will continue to be received from the Premier League in the form of parachute payments. The directors have included these factors in their cash flow forecasts to ascertain the level of required funding from the ultimate controlling party to support the club's operations. Following the acquisition of the club by Mr J Xia, funding has been received to support the club's operations for the 2016/17 season, which has been invested in the playing squad and underlying operations of the Club. The cash flow forecasts indicate a requirement for additional funding from the ultimate parent company to support the Group's operations for a period of at least one year from the date of signing these financial statements, and the Directors are satisfied that the ultimate controlling party has the ability to provide this funding. The directors have received confirmation that the ultimate holding Company, Zhejiang Ruikang (Recon) Investment Co. Ltd, intends to provide this support to the Group and Company for at least one year from the date these financial statements are signed.

Basis of preparation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 May each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intercompany transactions and balances are eliminated on consolidation. Uniform accounting policies have been applied across the Group. The loss for the financial year dealt with in the financial statements of the parent Company was £118.3m. (2015: £91.7m loss). As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent Company.

Turnover

Turnover represents amounts receivable for goods and services, excluding transfer fees receivable in respect of the disposal of players' registrations, in the normal course of the Group's business. It is stated net of discounts and value added tax. Turnover in regards to player transactions relates to fees receivable for the loans of players' registrations.

Gate receipts turnover is recognised over the period of the English football season, covering the period from August to May each year, as home matches are played.

Fixed elements of broadcasting contracts are taken in proportion to the number of league matches played, home and away. Broadcasting facility fees are accounted for when earned. The merit award, included within broadcasting turnover, is taken when the final league position is known at the end of the financial year.

1 Accounting policies (continued)

Turnover (continued)

Sponsorship turnover, including royalties are recognised over the duration of their respective contracts.

Merchandising, travel and catering turnover, included within Commercial turnover, are recognised on an earned basis. Executive box rentals are recognised over the duration of their contracts.

UEFA solidarity and prize money are distributions received from UEFA, European football's governing body. These amounts are recognised on an earned basis.

Grants and donations

Grants and donations received in respect of safety work and other stadium improvements are credited to deferred grant income and are released to the consolidated profit and loss account over the anticipated useful life of the assets to which they relate.

Fixed asset investments

The Company's investments in subsidiaries are stated at cost less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Tangible fixed assets

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs directly attributable with the purchase of the asset. Depreciation is calculated on a straight-line basis to write down the assets to their estimated residual value over the anticipated useful lives, which are re-assessed on a periodic basis, at the following annual rates:

Freehold land	Nil
Short leasehold property	10%
Freehold buildings	2-8%
Plant and equipment	10-33%

Intangible fixed assets – players' registrations

The costs associated with the acquisition of players' registrations are capitalised as an intangible fixed asset at the date of acquisition, and are amortised over the period of the respective player's contract, including extensions thereto.

Liability in respect of contingent appearance fees is recognised where the directors consider the likelihood of a player meeting future appearance criteria, laid down in the transfer agreement of that player, to be probable.

Internally generated intangible assets are held at £nil value. Any external costs incurred in extensions to a player's original contract are capitalised and amortised over the period of the player's extended contract.

The profit or loss arising out of the disposal of players' registrations represent the difference between the consideration receivable, net of any transaction costs and signing-on fees in respect of future periods, and the amortised cost of the intangible asset.

1 Accounting policies (continued)

Impairment of tangible and intangible fixed assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible fixed assets as included in cash generating units to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use. Any impairment loss is recognised immediately as an expense.

Players' signing-on fees and loyalty payments

Signing-on fees payable to players and loyalty payments, which are payable only if the player is still in employment with the Group, are recognised in operating expenses as incurred. Where a player's registration is transferred, any signing-on fee payable in respect of future periods is charged against profit or loss on disposal.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing and selling. Provision is made for obsolete or slow-moving items where appropriate.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities held at the balance sheet date are revalued using the rate at that date.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the net proceeds received. Finance charges are accounted for on an accrual basis to the consolidated profit and loss account.

Leases

Assets acquired under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible assets and are depreciated over their useful lives. The capital element of future lease obligations are recorded as liabilities with the interest element being charged to the profit and loss account at a constant rate over the period of the lease.

Taxation

The taxation expense represents the sum of tax currently payable or recoverable and deferred taxation and takes into account adjustments for prior periods.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

1 Accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is measured on an undiscounted basis.

Pensions

Payments to various defined contribution retirement schemes are charged as an expense as they fall due.

