# The Liverpool Football Club and Athletic Grounds Limited

## Directors' report and financial statements

Registered number 00035668

Year ended 31 July 2010

## Contents

# Directors' report

The dırectors present theır dırectors' report and financıal statements of The Lıverpool Football Club and Athletıc Grounds Lımıted ("the Club" or "Company") for the year ended 31 July 2010

The dırectors have prepared the financıal statements usıng the goıng concern assumptıon the basıs of whıch ıs more fully set out ın note 1

**Revıew of the busıness**

The prıncıpal actıvıtıes of the Company contınued to be those of a professıonal football club and related actıvıtıes

On 15 October 2010 100% of the shares ın the Company were sold to N E S V I LLC (*subsequently known as Fenway Sports Group)* vıa the UK holdıng Company set up for thıs purpose – UKSV Holdıngs Company Lımıted ("UKSV")

*Profit and Loss*

Turnover has ıncreased from £177 3mıllıon ın 2008/9 to £184 9mıllıon ın 2009/10

Medıa revenue ıncreased by £5mıllıon to £79 6mıllıon ın 2009/10 Thıs was drıven by an uplıft ın UEFA dıstrıbutıons, maınly as a result of the hıgher domestıc league posıtıon at the end of the 2008/9 season Although the Club were elımınated ın the group stages of the Champıons League ın 2009/10, progressıon to the Europa Cup semı finals generated further European medıa ıncome Wıthın medıa ıncome, domestıc broadcastıng revenue decreased as a result of the Club's league posıtıon of 7th compared to 2nd at the end of the 2008/9 season

Matchday revenue ıncreased slıghtly ın 2009/10 from £42 5mıllıon to £42 9mıllıon and commercıal revenue ıncreased by £1 8mıllıon from £60 3mıllıon ın 2008/9 to £62 1mıllıon ın 2009/10

Wıthın the commercıal figure for 2009/10 ıs the revenue generated from the dıgıtal medıa and caterıng busıness The dıgıtal medıa revenue ıs ıncluded ın the Club after the transfer ın of the busıness of Lıverpoolfc tv Lımıted ın July 2009 and caterıng was brought back 'ın house' ın July 2009 also The decrease ın royalty and merchandısıng revenue ıs also ıncluded ın the commercıal revenue category

The ımprovement ın turnover ıs offset by an ıncrease ın admınıstratıve expenses before exceptıonal costs of £20 7mıllıon The major elements of thıs beıng an ıncrease ın player salary costs and amortısatıon In addıtıon, there have been ıncreases ın caterıng, admınıstratıon and dıgıtal medıa costs

Also ıncluded ın admınıstratıve expenses ıs an exceptıonal amount of £7 8mıllıon ın relatıon to the costs of the changes ın coachıng staff and assocıated expenses

The profit on the dısposal of player regıstratıons has shown an ıncrease from £4 1mıllıon ın 2009 to £22 8mıllıon ın 2010

Interest payable has shown a £4 8mıllıon ıncrease over the 2009 figure Thıs ıs maınly as a result of the ınclusıon of costs ın relatıon to the extensıon of bank facılıtıes

The ımpact of the above has resulted ın the change from a loss before taxatıon of £16 1mıllıon ın 2009 to a loss before taxatıon of £19 9mıllıon ın 2010

## Directors' report *(contınued)*

*Balance Sheet*

Intangıble fixed assets have decreased from £121 9mıllıon ın 2009 to £97 7mıllıon ın 2010 The maın element of thıs ıs the player regıstratıon movement from a net book value of £107 9mıllıon ın 2009 to £85mıllıon ın 2010 Thıs ıs as a result of player acquısıtıons of £34 5mıllıon offset by the net book value of dısposals of £17 2mıllıon and amortısatıon of £40 2mıllıon

The remaınıng decrease ın ıntangıble assets of £1 3mıllıon ıs ın relatıon to the amortısatıon of goodwıll recognısed on the acquısıtıon of the busıness and assets of the Company's 100% subsıdıary – Lıverpoolfc TV Lımıted

Tangıble fixed assets have ıncreased from £73 3mıllıon to £77 0mıllıon Thıs ıncludes an amount of £2 5 mıllıon of finance costs capıtalısed ın relatıon to the new stadıum project

Wıthın current assets sıgnıficant addıtıonal ınvestment was requıred ın stock as a result of the change ın kıt sponsor

Net debt has ıncreased from £110 3mıllıon at 31 July 2009 to £123 4mıllıon at 31 July 2010 Included wıthın the 31 July 2010 net debt figure ıs an ıntercompany debt of £104 6mıllıon Thıs has been elımınated post year end as a result of the change ın ownershıp that occurred ın October 2010 Further detaıls of whıch can be found ın the post balance sheet events note

On the football pıtch the Club fınıshed seventh ın the Premıer League and lost ın the semı final of the Europa Cup to Atletıco Madrıd (after beıng elımınated ın the group stages of the Champıons League)

There were also sıgnıficant changes to the coachıng staff durıng the financıal year

**Results and dıvıdend**

The profit and loss account on page 9 shows a loss before taxatıon for the year of £19 9mıllıon (*2009 loss of £16 1mıllıon*) The dırectors do not recommend the payment of a dıvıdend

**Strategy**

The three key elements of the Company's strategy are to

- Improve football performance through a posıtıve playıng style, excellent football ınfrastructure and ınvestment ın young, talented players,
- Improve the fan experıence and ınteractıon wıth the Club, and
- Leverage the Club's global followıng to delıver revenue growth

**Key performance ındıcators**

The prıncıpal key performance ındıcators for 2009/10 are as follows

*Non Fınancıal*

- Performance agaınst target of contınued qualıficatıon for the Champıons League
- Attendance versus capacıty
- Performance of all squads

Football success ıs the key drıver of commercıal success

## Directors' report *(continued)*

*Financial*

- Revenue
- Payroll costs
- EBITDA (Earnings before interest, tax, depreciation and amortisation)
- Cash flows
- Player trading net position
- Capital expenditure

