The Liverpool Football Club and Athletic Grounds Limited

Directors' report and financial statements

Registered number 00035668

For the period from 1 August 2011 to 31 May 2012

Contents

Directors' report

The directors present their directors' report and financial statements of The Liverpool Football Club and Athletic Grounds Limited ("the Club" or "Company") for the period ended 31 May 2012.

The reporting period end has been changed from 31 July to 31 May to align with the football season.

The directors have prepared the financial statements using the going concern assumption, the basis of which is more fully set out in note 1.

Review of the business

The principal activities of the Company continued to be those of a professional football club and related activities.

Profit and Loss

Turnover for the 10 months ended 31 May 2012 was £169 million *(year ended 31 July 2011 £183.6 million)*

Media revenue for the 10 months ended 31 May 2012 was £62.8 million *(year ended 31 July 2011 £65.3 million)*. The decrease resulted from the loss of European revenue offset by an increase in domestic cup revenue. There is no impact on total media revenue within the reporting 10 months by having a shorter reporting period.

Match day revenue for the 10 months ended 31 May 2012 was £42.3 million *(year ended 31 July 2011 £40.9 million)*.The loss of European match day revenue has been offset by an increase in domestic cup and season ticket revenue. There is no impact on total matchday revenue within the reporting 10 months by having a shorter reporting period.

Commercial revenue for the 10 months ended 31 May 2012 was £63.9 million *(year ended 31 July 2011 £77.4 million)*. The decrease is as a result of a 10 month period in 2012 compared to a full year in 2011.

Administrative expenses before exceptional costs for the 10 months ended 31 May 2012 was £176.5 million *(year ended 31 July 2011 £193.1 million)*. Again, the main reason for the decrease is that 2012 is only a 10 month period.

Also included in administrative expenses is an exceptional amount of £10.4 million (*2011: £59.0million*). This includes £9.6 million in relation to restructuring costs (including the costs of the changes in coaching staff).

The loss on the disposal of player registrations for the 10 months ended 31 May 2012 is £1.7 million (*year ended 31 July 2011 £43.3 million profit)*

Interest payable for the 10 months ended 31 May 2012 was £3.7 million (*year ended 31 July 2011 £3.1 million)*

The loss before taxation for the 10 months ended 31 May 2012 was £40.5 million (*year ended 31 July 2011 £49.3 million)*

Directors' report *(continued)*

Balance Sheet

Intangible fixed assets have decreased from £160.2 million at 31 July 2011 to £120.9 million at 31 May 2012. The main element of this is the player registration movement from a net book value of £148.8 million at 31 July 2011 to £110.5 million at 31 May 2012. This is as a result of player acquisitions of £18.9 million offset by the net book value of disposals of £14.4 million and amortisation and impairment of £42.7 million

The remaining decrease in intangible assets of £1.1 million is in relation to the amortisation of goodwill recognised on the previous acquisition of the business and assets of the Company's 100% subsidiary – Liverpoolfc.TV Limited.

Tangible fixed assets have decreased from £28.7million at 31 July 2011 to £28.5 million at 31 May 2012.

Net debt has increased from £65.4million at 31 July 2011 to £87.2 million at 31 May 2012.This is due to a £29.8 million increase in net bank debt less a £8m decrease in intercompany debt. As described in note 28 post balance sheet events - on 3 August 2012, UKSV Holdings Company Limited injected £46.8 million in to the company via a non interest bearing intercompany loan. This was used to fully repay the £37.8 million outstanding amount on the stadium loan facility with the remaining £9 million being used to repay part of the revolving credit facility. The £120 million total facility is now available for general corporate purposes.

On the football pitch the Club won the Carling Cup, reached the FA Cup final and finished eighth in the Premier League.

There were also significant changes to the coaching staff during the financial period.

Results and dividend

The profit and loss account on page 9 shows a loss before taxation for the period of £40.5 million (*2011: loss of £49.3million*). The directors do not recommend the payment of a dividend.

Strategy

The four key elements of the Company's strategy are to:

- Improve football performance through a positive playing style and strategic player investment;
- Improve the scouting and player recruitment process;
- Improve the fan experience and interaction with the Club; and
- Leverage the Club's global following to deliver revenue growth.

Key performance indicators

The principal key performance indicators for 2012 were as follows:

Non-financial

- Performance against target of continued qualification for the Champions League
- Attendance versus capacity
- Performance of all squads

Football success is a key driver of commercial success.

