

Kop Football Limited

**Directors' report and financial
statements**

Registered number 6032198

For the year ended 31 July 2010

WEDNESDAY



AHQIGZO2

A29

30/11/2011

62

COMPANIES HOUSE

Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of Kop Football Limited	4
Profit and Loss Account	6
Balance Sheet	7
Notes	8

Directors' report

The directors present their directors' report and financial statements of Kop Football Limited ("the Company") for the year ended 31 July 2010

Principal activities and business review

The Company is a wholly owned subsidiary of Kop Football (Holdings) Limited ("KFHL") The ultimate owners and controlling parties of the Company are George N Gillett Jnr and Thomas O Hicks ("the Owners")

The Company's principal activity is as a holding company The Company is non-trading and only incurs expenses in relation to the management of its subsidiary

On 15 October 2010 100% of the shares in the Company's principal subsidiary, The Liverpool Football Club and Athletic Grounds Limited ("the Club"), were sold to UKSV Holdings Company Limited ("UKSV")

There are no key performance indicators specific to the Company

Financial results for the year and dividends

The financial results for the year are shown on page 6 The directors do not recommend a dividend to be paid for the current year (2009 £nil)

Directors

The directors who served during the period were

George N Gillett Jnr,
Foster L Gillett, (resigned 15 April 2010)
Thomas O Hicks
Thomas O Hicks Jnr (resigned 11 January 2010)
C M C Purslow (resigned 15 October 2010)
Philip Nash (appointed 17 December 2009 and resigned 15 April 2010)
Ian Ayre (appointed 17 December 2009 and resigned 15 October 2010)
Casey Coffman (appointed 11 January 2010 and resigned 15 April 2010)
Martin Broughton (appointed 15 April 2010 and resigned 15 October 2010)
Lori K McCutcheon (appointed 11 November 2011)

Donations

No political or charitable donations (2009 nil) have been made by the Company during the year

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Post balance sheet events

On 15 October 2010 the Company sold 100% of its shares in the Club to UKSV UKSV also acquired the intercompany loan debtor from the Company on the same day

Directors' report *(continued)*

Auditors

Persuant to Section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the directors



Lori K. McCutcheon
Director

The St Botolph Building
138 Houndsditch
LONDON
EC3A 7AR
England

23 November 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the 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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 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 judgments 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Kop Football Limited

We have audited the financial statements of Kop Football Limited for the year ended 31 July 2010 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/scope/UKNP.

Opinion on financial statements

Disclaimer on view given by the company financial statements

As explained in note 7 to the financial statements the Company has continued to record its investment in subsidiary at a cost of £183.5m. No impairment charge has been recorded against that cost as at 31 July 2010. As disclosed in note 1, subsequent to the year end the investment was sold at a substantial loss. The audit evidence available to us was limited because no formal impairment review was carried out as at 31 July 2010, nor has it been possible to quantify the special factors referred to in note 1 as potentially contributing to the reduction in value since the end of the reporting period. The potential effect of any impairment on both the state of affairs of the Company at 31 July 2010 and its loss for the year then ended might be significant. In the absence of a formal impairment review of the investment as at 31 July 2010 and the quantification of the factors which potentially may have negatively affected the disposal consideration, we have been unable to obtain sufficient appropriate evidence concerning the carrying value of the investment in the subsidiary.

As explained in note 1, the cash flow statement required by Financial Reporting Standard 1 *Cash flow statements* has not been presented. In our opinion information about the Company's cash flows is necessary for a proper understanding of the Company's state of affairs and its loss for the year.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether other than for the absence of a cash flow statement the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Kop Football Limited *(continued)*

Qualified opinion arising from absence of group accounts

As stated in note 1 to the financial statements, group accounts, as required by the Companies Act 2006, have not been prepared

Emphasis of matter - Going concern

In preparing our report on the financial statements, which is not further qualified in this respect we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £48,867,000 during the year ended 31 July 2010 and, at that date, it had net current liabilities of £295,361,000. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

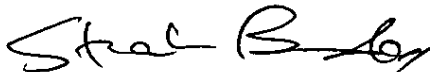
Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the investment in subsidiary

- we have not obtained all the information and explanations that we considered necessary for the purposes of the audit, and
- we were unable to determine whether adequate accounting records have been kept

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

- 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



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS



November 2011

Profit and Loss Account
for the year ended 31 July 2010

	<i>Notes</i>	2010 £000	2009 £000
Turnover		-	-
Costs of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administrative expenses		(4,065)	(5)
		<hr/>	<hr/>
Operating loss		(4,065)	(5)
Interest receivable and similar income	4	9,608	9,340
Interest payable and similar charges	5	(54,410)	(36,683)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2	(48,867)	(27,348)
Tax on loss on ordinary activities	6	-	1,169
		<hr/>	<hr/>
Loss for the financial year	12	(48,867)	(26,179)
		<hr/>	<hr/>

The above results are derived from continuing activities. There are no recognised gains or losses for the current period, other than as stated in the profit and loss account. Accordingly no statement of total recognised gains or losses is given.