Certain of the Company's employees and ex-employees are members of the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme. As the Company is one of a number of participating employers in FLLPLAS it is not possible to identify the Company's share of the individual assets and liabilities within the scheme. However, the actuarial surplus or deficit is estimated and a provision is made for any unfunded obligation with any payments made being deducted from the outstanding balance. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Further details are set out in note 22.

Subsidiary company audit exemption

For the year ending 31 May 2016, Aston Villa Ladies Limited (Registered number: 08414046) was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and regards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

1 Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Critical accounting judgements and estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Players' registrations

The costs associated with the acquisition of players' registrations are capitalised the fair value of the consideration payable including an estimate of the fair value of any contingent consideration. Subsequent reassessments of the amount of contingent consideration payable are also included in the cost of the player's registration. The estimate of the consideration of the contingent payable requires management to assess the likelihood of specific performance conditions being met which would trigger the payment of the contingent consideration. This assessment is carried out on an individual player basis.

b) Impairment review

The Group will perform an impairment review on intangible assets, including player registrations if adverse events indicate that the amortised carrying value of the asset may not be recoverable. Whilst no individual player can be separated from the single cash generating unit, being the operations of the group as a whole, there may be certain circumstances where a player is taken out of the cash generating unit, when it becomes clear that they will not play for the club's first team again. For example a player sustaining a career threatening injury or is permanently removed from the first team squad for another reason. If such circumstances were to arise, the carrying value of the player would be assessed against the Group's best estimate of the player's fair value less any costs to sell.

Notes to the financial statements for the year ended 31 May 2016 (continued)

2 Turnover

The Group's turnover is analysed into its five main components as follows:

	2016	2015
	£'000	£'000
Gate receipts	**12,499**	13,848
Broadcasting	**65,030**	71,447
Sponsorship	**11,833**	10,948
Commercial	**19,344**	19,449
UEFA solidarity and prize money	**110**	-
	108,816	115,692

The constituents of each component are as follows:

Gate receipts – Revenues generated from the sale of match tickets.
Broadcasting – Distributions from the FA Premier League broadcasting agreements, including the merit award, cup competition broadcasting rights and local radio broadcasting.
Sponsorship – Major sponsorship contracts and club partnership agreements.
Commercial – Merchandising, royalties, conference and banqueting, fees received for the loan of players' registrations and all other revenue sources.
UEFA solidarity and prize money – Distributions received from UEFA, European football's governing body.

The Group has one main business segment, that of professional football operations, and one main geographical segment, which is the United Kingdom, therefore no further segmental information is provided.

3 Loss on ordinary activities before taxation

The Group's operating loss for the year has been arrived at after (crediting)/charging:

	2016	2015
	£'000	£'000
Depreciation of owned tangible fixed assets	**3,735**	5,413
(Profit)/loss on disposal of tangible fixed assets	**(15)**	2
Amortisation of players' registrations	**16,017**	19,683
Deferred grant income	**(140)**	(141)
Staff costs excluding exceptional item (note 5)	**93,014**	83,777
Stock recognised as an expense	**4,756**	5,010
Impairment of trade debtors	**-**	-
Community development expenditure	**2,224**	2,359
Youth development expenditure	**5,043**	4,950
Auditors' remuneration for audit services:		
- audit of the parent Company's individual and consolidated financial statements	**10**	10
- audit of the Company's subsidiaries	**49**	48
- audit-related assurance services	**45**	45
- non-audit services	**29**	15
Exceptional items:		
Impairment of intangible assets (included in 'administrative expenses')	**34,842**	-
Impairment of tangible assets (included in 'administrative expenses')	**44,802**	-

The audit fee for the Company was borne by another Group Company in both financial years.

The impairment of tangible and intangible assets has been recognised to write down the assets to their recoverable amount.

4 Profit on disposal of player's registrations

The profit on disposal of players' registration in the year amounted to £34,764,237 (2015: profit of £375,000).

Reform Acquisitions Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

5 Staff costs

Group	**2016 Number**	2015 Number
Average monthly number of employees by activity:		
Players, football management and coaches	**195**	185
Commercial, merchandising and operations	**259**	261
Maintenance and administration	**89**	89
Full-time employees	**543**	535
Part-time employees on matchdays and other events	**1,080**	1,084
	1,623	1,619

Remuneration	**2016 £'000**	2015 £'000
Wages and salaries	**81,604**	74,321
Social security costs	**10,861**	8,940
Other pension costs (note 22)	**549**	516
	93,014	83,777

The Company does not have any employees (2015: none).