Directors' report *(continued)*

Financial

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

Future developments

On 15 October 2012, the Company announced that its current preference is to redevelop the Anfield stadium, and assist in improving the local infrastructure as part of a council led regeneration program.

The Company will also continue with the many new initiatives to build on the growth already achieved in its commercial business, in particular aiming to grow its international retail, media and partnership activities.

Principal risks and uncertainties

The Board acknowledges there are risks that affect the Company 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's commercial revenue continues and the Board is mindful that continued success on the field is paramount to this development. Regular meetings are held internally at the Company 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**
  Interest rate exposure is reviewed regularly by the Finance Director and hedging arrangements entered into where appropriate.

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 Company is responsible to the needs of the employees and the environment.

Directors

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

J Henry
T Werner
M Gordon
D Ginsberg
J Vinik
I Ayre
P Nash

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

Political and charitable contributions

The Company made charitable donations of £31,000 during the period *(2011: £80,000)*. No political donations were made in the current or prior year.

The Company also operates a fully funded community department at a cost of £578,000 in the period (2011: £623,000) that is actively involved with projects in the local area.

Directors' report *(continued)*

Post balance sheet events

Since the end of the financial period, the Club has contracted for the purchase and sale of various players and extended some existing player contracts. The net amount payable resulting from this activity is £38.7 million. This activity will be accounted for in the year ending 31 May 2013. The cumulative effect on the profit and loss account since the period end in relation to the gains on sales of players is a £8.4 million loss.

On 3 August 2012, UKSV Holdings Company Limited injected £46.8 million in to the Company via a non interest bearing intercompany loan. This was used to fully repay the £37.8 million outstanding amount on the stadium loan facility with the remaining £9m being used to repay part of the revolving credit facility. The £120 million total facility is now available for general corporate purposes.

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Ian Ayre
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

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of The Liverpool Football Club and Athletic Grounds Limited for the period ended 31 May 2012

We have audited the financial statements of The Liverpool Football Club and Athletic Grounds Limited for the period ended 31 May 2012 set out on pages 9 to 29. 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 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, 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/apb/scope/private.cfm

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 May 2012 and of its loss for the period 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 The Liverpool Football Club and Athletic Grounds Limited for the period ended 31 May 2012 *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

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.

28 November 2012

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

Profit and Loss Account

for the period from 1 August 2011 to 31 May 2012

	Note	Operations excluding player amortisation and trading £000	Player amortisation and trading £000	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Turnover	2	168,998	-	168,998	183,640
Cost of sales		(17,323)	-	(17,323)	(21,239)
Gross profit		151,675	-	151,675	162,401
Other operating income	3	40	-	40	50
Administrative expenses before exceptional costs	4	(133,828)	(42,665)	(176,493)	(193,131)
Administrative expenses – exceptional costs	5	(10,354)	-	(10,354)	(58,990)
Total administrative expenses		(144,182)	(42,665)	(186,847)	(252,121)
Operating profit / (loss)		7,533	(42,665)	(35,132)	(89,670)
(Loss) / profit on disposal of players' registrations		-	(1,721)	(1,721)	43,291
Profit / (loss) before interest and taxation		7,533	(44,386)	(36,853)	(46,379)
Other interest receivable and similar income	7			19	156
Interest payable and similar charges	8			(3,688)	(3,094)
Loss on ordinary activities before taxation				(40,522)	(49,317)
Tax on loss on ordinary activities	9			-	(91)
Loss for the financial period				(40,522)	(49,408)

All amounts relate to continuing operations.

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

The notes on pages 12 to 29 form part of the financial statements.

Balance Sheet

at 31 May 2012

	Note	31 May 2012		31 July 2011	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	*10*		**120,910**		160,210
Tangible assets	*11*		**28,508**		28,674
Investments	*13*		**15,890**		15,890
			165,308		204,774
Current assets					
Stocks	*14*	5,584		9,091	
Debtors (including £13.3m *(2011: £12.0million)* due after more than one year)	*15*	**48,574**		57,633	
Cash at bank and in hand		**4,923**		2,534	
		59,081		69,258	
Creditors: amounts falling due within one year	*16*	**(113,165)**		(185,540)	
Net current liabilities			**(54,084)**		(116,282)
Total assets less current liabilities			**111,224**		88,492
Creditors: amounts falling due after more than one year	*16*		**(105,966)**		(42,712)
Net assets			**5,258**		45,780
Capital and reserves					
Called up share capital	*20*		**174**		174
Capital reserves	*21*		**101,084**		101,084
Share premium account	*21*		**32,882**		32,882
Profit and loss account	*21*		**(128,882)**		(88,360)
Shareholders' funds			**5,258**		45,780

The notes on pages 12 to 29 form part of the financial statements.