The accompanying notes form an integral part of the financial statements.

Balance Sheet
at 31 July 2010

	<i>Note</i>	2010 £000	2009 £000
Fixed assets			
Investments	7	183,481	183,481
Current assets			
Debtors	8	108,707	100,757
Creditors amounts falling due within one year	9	(402,068)	(347,251)
Provisions for liabilities	10	(2,000)	-
Net current liabilities		(295,361)	(246,494)
Total assets less current liabilities		(111,880)	(63,013)
Net liabilities		(111,880)	(63,013)
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(111,880)	(63,013)
Shareholders' deficit		(111,880)	(63,013)

These financial statements were approved by the Board of Directors on 23 November 2011

Signed on behalf of the Board of Directors



Lori K. McCutcheon
Director

The accompanying notes form an integral part of the financial statements

Registration number 6032198

Notes

(forming part of the financial statements)

1 Accounting policies

The principal accounting policies applied in the preparation of the financial statements are as follows

Investment in Subsidiary

The investment in subsidiary is held at cost. Prior to 31 July 2010 the Directors had been advised of the potential market value of the subsidiary and this indicated no impairment. The directors have not completed an impairment review of its value at 31 July 2010 in accordance with FRS 11. Impairment of fixed assets and goodwill. As detailed in note 7 the investment was sold in October 2010 for £99.4m realising a loss of approximately £63.5m. The Directors believe that the investment was not impaired at 31 July 2010 and that the loss of value was the result of special factors surrounding the sale.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules.

In previous years the Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. Since the parent undertaking no longer prepares consolidated accounts the exemption is no longer available but the directors do not believe they have all the information necessary to prepare consolidated accounts for the Company. Similarly, in previous years, under FRS 1, the Company was exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking included the Company in its own published consolidated financial statements. Whilst this exemption no longer applies the Company has not prepared a cash flow statement.

As the Company is a wholly owned subsidiary of Kop Football (Holdings) Limited ("KFHL") the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with other related entities of KFHL. The directors consider that there are no other related party relationships, transactions or balances which require disclosure.

Going concern

The Directors have prepared the accounts on a going concern basis. The Directors set out below the rationale for adopting the going concern basis.

Subsequent to the year end the owners have continued to provide sufficient funding to enable the Company to continue realising its assets and discharging its liabilities. As at 23 November 2011, the Company (and KFHL) had access to a combined cash balance of £23,000 and no indebtedness other than to its parent company. As detailed in note 9 the loan from KFHL is not repayable if that would result in this company becoming insolvent. The Directors expect future costs to be minimal but, to the extent that further funding is required, the Directors believe that the ultimate owners/parent company will continue to fund all of the Company's cash requirements over the next twelve months but no formal funding agreement is in place.

As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. This represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and, therefore the Company may be unable to continue realising its assets and discharging its liabilities in the normal course of business.

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and not reversed by the balance sheet date, except as otherwise required by FRS 19, "Deferred tax".

Notes (continued)

2 Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging

	2010 £000	2009 £000
<i>Auditor's remuneration</i>		
Audit of these financial statements	35	5
Services in respect of taxation	3	3
	<u>38</u>	<u>8</u>

Exceptional administrative costs of £4,030,000 relate to costs incurred in the year in relation to the sale of the Club (2009 £nil)

3 Directors and employees

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

4 Interest receivable and similar income

	2010 £000	2009 £000
Interest from group undertakings	<u>9,608</u>	<u>9,340</u>

5 Interest payable and similar charges

	2010 £000	2009 £000
Amount payable to group undertakings	15,537	8,310
Bank loans and overdrafts	26,653	28,373
Other finance costs	12,220	-
	<u>54,410</u>	<u>36,683</u>

Included within interest on bank loans and overdrafts are amortised finance costs of £2,628,000 (2009 £6,459,000)

6 Taxation

	2010 £000	2009 £000
<i>Analysis of tax credit in the year</i>		
Current tax		
Payment received for group relief	-	(1,072)
Adjustment in respect of prior years	-	(97)
	<u>-</u>	<u>(1,169)</u>

The tax credit for the year differs from the loss for the year multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2009 28%). The differences are explained below:

Notes (continued)

6 Taxation (continued)

	2010 £000	2009 £000
Loss on ordinary activities before taxation	(48,867)	(27,348)
Loss on ordinary activities multiplied by the standard rate of taxation	(13,683)	(7,657)
<i>Effects of</i>		
Tax losses not recognised	11,671	6,585
Impact on deferred tax of change in tax rate	913	-
Expenses not deductible for tax purposes	1,099	-
Adjustment in respect of prior years	-	(97)
Total current tax	-	(1,169)

The Company has losses available to be offset against future profits amounting to £91.4million (2009 £53.2 million)

In relation to these losses is an unrecognised deferred tax asset of £24.7million (2009 £14.9million). The directors do not believe that suitable future taxable profits are sufficiently certain to recognise the asset.

Following the substantive enactment of the 2010 Finance Bill, the rate of Corporation Tax in the UK will decrease from 28% to 27% with effect from 1 April 2011. This may impact the rate at which deferred tax assets are recovered.