**Future developments**

As detailed above, the post year end change in ownership has resulted in the intercompany debt being removed and Company funds will no longer be used to service any acquisition debt The Company will continue with the many new initiatives to build on the growth already achieved in its commercial revenue Indeed, commercial revenues for 2010/11 will include the income generated from the new Standard Chartered kit sponsorship agreement This commenced in July 2010 and can generate up to £81million over a four year period

**Principal risks and uncertainties**

The Board acknowledges there are risks that affect the Club and action is taken to minimise the risks The directors consider the principal risks and uncertainties associated with running a professional football Club such as Liverpool Football Club to be the player transfer market and wage levels, attendance levels and revenues from broadcasting contracts and football competitions Player transfer market and wage costs are those that need most care, and the aim is to manage these costs within financial constraints, whilst remaining as competitive as possible Development of the Club brand continues and the Board is mindful that continued success on the field is paramount to this development Regular meetings are held internally at the Club on the latest risks and financial and commercial issues – including health and safety updates

**Financial risk management objectives and policies**

An explanation for the Company's exposure to price risk, credit risk, liquidity risk, interest rate risk and cash flow risk is set out below The Company's financial instruments comprise bank balances and cash together with various net working capital items which arise directly from its operations such as trade debtors and trade creditors The main purpose of these financial instruments is to transact and raise finance for the Company's operations

All of these are measured against budget for the year

- **Liquidity and cash flow risk**
  Financial risk is managed in such a way as to ensure there is always sufficient liquidity available This is achieved by the use of predictive financial models which are updated on a regular basis to reflect changes in revenues, costs and other cash management procedures

- **Currency**
  Where currencies other than sterling are used, the Company looks at natural hedges in the business to assess whether further measures are required

- **Credit risk**
  The Company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

# Directors' report *(continued)*

- **Interest rate risk**
  The Company managed its interest rate risk by entering arrangements designed to fix the interest rate within an acceptable range

## Employees

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees

The Company operates an equal opportunities policy The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability Should, for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate, will be taken to assist with rehabilitation and suitable re-training The Company maintains its own health, safety and environmental policies covering all aspects of its operations

Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Club is responsible to the needs of the employees and the environment

## Directors

The directors who held office during the year were as follows

G N Gillett (resigned 15 October 2010)
F Gillett (resigned 15 April 2010)
T O Hicks (resigned 15 October 2010)
T O Hicks Jnr (resigned 11 January 2010)
C M C Purslow
P Nash (appointed 17 December 2009)
I Ayre (appointed 17 December 2009)
C Coffman (appointed 11 January 2010, resigned 15 April 2010)
M Broughton (appointed 15 April 2010, resigned 1 December 2010)
J Henry (appointed 15 October 2010)
T Werner (appointed 15 October 2010)
D Ginsberg (appointed 15 October 2010)
J Vinik (appointed 15 October 2010)
M Gordon (appointed 15 October 2010)

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report

## Political and charitable contributions

The Company made charitable donations of £151,000 during the year *(2009 £55,000)* No political donations were made in the current of prior year

The Company also has a fully funded community department that is actively involved with projects in the local area

## Directors' report *(continued)*

**Post balance sheet events**

On 15 October 2010 Kop Football Limited sold 100% of the shares in the Company to Fenway Sports Group via the UK holding company set up for this purpose – UKSV Holdings Company Limited UKSV also acquired the intercompany loan debtor from Kop Football Limited on the same day and immediately released the Company from all of its obligations and liabilities owed to it The intercompany debt has therefore been eliminated from this date with a credit being made to reserves

As a result of the change in ownership, RBS entered into a new agreement with UKSV to provide the Company with £92million of facilities for working capital and stadium development In addition, the Company has been extinguished of its liability in respect of £3 3million of finance costs recognised in the year ended 31 July 2010

Following the acquisition of the Company subsequent to the year end, the new owners are currently evaluating the best course of action with regard to the stadium Whilst this review process has not been completed at the date of signing the accounts it is highly likely there will be a significant write-off of the new stadium project costs in the financial year ending 31 July 2011

There have been acquisitions to the playing staff since the year end for total transfer fees of £76 2million In addition, the Club has sold playing staff for total guaranteed fees of £76 1million There was also a change in coaching staff in January 2011 with Kenny Dalglish taking over from Roy Hodgson as Team manager The cumulative effect on the profit and loss account in relation to the gains on sales of players and compensation payments made to coaching staff is a £46 5million profit

**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/ she 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

**Auditors**

Pursuant 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 board

**Philip Nash**
*Director*
Anfield Road
Liverpool
L4 0TH
United Kingdom

## 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

# Independent auditors' report to the members of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 July 2010

We have audited the financial statements of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 July 2010 set out on pages 9 to 30 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 auditors' 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 Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit 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/apb/scope/UKNP.

**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 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

**Opinion on other matter prescribed by the Companies Act 2006**

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

## Independent auditors' report to the members of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 July 2010 *(continued)*

**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, 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

**David Bills (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP Statutory Auditor**
*Chartered Accountants*
*Liverpool*
*L3 1QH*