These financial statements were approved by the board of directors on 5 November 2012 and were signed on its behalf by:

Ian Ayre
Director

Cash Flow Statement

for the period from 1 August 2011 to 31 May 2012

	Note	**For the 10 month period ended 31 May 2012 £000**	For the year ended 31 July 2011 £000
Net cash (outflow) / inflow from operating activities	*23*	**(1,090)**	4,714
Returns on investments and servicing of finance	*24*	**(3,681)**	(3,368)
Taxation		-	(91)
Capital expenditure and financial investment	*24*	**(16,478)**	(43,795)
Cash outflow		**(21,249)**	(42,540)
Financing	*24*	**23,638**	26,146
Increase / (decrease) in cash in the period		**2,389**	(16,394)

The notes on pages 12 to 29 form part of the financial statements.

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

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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 UKSV Holdings Company 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 UKSV Holdings Company Limited, within which this Company is included, can be obtained from the address given in note 27.

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. This 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. The goodwill recognised in the Company's balance sheet is in relation to the transfer of the trade and assets of Liverpoolfc.TV Limited in July 2009 (see note 13).

Notes *(continued)*

1 Accounting policies *(continued)*

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. 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.

Impairment of fixed assets

The carrying amounts of the company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit/loss for the period 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".

Pensions

The Company operates its own defined contribution scheme which is managed by Aviva. 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 amounts received on sales of season tickets, sponsorship income and hospitality income. These amounts are released to the profit and loss account over the period to 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.

Other operating income

Other operating income includes rent received from residential properties.

Notes *(continued)*

2 Analysis of turnover

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
By activity		
Media	**62,774**	65,334
Matchday	**42,327**	40,888
Commercial	**63,897**	77,418
	168,998	183,640

By geographical market
Turnover, all of which originates in the United Kingdom, can be analysed by destination as follows:

United Kingdom	**164,293**	**176,863**
Rest of World	**4,705**	**6,777**
	168,998	**183,640**

3 Other operating income

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Other operating income comprises:		
Rent receivable	**40**	50

Notes *(continued)*

4 Administrative expenses – before exceptional costs

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Operations excluding player amortisation and trading:		
Depreciation of tangible fixed assets:		
- Owned by the Company	**2,518**	2,917
- Held under finance leases and hire purchase contracts	**-**	12
Loss on disposal of tangible fixed assets	**9**	91
Amortisation of goodwill	**1,060**	1,272
Staff costs	**109,231**	128,863
Grants released	**(242)**	(323)
Other operating charges	**19,197**	22,237
Operating lease rentals – land and buildings	**1,479**	1,355
Operating lease rentals – other	**481**	323
Auditors' remuneration	**95**	110
	133,828	156,857
Player amortisation and trading:		
Amortisation of players' registrations	**33,759**	36,274
Impairment of players' registrations	**8,906**	-
	176,493	193,131

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 UKSV Holdings Company Limited.

5 Administrative expenses – exceptional costs

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Termination payments and associated costs	**9,579**	8,389
New stadium impairment charge	**-**	49,226
Stadium development costs	**-**	393
Legal and professional fees	**775**	982
	10,354	58,990

These costs comprise:

- Amounts payable to former employees and other costs in relation to general restructuring (including the change in coaching staff);
- Stadium development costs; and
- Legal and professional fees incurred by the Company in respect of the purchase of the Company by UKSV Holdings Company Limited.