	2016 £	2015 £
Directors' remuneration		
Aggregate emoluments	**4,578,897**	1,549,938
Company contribution to money purchase schemes	**54,000**	36,049
	4,632,897	1,585,987

Company contribution to money purchase schemes relate to 1 directors (2015: two).

The aggregate amount of compensation paid to directors or past directors for loss of office was £2,590,000.

5 Staff costs (continued)

	2016	2015
	£	£
Remuneration of the highest paid director		
Aggregate emoluments	**2,960,343**	1,255,769

All of the directors are remunerated in relation to their services to the Group by a subsidiary Company and none of the directors received remuneration in relation to their services to the Company (2015: none).

Key management personnel are considered to be the directors of the Company.

6 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest receivable	**1**	-
Gains on derivative financial instruments	**1,302**	-
	1,303	-

7 Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on bank overdrafts and loans	**714**	742
Other interest payable	**-**	476
	714	1,218

Notes to the financial statements for the year ended 31 May 2016 (continued)

8 Tax on loss on ordinary activities

		2016	2015
		£	£
Current tax:			
UK corporation tax:	UK Corporation tax on profits for the year	-	-
	Adjustment in respect of prior periods	-	-
		-	-
Deferred tax:			
UK:	Origination and reversal of timing differences	-	(58)
	Impact of change in tax rate	-	(476)
Tax on profit on ordinary activities		-	(534)

Corporation tax is calculated at 20% (2015: 20.83%) of the estimated assessable loss for the year.

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax in the UK (20%) (2015: 20.83%). The differences are explained below:

	2016	2015
	£'000	£'000
Loss on ordinary activities before tax	**(80,667)**	(27,849)
Tax at the UK corporation tax rate of 20% (2015: 20.83%)	**(16,133)**	(5,801)
Expenses not deductible for tax purposes	**9,294**	743
Income not taxable	**(28)**	-
Movement in unprovided deferred tax	**6,911**	-
Capital allowances in excess of depreciation	-	466
Tax rate changes	**(44)**	(476)
Tax losses (utilised) / carried forward	-	4,711
Other timing differences	-	(177)
Current tax charge for the year	-	(534)

8 Tax on loss on ordinary activities (continued)

During the year the main rate of corporation tax was reduced from 21% to 20%. This change was effective from 1 April 2015.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017, and 18% from 1 April 2020 have already been substantially enacted on 26 October 2015.

9 Dividends

The directors do not recommend the payment of a final dividend which results in no dividend being paid for the year (2015: £nil).

10 Intangible assets

Group	**Players' registrations** **£'000**
Cost	
At 1 June 2015	102,635
Additions	56,543
Disposals	(55,918)
At 31 May 2016	**103,260**
Accumulated amortisation	
At 1 June 2015	71,845
Charge for the year	16,017
Impairment of players' registrations	34,842
Disposals	(49,092)
At 31 May 2016	**73,612**
Net book value	
At 31 May 2016	**29,648**
At 31 May 2015	30,790

The Company does not have any intangible fixed assets (2015: £nil).

Notes to the financial statements for the year ended 31 May 2016 (continued)

11 Tangible assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2015	106,763	201	26,954	133,918
Additions	303	-	1,201	1,504
Disposals	-	-	(41)	(41)
At 31 May 2016	**107,066**	**201**	**28,114**	**135,381**
Accumulated depreciation				
At 1 June 2015	21,476	26	21,980	43,482
Charge for the year	1,817	2	1,916	3,735
Impairment in the year	44,593	-	209	44,802
Disposals	-	-	(31)	(31)
At 31 May 2016	**67,886**	**28**	**24,074**	**91,988**
Net book value				
At 31 May 2016	**39,180**	**173**	**4,040**	**43,393**
At 1 June 2015	85,287	175	4,974	90,436

Freehold land and buildings includes freehold land amounting to £7,931,526 (2015: £7,931,526) which has not been depreciated.

12 Fixed asset investments

	£'000
Cost - At 1 June 2015 and 31 May 2016	**324,157**
Impairment	
At 1 June 2015	149,106
Impairment charge for the year	118,051
At 31 May 2016	**267,157**
Net book value	
At 31 May 2016	**57,000**
At 1 June 2015	175,051

Following a review of carrying values in the year, the investment has been written down to its estimated net realisable value.

The parent Company and the Group have investments in the following subsidiary undertakings.