28 February 2011

# Profit and Loss Account
*for the year ended 31 July 2010*

| | *Note* | **Operations excluding player amortisation and trading** | **Player amortisation and trading** | **2010** | 2009 |
|---|---|---|---|---|---|
| | | **£000** | **£000** | **£000** | £000 |
| **Turnover** | *2* | **184,542** | **-** | **184,542** | 177,324 |
| Cost of sales | | **(19,756)** | **-** | **(19,756)** | (19,596) |
| **Gross profit** | | **164,786** | **-** | **164,786** | 157,728 |
| Other operating income | *3* | **297** | **-** | **297** | 657 |
| Administrative expenses before exceptional costs | *4* | **(142,168)** | **(40,231)** | **(182,399)** | (161,661) |
| Administrative expenses – exceptional costs | *5* | **(7,775)** | **-** | **(7,775)** | (4,332) |
| Total administrative expenses | | **(149,943)** | **(40,231)** | **(190,174)** | (165,993) |
| **Operating profit/(loss)** | | **15,140** | **(40,231)** | **(25,091)** | (7,608) |
| Profit on disposal of players' registrations | | **-** | **22,836** | **22,836** | 4,096 |
| **Profit/(loss) before interest and taxation** | | **15,140** | **(17,395)** | **(2,255)** | (3,512) |
| Other interest receivable and similar income | *6* | | | **73** | 366 |
| Interest payable and similar charges | *7* | | | **(17,698)** | (12,938) |
| **Loss on ordinary activities before taxation** | | | | **(19,880)** | (16,084) |
| Tax on profit on ordinary activities | *9* | | | **(55)** | 2,051 |
| **Loss for the financial year** | | | | **(19,935)** | (14,033) |

All amounts relate to continuing operations

The Company has no recognised gains and losses for the year other than the loss stated above, therefore no separate statement of gains and losses has been prepared

The notes on pages 12 to 30 form part of the financial statements

# Balance Sheet
***at 31 July 2010***

| | *Note* | **2010** **£000** | **£000** | 2009 £000 | £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | **97,736** | | 121,911 |
| Tangible assets | *11* | | **77,038** | | 73,339 |
| Investments | *13* | | **15,890** | | 15,890 |
| | | | **190,664** | | 211,140 |
| **Current assets** | | | | | |
| Stocks | *14* | **10,824** | | 3,882 | |
| Debtors [including £7 2million *(2009 £1 9million)* due after more than one year] | *15* | **31,240** | | 28,477 | |
| Cash at bank and in hand | | **18,928** | | 27,157 | |
| | | **60,992** | | 59,516 | |
| **Creditors:** amounts falling due within one year | *16* | **(226,665)** | | (226,506) | |
| **Net current liabilities** | | | **(165,673)** | | (166,990) |
| **Total assets less current liabilities** | | | **24,991** | | 44,150 |
| **Creditors:** amounts falling due after more than one year | *16* | | **(30,887)** | | (30,111) |
| **Provisions for liabilities** | *17* | | **-** | | - |
| **Net (liabilities)/assets** | | | **(5,896)** | | 14,039 |
| **Capital and reserves** | | | | | |
| Called up share capital | *20* | | **174** | | 174 |
| Share premium account | *21* | | **32,882** | | 32,882 |
| Profit and loss account | *21* | | **(38,952)** | | (19,017) |
| **Shareholders' funds** | | | **(5,896)** | | 14,039 |

The notes on pages 12 to 30 form part of the financial statements

These financial statements were approved by the board of directors on 28 February 2011 and were signed on its behalf by

**Philip Nash**
*Director*

# Cash Flow Statement
*for the year ended 31 July 2010*

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating loss | | (25,091) | (7,608) |
| Depreciation charges | | 2,191 | 1,920 |
| Transfer of deferred credits | *18* | (217) | (232) |
| Loss/(profit) on disposal of tangible fixed assets | | 514 | (64) |
| Amortisation and impairment of players' registrations | | 40,231 | 38,677 |
| Amortisation of goodwill | | 1,272 | - |
| (Increase)/decrease in stocks | | (6,942) | 155 |
| Decrease/(increase) in debtors | | 2,809 | (5,223) |
| Increase in creditors | | 8,493 | 8,846 |
| **Net cash inflow from operating activities** | | 23,260 | 36,471 |

## Cash flow statement

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Cash flow from operating activities** | | 23,260 | 36,471 |
| **Returns on investments and servicing of finance** | *23* | (2,813) | (3,233) |
| **Taxation** | | (18) | (139) |
| **Capital expenditure and financial investment** | *23* | (16,788) | (50,458) |
| **Acquisitions and disposals** | | - | 5,308 |
| Cash inflow/(outflow) before financing | | 3,641 | (12,051) |
| **Financing** | *23* | (11,590) | 23,018 |
| **(Decrease)/increase in cash in the year** | | (7,949) | 10,967 |

## Reconciliation of net cash flow to movement in net debt

| | Note | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **(Decrease)/increase in cash in the year** | | (7,949) | 10,967 |
| Cash inflow/(outflow) from increase/(decrease) in borrowings | | 5,528 | (25,094) |
| Repayment of finance lease and hire purchase contracts | | 132 | 323 |
| Change in net debt resulting from cash flows | | (2,289) | (13,804) |
| Interest accrued on intercompany balance | | (9,608) | (9,340) |
| Capitalisation of finance costs | | 5,930 | 1,753 |
| Finance costs amortised | *24* | (7,153) | (2,864) |
| **Movement in net debt in the year** | | (13,120) | (24,255) |
| **Net debt at 31 July 2009** | | (110,272) | (86,017) |
| **Net debt at 31 July 2010** | | (123,392) | (110,272) |

# 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

### *Going concern*

At the year end the Company's then ultimate UK parent, Kop Football (Holdings) Limited, had a credit facility with Royal Bank of Scotland ("RBS") and Wachovia Bank ("Wachovia") totalling £297million of which £251million had been utilised as at 31 July 2010 Of the total facility £97million was available to the Company and £51million had been utilised as at 31 July 2010 The Company also had an intercompany loan totalling £105million due within one year with its immediate parent company Kop Football Limited

Following the acquisition of the Company on 15 October 2010 by Fenway Sports Group the Company's participation in the Kop Football (Holdings) Limited facility ceased, leaving a revised Company facility of £92million which is due for repayment on 31 May 2011 The composition of this facility is set out in note 27 On 31 January 2011 £86 6million of this facility had been utilised In addition the Company was released from all of its obligations and liabilities in respect of the intercompany loan