Notes *(continued)*

6 Directors and employees

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
The directors of the Company received the following remuneration:		
Emoluments (excluding pension contributions)	967	1,570
Aggregate payments to defined contribution schemes	36	37
Compensation for loss of office	-	500
Highest paid director's remuneration:		
Emoluments	642	700
Company pension contributions	15	13
	657	713

At 31 May 2012, no director had retirement benefits accruing under defined benefit pension schemes *(2011: nil).*

	For the 10 month period ended 31 May 2012 Number	For the year ended 31 July 2011 Number
During the period, the average number of full-time employees (including directors) was as follows:		
Players, managers and coaches	135	142
Ground and maintenance staff	61	57
Administration, commercial and other	358	336
	554	535

Full-time employees are those employed for more than 20 hours per week. In addition, the Company employed on match days on average 909 part-time employees *(2011: 811)*. The Company also employs an additional 72 part-time scouts and coaches *(2011: 71)*.

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Aggregate amounts for both staff and directors charged in respect of:		
Wages and salaries	103,483	120,335
Social security costs	12,384	13,857
Pension costs	2,804	576
	118,671	134,768

Notes *(continued)*

7 Other interest receivable and similar income

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Bank interest	**19**	36
Other interest	**-**	120
	19	156

8 Interest payable and similar charges

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
On bank loan and overdrafts	**2,778**	2,446
Finance charges under finance leases and hire purchase contracts	**-**	2
Payable to previous group undertakings – Kop Football Limited	**-**	2,109
Other	**87**	119
Other finance costs	**823**	(1,582)
	3,688	3,094

Included within interest on bank loans and overdrafts are amortised finance costs of £0.8million *(2011: £1.3million)* which are being amortised in accordance with FRS 4 "Capital Instruments".

Other finance costs include the costs incurred in relation to short term extensions to the Company facilities.

Notes *(continued)*

9 Taxation

Analysis of charge in the period

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Current tax		
Foreign tax	-	91
Total current tax	-	91
Deferred tax (see note 17)		
Origination and reversal of timing differences	-	-
Tax charge on loss on ordinary activities	-	91

The tax assessed for the period differs from the loss for the period multiplied by the standard rate of corporation tax in the UK of 25.6% *(2011: 27.3%)*. The differences are explained below:

Loss on ordinary activities before taxation	**(40,522)**	(49,317)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 25.6% *(2010: 27.3%)*	**(10,374)**	(13,464)
Effects of:		
Other timing differences	**(85)**	(4,209)
Expenses not deductible for tax purposes/income not taxable	**950**	12,116
Capital Allowances in excess of depreciation	**(149)**	300
Amortisation in excess of tax claims	-	-
Movement in tax losses	**9,658**	5,348
Foreign tax paid	-	-
Total current tax charge	-	91

The Company has losses available to be offset against future profits amounting to £99.4m *(2011 £51.3million)*.

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly.

Notes *(continued)*

10 Intangible fixed assets

	Players' registrations £000	Goodwill £000	Total £000
Cost			
At 1 August 2011	229,819	13,994	243,813
Additions	18,871	-	18,871
Disposals	(25,844)	-	(25,844)
At 31 May 2012	**222,846**	**13,994**	**236,840**
Amortisation			
At 1 August 2011	81,059	2,544	83,603
Charged in period	33,759	1,060	34,819
Impairment provision	8,906	-	8,906
Eliminated on disposals	(11,398)	-	(11,398)
At 31 May 2012	**112,326**	**3,604**	**115,930**
Net book value			
At 31 May 2012	**110,520**	**10,390**	**120,910**
At 31 July 2011	148,760	11,450	160,210

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 2011	22,430	3	57,613	191	49,226	129,463
Additions	-	-	2,361	-	-	2,361
Disposals	-	-	(26)	-	-	(26)
At 31 May 2012	**22,430**	**3**	**59,948**	**191**	**49,226**	**131,798**
Depreciation						
At 1 August 2011	12,845	-	38,607	111	49,226	100,789
Charge for period	157	-	2,336	25	-	2,518
Eliminated on disposals	-	-	(17)	-	-	(17)
At 31 May 2012	**13,002**	-	**40,926**	**136**	**49,226**	**103,290**
Net book value						
At 31 May 2012	**9,428**	**3**	**19,022**	**55**	-	**28,508**
At 31 July 2011	9,585	3	19,006	80	-	28,674

Contracted capital commitments at 31 May 2012, for which no provision has been made in these financial statements, amount to £Nil *(31 July 2011: £1.6 million).*

Notes *(continued)*

12 Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2012 Land and buildings £000	Other £000	2011 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	2
In the second to fifth years inclusive	90	-	-	-
Over five years	1,659	-	1,595	-
	1,749	-	1,595	2

13 Fixed asset investments

	Shares in group undertakings £000
Cost and net book value	
At 1 August 2011 and 31 May 2012	**15,890**

The investment carrying value 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 May 2012 were £20.0million.