Company	Principal activity	Holding	
Aston Villa Limited	Property investment	5,170,494,660 ordinary 5p shares	100%
Aston Villa Football Club Limited*	Commercial and retail operations	84,938,182 ordinary £1 shares	100%
Aston Villa FC Limited*	Professional football club	2,000,000 ordinary £1 shares	100%
Aston Villa Indoor Cricket Centres Limited*	Operator of indoor sports facility	100 ordinary £1 shares	100%
The Villan Radio Limited*	Digital radio station	3 ordinary £1 shares	100%
Aston Villa Ladies Limited*	Ladies football club	1 ordinary £1 share	100%
Villa In The Community*	Community activities	Limited by guarantee	-
Aston Villa Social Enterprise CIC*	Community activities	7 ordinary shares of £10 each	100%

All of the subsidiary undertakings are incorporated in England and Wales. The results of the subsidiary undertakings have been consolidated in the Group financial statements. All of the above subsidiaries are owned directly by Reform Acquisitions Limited unless marked by an asterisk. The directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements for the year ended 31 May 2016 (continued)

13 Stocks

Group	**2016**	2015
	£'000	£'000
Goods held for resale	**326**	594

The Company did not have any stock (2015: £nil). Stocks are stated after provisions for impairment of £nil (2015: £nil).

14 Debtors

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Trade debtors	**28,097**	**-**	9,823	-
Other debtors	**39**	**-**	79	-
Derivative financial instruments	**1,302**	**-**	-	-
Prepayments and accrued income	**1,487**	**-**	228	-
	30,925	**-**	10,130	-

Trade debtors are stated after provisions for impairment of £nil (2015: £nil)

Trade debtors and other debtors are measured at amortised cost. Derivative financial instruments are measured at fair value through profit or loss.

Notes to the financial statements for the year ended 31 May 2016 (continued)

15 Creditors: amounts falling due within one year

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Bank loans and overdrafts (note 17)	**11,635**	-	20,362	-
Trade creditors	**25,143**	-	9,768	-
Loan notes payable to parent undertakings (note 17)	**34,000**	-	-	-
Amounts owed to subsidiary undertakings	-	**20,540**	-	20,414
Taxation and social security	**4,732**	-	5,022	-
Other creditors	**251**	-	639	-
Accruals and deferred income	**19,609**	-	13,535	-
	95,370	**20,540**	49,326	20,414

Amounts owed to parent and subsidiary undertakings are unsecured, bear no interest and are repayable on demand.

Trade creditors, amounts owed to parent and subsidiary undertakings and other creditors are measured at amortised cost.

Notes to the financial statements for the year ended 31 May 2016 (continued)

16 Creditors: amounts falling due after more than one year

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
Bank loans and overdrafts (note 17)	-	-	-	-
Loan notes payable to parent undertaking (note 17)	-	-	10,397	10,397
Trade creditors	**10,368**	-	2,833	-
Grants and donations	**2,630**	-	2,770	-
	12,998	-	16,000	10,397

Grants and donations

	Group 2016 £'000	**Company 2016 £'000**	Group 2015 £'000	Company 2015 £'000
At 1 June	**2,770**	-	2,911	-
Credit to loss from operations in the year	**(140)**	-	(141)	-
At 31 May	**2,630**	-	2,770	-

17 Loans and other borrowings

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Bank loans and overdrafts	**11,635**	-	20,362	-
Loan notes	**34,000**	-	10,397	10,397
	45,635	-	30,759	10,397
Maturity of financial liabilities:				
Due in one year or less, or on demand	**45,635**	-	20,362	-
Due in more than 5 years	-	-	10,397	10,397
	45,635	-	30,759	10,397

Bank loans and overdrafts

The bank loan and overdraft, which are secured on the Group's land and property assets, bear interest on margins above Bank of England Base Rate.

The bank overdraft is renewable annually and repayable on demand. At the balance sheet date, the Group had undrawn overdraft borrowing facilities of £10,104,433 (2015: £2,115,000).

18 Provisions for liabilities

Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current year and prior year.

	Capital allowances £'000	Short-term timing differences £'000	Losses £'000	Total £'000
At 1 June 2015	-	-	-	-
Credit to profit and loss account for the year	-	-	-	-
At 31 May 2016	-	-	-	-

There is an unprovided deferred tax asset of £53.3m (2015: £52.3m) in respect of tax losses carried forward in the Group, and an unprovided deferred tax asset of £3.3m (2015: £3.7m) in the Company. No deferred tax asset will be recognised until the directors assess that these losses can be utilised with reasonable certainty.

19 Called up share capital

	2016		2015	
	Number	**£'000**	Number	£'000
Allotted and fully paid – ordinary shares of £1 each	**325,687,691**	**325,688**	315,187,691	315,188

During the year the Company issued £10,500,000 ordinary £1 shares in consideration for cash.