The directors have held discussions with the Company's current principal lender about the Company's future borrowing needs and no matters have been drawn to its attention to suggest that a refinancing will not be forthcoming on acceptable terms In contemplation of revised debt facilities the directors have prepared detailed cash flow forecasts to July 2012 On-field results in the Premier League, Europe and domestic cup competitions, together with the level of TV coverage, are key assumptions in these forecasts and relevant sensitivities have been applied Furthermore the directors have considered the legal proceedings between the Company's previous owners, the Company's directors and the principal lender in relation to the acquisition and do not believe they will have an adverse effect on the financial position of the Company

Based on the above, the directors have a reasonable expectation that they will secure adequate resources to enable the Company to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the annual report and accounts

### *Basis of preparation*

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

As the Company is a wholly owned subsidiary of Kop Football Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Kop Football Holdings Limited, within which this Company is included, can be obtained from the address given in note 26

# Notes *(continued)*

## 1 Accounting policies (continued)

***Turnover and revenue recognition***

Turnover represents income receivable from the Company's principal activities and is exclusive of value added tax and transfer fees Matchday receipts are stated after percentage payments to The Football Association, the Football League and visiting Clubs Revenue from this source is recognised over the course of the football season as games are played Sponsorship and similar commercial income is recognised over the duration of the respective contracts Income arising from the fixed element of broadcasting revenue is recognised over the duration of the playing season Facility fees (non-fixed element of broadcasting revenue) which relate to live coverage or highlights of games are recognised as games are played Revenue arising from participation in European competitions is recognised as matches are played and is classified as matchday income and media income as appropriate

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

***Investments***

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off

***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life The estimated useful life of the Company's goodwill is 11 years

***Tangible fixed assets and depreciation***

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

| | | | |
|---|---|---|---|
| Freehold/long leasehold buildings | 2%-20% | Stands, fixtures, fittings and equipment | 10%-33% |
| Youth Academy | 2% | Motor vehicles | 20% |
| Training Ground | 2% | Computers | 25% |

Freehold and long leasehold land is not depreciated Costs in connection with the new stadium have not been depreciated as it is classed as an asset under construction Cost includes directly attributable finance costs All other classes of tangible fixed assets are depreciated on a straight-line basis at the rates stated above, except for fixtures, fittings and equipment which are depreciated using the reducing balance method The historical cost of the existing stadium is included under the heading "stands, fixtures, fittings and equipment" shown in note 11 The useful economic life of the existing stadium has been reviewed Previously the existing stadium was being depreciated until 2013 This has been revised to 5 years to 2014 including the year under review The difference between its carrying value and the expected residual value will be provided for on a straight-line basis over the revised useful economic life

# Notes *(continued)*

## 1 Accounting policies (continued)

### *Intangible fixed assets*

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets These costs are fully amortised in equal instalments over the period of players' individual contracts Where a player's contract is extended beyond its initial period, amortisation is calculated over the period of the extended contract from the date on which it is signed Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale

The profit or loss on disposal of a player's registration is calculated as the difference between the transfer fee recovered/receivable less the net book value at the date of sale and less any direct costs of the transfer Future receipts of transfer fees based on the transferred player or the buying Club meeting certain performance criteria in the future are recognised when the criteria are met Future payments of transfer fees based on performance criteria are recognised when it becomes probable that the criteria will be met

### *Signing on fees*

Signing on fees are charged evenly, as part of the administrative expenses, to the profit and loss account over the period of the player's contract Where a player's registration is transferred any signing on fees payable in respect of future period are charged against the profit/loss on disposal of players' registrations in the period in which the disposal is recognised

### *Stock*

Stock represents goods for resale and is valued at the lower of invoice cost and net realisable value Cost is based on actual cost

### *Finance leases, operating leases and hire purchase*

Assets acquired under finance leases or hire purchase contracts are treated as tangible fixed assets and depreciation is provided accordingly The outstanding future lease obligations are shown in creditors Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

### *Taxation*

The charge for taxation is based on the profit/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 accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 "Deferred Tax"

# Notes *(continued)*

## 1 Accounting policies (continued)

### *Pensions*

The Company operates its own contributory defined contribution scheme which is managed by Norwich Union In addition, certain employees are members of The Football League Players' Retirement Income Scheme or The Football League Limited Pension and Life Assurance Scheme Contributions are also paid to individuals' private pension schemes Pension contributions are charged to the profit and loss account as they become payable

The Company continues to make contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme (the 'Scheme') Accrual of benefits on a final salary basis was suspended with effect from 31 August 1999, when an actuarial review showed a substantial deficit As one of a number of participating employers the Company is advised only of its share of the Scheme's deficit and recognises a liability in respect of this As a result, the contributions paid to the scheme reduce the provision The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reliable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme

### *Deferred income*

Deferred income comprises accounts received on sales of season tickets, sponsorship income and corporate income These amounts will be released to the profit and loss account over the period for which the income relates

### *Deferred credits*

Deferred credits relate to grants receivable from The Football Trust in relation to the stadium improvements and landlord contributions towards capital expenditure on leasehold property These are transferred to the profit and loss account over the life of the assets to which they relate These amounts are repayable in certain exceptional circumstances In the opinion of the directors such circumstances are unlikely to arise in the course of the Company's normal operations

### *Foreign currency transactions*

Transactions denominated in foreign currencies are translated into sterling at rates of exchange approximating to those ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling as at that date Translation differences are dealt with in the profit and loss account

### *Interest bearing borrowings*

Immediately after issue, debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs The finance cost of the debt is allocated to periods at the term of the debt at a constant rate on the carrying amount

### *Other finance costs*

Other finance costs in relation to the short term extensions to the Company facilities have been recognised as incurred within interest payable and similar charges

# Notes *(continued)*

## 1 Accounting policies (continued)

***Other operating income***

Other operating income includes donations from Development Associations - this income is recognised when the final year donation is advised by the relevant Association