7 Investment in subsidiary

The subsidiary undertaking of the Company is The Liverpool Football Club and Athletic Grounds Limited (the "Club" or "Subsidiary"). The Club's principal activity is a professional football club and related activities and 100% of the ordinary class of shares are held directly by the Company.

	Shares in group undertakings £000
<i>Cost and net book value</i>	
At beginning and end of year	183,481

The investment was sold in October 2010 for £99.4m. After allowing for various liabilities which had been taken on by the purchaser, the loss on sale amounts to approximately £63.5million.

The Directors believe the investment was not impaired at 31 July 2010 and that the loss was the result of special circumstances surrounding the sale.

Notes (continued)

8 Debtors

	2010 £000	2009 £000
Amounts owed by group undertakings	104,557	100,757
Prepayments and accrued income	4,150	-
	<u>108,707</u>	<u>100,757</u>

As a result of the re-financing in 2008, the Company made an initial loan to the Club. The Company may charge interest on the loans to the Club at its discretion and began doing so in fiscal year 2008. As of 31 July 2010 the balance of the intercompany loan receivables, including accrued interest, from the Club is £104.6million. This amount is included in debtors due within one year on the balance sheet.

The amounts due from the Club are due on demand. However, the Company cannot demand repayment if to do so were to cause the Club to become insolvent.

9 Creditors

	2010 £000	2009 £000
Amounts falling due within one year		
Bank loans	200,000	197,471
Amounts owed to parent company	175,524	145,315
Accruals	26,544	4,465
	<u>402,068</u>	<u>347,251</u>

Bank loans due within one year are stated net of issue costs of £nil (2009: £2.5 million) which are being amortised in accordance with FRS4, "Capital Instruments", over the term of the finance to which they relate.

Credit Facility

On 27 July 2009, the Company and the Club refinanced their existing facility with RBS as the issuing bank. The old facility provided £350million of availability with £245million available to the Company and the Club with an amount of £105million. The new facility provided £297million of availability with £200million available to the Company and £97million to the Club. The reduction of the loan in the Company from £245million to £200million was funded by an injection from the owners that filtered through the Group and is reflected in the Company financial statements in the amounts due to group undertakings. The total credit facility was secured by letters of credit and personal guarantees of the Owners totalling £110million with the remainder secured by the Club's assets.

The new credit facility was due for repayment on 24 January 2010 but this was extended to 3 March 2010 during January 2010 and was subsequently further extended to 15 October 2010. Interest accrues at a rate of LIBOR plus 5% and is payable at various times as selected by the Company and the Club ranging from monthly, quarterly or semi-annually. As a result of the sale of the Club on 15 October 2010 the RBS loans were repaid in full.

Notes (continued)

9 Creditors (continued)

Master Swap Agreement

On 31 January 2008, the Company entered into a Master Swap Agreement in relation to Facility A of the credit facility with RBS and Wachovia Bank to swap floating rates of interest to fixed. The Master Swap with RBS is in the amount of £183.75 million and has a fixed rate of 4.957% per year and was due to terminate on 31 January 2011. The Master Swap with Wachovia Bank was in the amount of £61.25 million and had a fixed rate of 4.975% per year and was due to terminate on 31 January 2011. On 31 July 2009, as part of the refinancing, the Wachovia Master Swap was settled at a cost of £3.6 million. The RBS Master Swap Agreement was terminated on 15 October 2010 (see note 10).

Amounts Owed to Parent Company

As of 31 July 2010, the balance of the intercompany loan payable to KFHL was £175.5 million (2009 £145.3 million), which is payable on demand. However, within the terms of the loan agreement KFHL cannot demand repayment if to do so would cause the Company to become insolvent.

10 Provisions for liabilities

	2010 £000	2009 £000
At beginning of year	-	-
Charged to profit and loss account	2,000	-
At end of year	2,000	-

The provision charged to the profit and loss account during the year is in relation to the RBS Master Swap Agreement which is regarded as an onerous contract at 31 July 2010.

11 Called up share capital

	2010 Number of shares	2009 Number of shares
Authorised – ordinary shares of £1 each	100	100
Allotted, issued and fully paid – ordinary shares of £1 each	1	1
	£	£
Authorised	100	100
100 ordinary shares of £1 each	£	£
Called up, allotted and fully paid	1	1
1 ordinary share of £1 each		

Notes *(continued)*

12 Combined statement of movement in shareholders' funds and statement of movement on reserves

	Issued share capital £000	Profit and loss £000	Shareholders' deficit £000
At 31 July 2009	-	(63,013)	(63,013)
Retained loss for the financial period	-	(48,867)	(48,867)
At 31 July 2010	-	(111,880)	(111,880)

13 Post balance sheet events

On 15 October 2010, Kop Football Limited sold 100% of the shares of the Club to UKSV Holdings Company Limited ("UKSV") UKSV also acquired the intercompany loan debtor from the Company on the same day

14 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Kop Investment LLC, a Company incorporated in the United States of America

The immediate parent undertaking is KFHL