20 Notes to the cash flow statement

	2016	2015
	£'000	£'000
Loss for the financial year	**(80,667)**	(27,315)
Adjustments for:		
Tax on profit on ordinary activities	**-**	(534)
Net interest expense	**(589)**	1,218
Operating loss	**(81,256)**	(26,631)
(Profit)/loss on sale tangible fixed assets	**(15)**	3
(Profit)/loss on disposal players registrations	**(34,764)**	(375)
Amortisation of players' registrations	**16,017**	19,683
Impairment of players' registrations	**34,842**	-
Depreciation of tangible fixed assets	**3,735**	5,413
Impairment of tangible fixed assets	**44,802**	-
Amortisation of grant income	**(140)**	(141)
Working capital movements:		
Decrease/(increase) in stocks	**268**	(6)
(Increase)/decrease in debtors	**797**	2,555
Increase/(decrease) in creditors	**4,672**	(2,309)
Cash flow from operating activities	**(11,042)**	(1,808)

Notes to the financial statements for the year ended 31 May 2016 (continued)

21 Contingent liabilities and commitments

The terms of certain contracts with other football clubs in respect of the acquisition of players' registrations include the payment of additional amounts upon the fulfilment of specific conditions in the future. The maximum unprovided liability which may arise in respect of these players at 31 May 2016 is £3.4m (2015: £4.1m).

The terms of certain contracts with employees of the football club include the payment of additional amounts upon the change of ownership of the football club. The amount payable upon the sale of the club under the terms of these contracts should the club be sold is £1.0 million (2015: £3.3 million). This amount was recognised in the year ending 31 May 2016 and paid subsequent to the year end.

22 Retirement benefit schemes

Certain members of the Group's staff are members of either the Football League Limited Players' Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme. As the Company is one of a number of participating employers in the scheme, it is not possible to allocate any actuarial surplus or deficit on an annual basis. However, under Section 75 of the Pensions Act 1995, the Company, as a participating employer in the scheme, is liable to fund the deficit relating to Company's ex-employees who are members of the scheme. The Scheme Actuary finalised a full valuation as at 31 August 2014 in April 2015 and allocated £395,725 as the Club's share of the deficit as at 1 September 2014. The deficit is funded by annual contributions. The balance outstanding at the year-end date is included in other creditors. The Club has made contributions of £89,916 in the year (2015: £314,717). The assets of the scheme are held separately from those of the Company.

At the year end, the amount outstanding in relation to the defined contribution schemes was £50,966 (2015: £61,842).

Contributions are also paid into individuals' private pension schemes. The total contributions across all schemes during the year amounted to £549,370 (2015: £516,294).

23 Events after the balance sheet date

Since the balance sheet date various players have been bought and sold. The net income of these transfers, taking into account the applicable levies and sell on clauses, is £21.0 million (2015: £40.5 million). The net cost of these transfers, taking into account the applicable levies, is £60.5 million (2015: £57.1 million). These transfers will be accounted for in the year ending 31 May 2017.

Roberto Di Matteo left his position as manager of the club on 3 October 2016. Steve Bruce was appointed as manager on 13 October 2016.

24 Related party transactions

The Company has taken advantage of the exemption under FRS 102 p33.2 from the provisions of not to disclose transactions with other entities that are wholly owned subsidiaries of Reform Acquisitions Limited.

The Group has incurred a number of costs during the year, which are incurred on behalf of Mr R Lerner, a director of the Company. These costs are repayable by the director and included in his loan account balance to the Group. At the year-end a balance of £nil (2015: £56,023) remained due from Mr R Lerner.

Notes to the financial statements for the year ended 31 May 2016 (continued)

25 Ultimate parent undertaking and controlling party

In the opinion of the directors the ultimate holding Company at the balance sheet date was Reform Acquisitions LLC, a Company registered in the United States of America, and the ultimate controlling party was Mr R Lerner.

From 14 June 2016 the ultimate holding company is Zhejiang Ruikang (Recon) Investment Co Ltd, a Company registered in China and the ultimate controlling party is Mr J Xia.

For the year ended 31 May 2016, Reform Acquisitions Limited are the only undertaking for which Group financial statements are consolidated.

26 Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 May 2015. The date of transition to FRS 102 was 1 June 2014. We have not set out below changes in accounting policies which reconcile profit for the financial year ended 31 May 2015 and the total equity as at 1 June 2014 and 31 May 2015 between UK GAAP as previously reported and FRS 102 as no material changes were identified.