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 period. Stanley Park Limited has a year end of 31 March 2012.

14 Stocks

	2012 £000	2011 £000
Goods for resale	**5,584**	9,091

15 Debtors

	2012 £000	2011 £000
Trade debtors	**35,054**	51,746
Other debtors	**26**	661
Prepayments and accrued income	**13,494**	5,226
	48,574	57,633

Debtors include trade debtors of £13.3m *(31 July 2011: £12.0million)* due after more than one year.

Notes *(continued)*

16 Creditors

Amounts falling due within one year	2012 £000	2011 £000
Bank loans and overdrafts	-	37,748
Trade creditors	35,340	51,152
Amounts owed to current group undertakings – UKSV Holdings Company Limited	22,200	30,200
Other taxation and social security	10,435	12,786
Other creditors	2,003	1,893
Accruals	33,477	14,654
Deferred credits (note 18)	290	290
Deferred income	9,420	36,817
	113,165	185,540

The £22.2million due to group undertakings at 31 May 2012 represented a £22.2million intercompany creditor with the Club's UK holding company, UKSV Holdings Company Limited. This loan is non-interest bearing.

Notes *(continued)*

16 Creditors *(continued)*

	2012	2011
Amounts falling due after more than one year	**£000**	£000
Bank loan	**69,893**	-
Trade creditors	**11,770**	18,799
Amounts owed to group undertakings	**20,001**	20,001
Other creditors	**3,369**	1,356
Accruals	**-**	1,382
Deferred credits (note 18)	**933**	1,174
	105,966	42,712

The bank loans and overdrafts are repayable as follows:

	2012	2011
	£000	£000
Bank loans	**72,747**	37,748
Less: deferred loan costs	**(2,854)**	-
	69,893	37,748
Within one year or less	**-**	37,748
In the second to fifth years	**69,893**	-

On 30 September 2011, the Company and its holding company, UKSV Holdings Company Limited, refinanced its credit facilities with three banks – The Royal Bank of Scotland plc, Bank of America and Barclays Bank plc. This provided £120m of facilities for a term of three years - £45million in relation to the existing stadium project facility and £75million available for general corporate purposes including working capital and letters of credit.

On 3 August 2012, UKSV Holdings Company Limited injected £46.8 million in to the company via a non interest bearing intercompany loan. This was used to fully repay the £37.8 million outstanding amount on the stadium loan facility with the remaining £9m being used to repay part of the revolving credit facility. The £120 million total facility is now available for general corporate purposes.

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

Amounts due to group undertakings of £20 million represent the amount due to the Company's subsidiary – Liverpoolfc.TV Limited.

Notes *(continued)*

17 Provisions for liabilities

Deferred tax

	2012 £000	2011 £000
This comprises deferred taxation attributable to:		
Accelerated capital allowances	**10**	(137)
Other timing differences	**(2,048)**	(1,306)
Roll over claims in intangible fixed assets	**9,397**	6,146
	7,359	4,703
Less: losses available	**(7,359)**	(4,703)
	-	-

The movements in deferred tax balances during the period were as follows:

	2012 £000	2011 £000
At beginning of period	**-**	-
Prior year adjustment	**-**	(66)
Current period movement	**-**	66
At end of period	**-**	-

The Company has tax losses to carry forward of £99.4million *(2011: £51.3million).* A deferred tax asset of £16.5 million *(2011: £8.1million)* 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

	2012 £000	2011 £000
At beginning of period	**1,464**	1,739
Received during the period	**-**	48
Credited to profit and loss account	**(242)**	(323)
At end of period	**1,222**	1,464

Notes *(continued)*

19 Contingent liabilities and assets

Additional transfer fees payable of £16.3 million *(31 July 2011: £20.1 million)* will arise if certain conditions in transfer contracts at 31 May 2012 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 period end £0.4 million 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 May 2012 the maximum amount that could be received is £5.1 million *(31 July 2011: £6.3 million).* Since the period end none of the contingent assets have crystallised.