## 2 Analysis of turnover

| | **2010 Turnover £000** | 2009 Turnover £000 |
|---|---|---|
| ***By activity*** | | |
| Media | **79,609** | 74,596 |
| Matchday | **42,858** | 42,462 |
| Commercial | **62,075** | 60,266 |
| | **184,542** | 177,324 |
| ***By geographical market*** | | |
| Turnover, all of which originates in the United Kingdom, can be analysed by destination as follows | | |
| United Kingdom | **181,339** | 173,026 |
| Rest of World | **3,203** | 4,298 |
| | **184,542** | 177,324 |

## Notes *(continued)*

### 3 Other operating income

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Other operating income comprises | | |
| Donations from Development Associations | **231** | 650 |
| Rent receivable | **66** | 7 |
| | **297** | 657 |

### 4 Administrative expenses – before exceptional costs

| | 2010 £000 | 2009 £000 |
|---|---|---|
| ***Operations excluding player amortisation and trading*** | | |
| Depreciation of tangible fixed assets | | |
| Owned by the Company | **2,059** | 1,795 |
| Held under finance leases and hire purchase contracts | **132** | 125 |
| Loss/(profit) on disposal of tangible fixed assets | **514** | (64) |
| Amortisation of goodwill | **1,272** | - |
| Staff costs (note 8) | **114,315** | 96,127 |
| Grants released | **(217)** | (232) |
| Other operating charges | **23,099** | 24,182 |
| Operating lease rentals – land and buildings | **905** | 906 |
| Operating lease rentals – other | **34** | 95 |
| Auditors' remuneration | **55** | 50 |
| | **142,168** | 122,984 |
| Player amortisation and trading | | |
| Amortisation of players' registrations | **39,932** | 37,434 |
| Impairment of players' registrations | **299** | 1 243 |
| | **182,399** | 161,661 |

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Kop Football Holdings Limited

# Notes *(continued)*

## 5 Administrative expenses – exceptional costs

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Termination payments and associated costs | **7,775** | 4,332 |

Exceptional costs include amounts payable to former employees and other costs in relation to the change in coaching staff in the close season

## 6 Other interest receivable and similar income

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Bank interest | **72** | 365 |
| Other | **1** | 1 |
| | 73 | 366 |

## 7 Interest payable and similar charges

| | 2010 £000 | 2009 £000 |
|---|---|---|
| On bank loan and overdrafts | **4,530** | 6,338 |
| Finance charges under finance leases and hire purchase contracts | **16** | 42 |
| Payable to group undertakings | **9,608** | 9,340 |
| Other | **101** | 63 |
| Other finance costs | **5,956** | - |
| | **20,211** | 15,783 |
| Less finance costs capitalised | **(2,513)** | (2,845) |
| | **17,698** | 12,938 |

Included within interest on bank loans and overdrafts are amortised finance costs of £1 3million *(2009 £2 9milion)* which are being amortised in accordance with FRS 4 "Capital Instruments"

Finance costs have been capitalised into tangible fixed assets at a rate of LIBOR plus 4 5%, which is the rate incurred on the stadium facility with RBS

Other finance costs include the costs incurred in relation to the short term extensions to the Company facilities (see note 16)

## Notes *(continued)*

### 8 Directors and employees

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| The directors of the Company received the following remuneration | | |
| Emoluments (excluding pension contributions) | **1,819** | 1,371 |
| Aggregate payments to defined contribution schemes | **21** | 57 |
| Compensation for loss of office | **-** | 3,000 |
| Highest paid director's remuneration | | |
| Emoluments | **750** | 4,238 |
| Company pension contributions | **-** | 57 |
| | **750** | 4,295 |

At 31 July 2010, no director had retirement benefits accruing under defined contribution pension schemes *(2009 nil)*

| | **2010** | 2009 |
|---|---|---|
| | **Number** | Number |
| During the year, the average number of full-time employees (including directors) was as follows | | |
| Players, managers and coaches | **138** | 142 |
| Ground and maintenance staff | **55** | 57 |
| Administration, commercial and other | **284** | 217 |
| | **477** | 416 |

Full-time employees are those employed for more than 20 hours per week In addition, the Company employed on match days on average 895 part-time employees *(2009 840)* The Company also employs an additional 114 part-time scouts and coaches *(2009 104)*

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| Aggregate amounts for both staff and directors charged in respect of | | |
| Wages and salaries | **108,549** | 88,691 |
| Social security costs | **12,009** | 10,438 |
| Pension costs | **527** | 1,330 |
| | **121,085** | 100,459 |

# Notes *(continued)*

## 9 Taxation

*Analysis of charge in the year*

| | 2010 £000 | 2009 £000 |
|---|---|---|
| *Current tax* | | |
| Payment for group relief received | - | - |
| Foreign tax | 55 | 96 |
| Adjustments in respect of prior periods | - | 6 |
| Total current tax | 55 | 102 |
| *Deferred tax (see note 17)* | | |
| Origination and reversal of timing differences | - | (2,153) |
| Tax charge/(credit) on loss on ordinary activities | 55 | (2,051) |

The tax assessed for the year differs from the loss for the year multiplied by the standard rate of corporation tax in the UK of 28% *(2009 28%)* The differences are explained below

| | | |
|---|---|---|
| Loss on ordinary activities before taxation | (19,880) | (16,084) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% *(2009 28%)* | (5,567) | (4,504) |
| Effects of | | |
| Adjustment to tax in respect of previous years | | 6 |
| Expenses not deductible for tax purposes/income not taxable | 430 | 474 |
| Depreciation in excess of capital allowances | 731 | 532 |
| Amortisation in excess of tax claims | 1,040 | 1,171 |
| Reversal of provisions | - | - |
| Effective change in rate on losses | - | - |
| Movement in tax losses | 3,366 | 2,423 |
| Foreign tax paid | 55 | - |
| Total current tax charge | 55 | 102 |

The Company has losses available to be offset against future profits amounting to £43 3million

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

# Notes *(continued)*

## 10 Intangible fixed assets

| | Players' registrations £000 | Goodwill £000 | Total £000 |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 August 2009 | 180,920 | 13,994 | 194,914 |
| Additions | 34,556 | - | 34,556 |
| Disposals | (42,886) | - | (42,886) |
| At 31 July 2010 | 172,590 | 13,994 | 186,584 |
| ***Amortisation*** | | | |
| At 1 August 2009 | 73,003 | - | 73,003 |
| Charged in year | 40,231 | 1,272 | 41,503 |
| On disposals | (25,658) | - | (25,658) |
| At end of year | 87,576 | 1,272 | 88,848 |
| ***Net book value*** | | | |
| **At 31 July 2010** | **85,014** | **12,722** | **97,736** |
| At 31 July 2009 | 107,917 | 13,994 | 121,911 |

# Notes *(continued)*

## 11 Tangible fixed assets

| | Land and buildings | | | | | |
|---|---|---|---|---|---|---|
| | Freehold £000 | Long leasehold £000 | Stands, fixtures, fittings & equipment £000 | Motor vehicles £000 | Assets in course of construction £000 | Total £000 |
| ***Cost*** | | | | | | |
| At 1 August 2009 | 22,430 | 3 | 51,541 | 768 | 45,515 | 120,257 |
| Additions | - | - | 3,875 | 97 | 2,850 | 6,822 |
| Disposals | - | - | (532) | (674) | - | (1,206) |
| At 31 July 2010 | 22,430 | 3 | 54,884 | 191 | 48,365 | 125,873 |
| ***Depreciation*** | | | | | | |
| At 1 August 2009 | 12,468 | - | 34,191 | 259 | - | 46,918 |
| Charge for year | 189 | - | 1,972 | 30 | - | 2,191 |
| Impairment losses | - | - | - | - | - | - |
| On disposals | - | - | (66) | (208) | - | (274) |
| At 31 July 2010 | 12,657 | - | 36,097 | 81 | - | 48,835 |
| ***Net book value*** | | | | | | |
| **At 31 July 2010** | **9,773** | **3** | **18,787** | **110** | **48,365** | **77,038** |
| At 31 July 2009 | 9,962 | 3 | 17,350 | 509 | 45,515 | 73,339 |

The net book amount of stands, fixtures, fittings and equipment includes £15,386 *(2009 £373,794)* in respect of assets held under finance leases or hire purchase contracts

Contracted capital commitments at 31 July 2010, for which no provision has been made in these financial statements, amount to £1,595,000 *(2009 £152,000)*

During the year the Company committed a further £2 9 million to the planning, design and enabling works of its new stadium project giving a total £48 4 million carried forward under the heading of assets in the course of construction At the year end the directors were confident at that time that a new stadium would be funded and completed and were fully committed to the project

Following the acquisition of the Company subsequent to the year end, the new owners are currently evaluating the best course of action with regard to the stadium Whilst this review process has not been completed at the date of signing the accounts it is highly likely there will be a significant write-off of the new stadium project costs in the financial year ending 31 July 2011

The directors continue to monitor the useful economic life of the existing stadium which they consider to be 5 years including the current year The difference between the current carrying value and the expected residual value as at 31 July 2014 will be fully provided for over this period, on a straight-line basis In the prior year the stadium was being depreciated to a residual value as at 31 July 2013

Included in the cost of tangible fixed assets is £6,781,233 *(2009 £4,268,000)* in respect of capitalised finance costs

## Notes *(continued)*

### 12 Lease commitments

Annual commitments under non-cancellable operating leases are as follows

| | **2010 Land and buildings £000** | **Other £000** | 2009 Land and Buildings £000 | Other £000 |
|---|---|---|---|---|
| Operating leases which expire | | | | |
| Within one year | - | **2** | - | 1 |
| In the second to fifth years inclusive | - | **7** | 43 | 11 |
| Over five years | **1,413** | - | 828 | - |
| | **1,413** | **9** | 871 | 12 |

### 13 Fixed asset investments

| | **Shares in group undertakings £000** |
|---|---|
| ***Cost and net book value*** | |
| **At 1 August 2009 and 31 July 2010** | **15,890** |

The investment carrying of £15 9million represents the cost of acquiring the entire share capital of Liverpoolfc tv Limited This Company is now dormant following the transfer of the trade and assets to the Company in July 2009 The net assets of Liverpoolfc tv Limited as at 31 July 2010 were £20 0million

**Other dormant companies**

| | | | |
|---|---|---|---|
| LFC Properties Ltd | LFC Television Ltd | LFC Financial Services Ltd | Liverpool Ltd |
| LFC Leisure Ltd | LFC TV Ltd | LFC Travel Ltd | Liverpool FC Ltd |
| LFC Services Ltd | LFC Ltd | Liverpool Football Club Ltd | Anfield Arena Ltd |

**Joint venture**

The Company owns 50% of the shares of Stanley Park Limited The remaining 50% is held by Liverpool City Council Stanley Park Limited did not trade during the year

### 14 Stocks

| | **2010 £000** | 2009 £000 |
|---|---|---|
| Goods for resale | **10,824** | 3,882 |

## Notes *(continued)*

### 15 Debtors

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Trade debtors | **22,153** | 23,980 |
| Other debtors | **884** | 591 |
| Prepayments and accrued income | **8,203** | 3,906 |
| | **31,240** | 28,477 |

Debtors include trade debtors of £7 2million *(2009 £1 9million)* due after more than one year

### 16 Creditors

| **Amounts falling due within one year** | 2010 £000 | 2009 £000 |
|---|---|---|
| Bank loans and overdrafts | **37,748** | 36,525 |
| Trade creditors | **26,556** | 35,504 |
| Amounts owed to group undertakings | **104,557** | 100,757 |
| Other taxation and social security | **13,839** | 13,889 |
| Net obligations under finance lease and hire purchase contracts | **15** | 132 |
| Other creditors | **637** | 400 |
| Accruals | **11,026** | 10,855 |
| Deferred credits (note 18) | **332** | 232 |
| Deferred income | **31,955** | 28,212 |
| | **226,665** | 226,506 |

When the bank loans were arranged (25 January 2008) and subsequently refinanced there were finance costs which, under FRS4, Capital Instruments, are capitalised and amortised to the profit and loss account over the term of the finance to which they relate During the year £1 3million (*2009 £2 9million*) of costs were amortised to the profit and loss account

Bank loans due within one year are stated net of issue costs of £nil *(2009 £1 2million)*

Included within amounts owed to group undertakings and joint venture is an amount of £104 6million *(2009 £100 8million)* due to Kop Football Limited which was payable on demand However within the terms of the loan agreement Kop Football Limited could not demand repayment if to do so would cause the Company to become insolvent

On 15 October 2010 this intercompany loan balance was sold by Kop Football Limited to UKSV Holdings Company Limited ("UKSV") UKSV immediately released the Club from all of its obligations and liabilities under this agreement The intercompany creditor has therefore been eliminated from this date with a credit being made to reserves

Finance leases and hire purchase creditors are secured on the assets concerned

## Notes *(continued)*

### 16 Creditors *(continued)*

| Amounts falling due after more than one year | 2010 £000 | 2009 £000 |
|---|---|---|
| Trade creditors | **5,167** | 7,660 |
| Amounts owed to group undertakings | **20,001** | 20,001 |
| Net obligations under finance lease and hire purchase contracts | **-** | 15 |
| Other creditors and accruals | **1,548** | 1,738 |
| Accruals | **2,764** | - |
| Deferred credits (note 18) | **1,407** | 697 |
| | **30,887** | 30,111 |

The bank loans and overdrafts are repayable as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Bank loans | **37,748** | 37,471 |
| *Less* issue costs | **-** | (1,226) |
| | **37,748** | 36 245 |
| Overdrafts | **-** | 280 |
| Within one year or less on demand | **37,748** | 36,525 |

The maturity of obligations under finance leases and hire purchase contracts is as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Within one year | **15** | 132 |
| In the second to fifth years | **-** | 15 |
| | **15** | 147 |
| *Less* future finance charges | | |

The credit facilities in place at the year end with RBS were part of a combined facility with Kop Football Limited ("Kop") This provided for £97million of availability to the Company for working capital and new stadium development This facility was secured on the Company's assets

The credit facility was due for repayment on 24 January 2010 and after several short term amendments extending the facilities until April 2010, the Company facilities were extended until 31 May 2011

As a result of the change in ownership on 15 October 2010, RBS then entered into a new agreement with UKSV Holdings Company Limited to provide the Company with £92million of facilities for working capital and new stadium development

Trade creditors falling due after more than one year relate to contractual payments due on the acquisition of players' registrations

# Notes *(continued)*

## 17 Provisions for liabilities

**Deferred tax**

| | 2010 £000 | 2009 £000 |
|---|---|---|
| This comprises deferred taxation attributable to | | |
| Accelerated capital allowances | **71** | 813 |
| Other timing differences | **(1,319)** | (763) |
| Roll over claims in intangible fixed assets | **5,753** | 2,453 |
| | **4,505** | 2,503 |
| *Less* losses available | **(4,505)** | (2,503) |
| | **-** | - |

The movements in deferred tax balances during the year were as follows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| At beginning of year | **-** | 2,153 |
| Credit to profit and loss account | **-** | (2,153) |
| **At end of year** | **-** | - |

The Company has tax losses to carry forward of £43 3million A deferred tax asset of £7 6million has not been recognised as the directors do not believe that suitable taxable profits in future periods are sufficiently certain in order to recognise an asset

## 18 Deferred credits

| | 2010 £000 | 2009 £000 |
|---|---|---|
| At beginning of year | **929** | 1,161 |
| Received during the year | **1,027** | - |
| Credited to profit and loss account | **(217)** | (232) |
| **At end of year** | **1,739** | 929 |

## Notes *(continued)*

### 19 Contingent liabilities and assets

Additional transfer fees payable of £10,388,122 (*2009 £13,677,872*) will arise if certain conditions in transfer contracts at 31 July 2010 are fulfilled In accordance with the Company's accounting policy for transfer fees any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the condition is fulfilled Since the year end £430,000 of contingent liabilities have crystallised

Under the terms of certain contracts for the sale of players' registrations, future amounts may be received by the Club As at 31 July 2010 the maximum amount that could be received is £4,704,620 *(2009 £6,057,298)* Since the year end £302,311 of contingent assets have crystallised

### 20 Called up share capital

| | **2010** | 2009 |
|---|---|---|
| | **£** | £ |
| ***Authorised*** | | |
| 50,000 Ordinary shares of £5 each | **250,000** | 250,000 |
| ***Allotted, called up and fully paid*** | | |
| 34,823 Ordinary shares of £5 each | **174,115** | 174,115 |

### 21 Reserves

| | **Share Premium account £000** | **Profit and loss account £000** |
|---|---|---|
| The movement on reserves during the year was as follows | | |
| At 31 July 2009 | 32,882 | (19,017) |
| Loss for the year | - | (19,935) |
| **At 31 July 2010** | **32,882** | **(38,952)** |

### 22 Shareholders' funds

| | **2010** | 2009 |
|---|---|---|
| | **£000** | £000 |
| The reconciliation of movements in shareholders' funds was as follows | | |
| Loss for the year | **(19,935)** | (14,033) |
| Opening shareholders' funds | **14,039** | 28,072 |
| **Closing shareholders' funds** | **(5,896)** | 14,039 |

## Notes *(continued)*

### 23 Gross cash flows

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Returns on investment and servicing of finance** | | |
| Interest received | **73** | 366 |
| Interest paid | **(2,870)** | (3,557) |
| Interest element of finance leases and hire purchase contracts | **(16)** | (42) |
| | **(2,813)** | (3,233) |
| **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | **(5,354)** | (21,473) |
| Proceeds from the sale of tangible fixed assets | **418** | 130 |
| Payments to acquire intangible fixed assets | **(46,650)** | (66,525) |
| Proceeds from sale of intangible fixed assets | **34,798** | 42,660 |
| Payments to acquire investments | **-** | (5,250) |
| | **(16,788)** | (50,458) |
| **Acquisitions and disposals** | | |
| Cash acquired on purchase of trade and assets | **-** | 5,308 |
| **Financing** | | |
| New bank loans | **280** | 13,588 |
| (Repayment of)/New intercompany debt | **(5,808)** | 11,506 |
| Costs of raising finance | **(5,930)** | (1,753) |
| Capital element of finance leases and hire purchase contracts | **(132)** | (323) |
| | **(11,590)** | 23,018 |

## Notes *(continued)*

### 24 Analysis of net debt

| | At 1 August 2009 £000 | Cash flow £000 | Finance cost capitalisation £000 | Amortisation of finance costs £000 | Non cash flows £000 | At 31 July 2010 £000 |
|---|---|---|---|---|---|---|
| Cash in hand, at bank | 27,157 | (8,229) | - | - | - | **18,928** |
| Overdrafts | (280) | 280 | - | - | - | - |
| | 26,877 | (7,949) | - | - | - | **18,928** |
| Debt due after one year | (36,245) | (280) | 5,930 | (7,153) | - | **(37,748)** |
| Debt due within one year | - | - | - | - | - | - |
| | (36,245) | (280) | 5,930 | (7,153) | - | - |
| Intercompany debt | (100,757) | 5,808 | - | - | (9,608) | **(104,557)** |
| Finance leases | (147) | 132 | - | - | - | **(15)** |
| **Total** | (110,272) | (2,289) | 5,930 | (7,153) | (9,608) | **(123,392)** |

### 25 Pensions

**Defined contribution schemes**

Assets of defined contribution pension schemes are held separately from those of the Company and are separately administered Total contributions charged to the profit and loss account during the year amounted to £449,000 *(2009 £486,000)*

**Defined benefit scheme**

The Company has been advised only of its share of the deficit arising on the defined benefit section of The Football League Ltd Pension and Life Assurance Scheme (the "Scheme") following its suspension on 31 August 1999 The latest actuarial valuation of the Scheme was on 31 August 2008 which revealed an increased deficit The Scheme's Trustees have stated that the contribution required from the Company to make good this deficit was £1,924,623 at 31 July 2009 The creditor in the accounts was increased accordingly The revised deficit is payable over a period of 10 years, which commenced in September 2009 The liability is accrued within other creditors

A summary of the movements is shown below

| | **2010 £000** | 2009 £000 |
|---|---|---|
| Creditor at 1 August 2009 | **1,925** | 1,256 |
| Payments in year | **(186)** | (122) |
| Increase in creditor | - | 791 |
| | **1,739** | 1,925 |

## Notes *(contınued)*

### 26 Ultımate parent Company and parent undertakıng of larger group of whıch the Company ıs a member

At the year end the Company was a subsıdıary undertakıng of Kop Investment LLC whıch ıs the ultımate parent Company ıncorporated ın the Unıted States of Amerıca The ultımate controllıng partıes of Kop Investment LLC are George N Gıllett Jnr and Thomas O Hıcks

The largest group ın whıch the results of the Company are consolıdated ıs that headed by Kop Football (Holdıngs) Lımıted ıncorporated ın the Unıted Kıngdom No other group financıal statements ınclude the results of the Company

The consolıdated financıal statements of Kop Football (Holdıngs) Lımıted are avaılable to the publıc and may be obtaıned from the Regıstrar of Companıes, Companıes House, Crown Way, Cardıff, CF14 3UZ

On 15 October 2010, the Company became a subsıdıary undertakıng of N E S V I LLC (*subsequently known as Fenway Sports Group*) whıch ıs the ultımate parent Company ıncorporated ın the Unıted States of Amerıca The largest group ın whıch the results of the Company wıll be consolıdated wıll be UKSV Holdıng Company Lımıted whıch ıs ıncorporated ın the Unıted Kıngdom The first set of consolıdated accounts for the new UK group wıll be for the perıod endıng 31 July 2011

### 27 Post balance sheet events

On 15 October 2010 Kop Football Lımıted sold 100% of the shares ın the Company to Fenway Sports Group vıa the UK holdıng company set up for thıs purpose – UKSV Holdıngs Company Lımıted UKSV also acquıred the ıntercompany loan debtor from Kop Football Lımıted on the same day and ımmedıately released the Company from all of ıts oblıgatıons and lıabılıtıes owed to ıt The ıntercompany debt has therefore been elımınated from thıs date wıth a credıt beıng made to reserves

As a result of the change ın ownershıp, RBS entered ınto a new agreement wıth USKV to provıde the Company wıth £92mıllıon of facılıtıes These facılıtıes comprıse a workıng capıtal revolver of £20mıllıon, a stadıum term debt facılıty of £47mıllıon and a letters of credıt facılıty of £25mıllıon In addıtıon, the Company has been extınguıshed of ıts lıabılıty ın respect of £3 3mıllıon of finance costs recognısed ın the year ended 31 July 2010

Followıng the acquısıtıon of the Company subsequent to the year end, the new owners are currently evaluatıng the best course of actıon wıth regard to the stadıum Whılst thıs revıew process has not been completed at the date of sıgnıng the accounts ıt ıs hıghly lıkely there wıll be a sıgnıficant wrıte-off of the new stadıum project costs ın the financıal year endıng 31 July 2011

There have been acquısıtıons to the playıng staff sınce the year end for total transfer fees of £76 2mıllıon In addıtıon, the Club has sold playıng staff for total guaranteed fees of £76 1mıllıon There was also a change ın coachıng staff ın January 2011 wıth Kenny Dalglısh takıng over from Roy Hodgson as Team manager The cumulatıve effect on the profit and loss account ın relatıon to the gaıns on sales of players and compensatıon payments made to coachıng staff ıs a £46 5mıllıon profit