20 Called up share capital

	2012 £	2011 £
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

	Capital reserves £000	Share premium account £000	Profit and loss account £000
The movement on reserves during the period was as follows:			
At 31 July 2011	101,084	32,882	(88,360)
Loss for the period	-	-	(40,522)
At 31 May 2012	**101,084**	**32,882**	**(128,882)**

22 Shareholders' funds

	2012 £000	2011 £000
The reconciliation of movements in shareholders' funds was as follows:		
Loss for the period	(40,522)	(49,408)
Capital contribution introduced in the period	-	101,084
Opening shareholders' funds / (deficit)	45,780	(5,896)
Closing shareholders' funds	5,258	45,780

Notes *(continued)*

23 Net cashflow from operating activities

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Operating loss	**(35,132)**	(89,670)
Stadium impairment charge	-	49,226
Depreciation charges	**2,518**	2,929
Transfer of deferred credits (note 18)	**(242)**	(323)
Loss on disposal of tangible fixed assets	**9**	91
Amortisation and impairment of players' registrations	**42,665**	36,274
Amortisation of goodwill	**1,060**	1,272
Decrease in stocks	**3,507**	1,733
Increase in debtors	**(7,480)**	(146)
(Decrease)/ Increase in creditors	**(7,995)**	3,328
Net cash (outflow)/inflow from operating activities	**(1,090)**	4,714

24 Gross cash flows

	For the 10 month period ended 31 May 2012 £000	For the year ended 31 July 2011 £000
Returns on investment and servicing of finance		
Grants received	-	48
Interest received	**19**	156
Interest paid	**(3,700)**	(3,570)
Interest element of finance leases and hire purchase contracts	-	(2)
	(3,681)	(3,368)
Capital expenditure		
Payments to acquire tangible fixed assets	**(2,301)**	(3,439)
Payments to acquire intangible fixed assets – player registrations	**(44,827)**	(89,190)
Proceeds from sale of intangible fixed assets – player registrations	**30,650**	48,834
	(16,478)	(43,795)
Financing		
New bank loans	**40,400**	-
New intercompany debt	-	30,200
Costs of raising finance	**(3,362)**	-
Repayment of bank loans	**(5,400)**	-
Repayment of intercompany debt	**(8,000)**	(4,039)
Capital element of finance leases and hire purchase contracts	-	(15)
	23,638	26,146

Notes *(continued)*

25 Analysis of changes in net debt

	At 1 August 2011 £000	Cash flow £000	Other non-cash changes £000	At 31 May 2012 £000
Cash at bank and in hand	2,534	2,389	-	**4,923**
Overdrafts	-	-	-	**-**
	2,534	2,389		**4,923**
Debt due after one year	-	(32,145)	(37,748)	**(69,893)**
Debt due within one year	(37,748)	-	37,748	**-**
Intercompany debt – UKSV Holdings Company Limited	(30,200)	8,000	-	**(22,200)**
Net debt	(65,414)	(21,756)	-	**(87,170)**

Reconciliation of net cash flow to movement in net debt

	2012 £000	2011 £000
Increase / (decrease) in cash in the period	**2,389**	(16,394)
Cash inflow from increase borrowings – bank loans	**(32,145)**	-
Cash inflow from increase borrowings – UKSV Holdings Company Limited	**-**	(30,200)
Cash outflow from decrease borrowings – UKSV Holdings Company Limited	**8,000**	-
Cash outflow from decrease borrowings – Kop Football Limited	**-**	4,039
Repayment of finance lease and hire purchase contracts	**-**	15
Change in net debt resulting from cash flows	**(21,756)**	(42,540)
Waiver of intercompany debt	**-**	100,518
Movement in net debt in the period	**(21,756)**	57,978
Net debt at 31 July 2011	**(65,414)**	(123,392)
Net debt at 31 May 2012	**(87,170)**	(65,414)

Notes *(continued)*

26 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 period amounted to £0.5 million *(2011: £0.6 million)*. As at 31 May 2012 £0.1 million *(2011: £0.1 million)* of pension contributions were included in accruals.

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 2011 which revealed an increased deficit. The Scheme's Trustees have stated that the contribution required from the Company to make good this deficit was £3.7million. The creditor in the accounts was increased accordingly. The revised deficit is payable over a period of 10 years, which commenced in September 2012. The liability is accrued within other creditors.

A summary of the movements is shown below:

	2012	2011
	£000	£000
Provision at 1 August 2011	**1,548**	1,739
Payments in period	**(160)**	(191)
Increase in provision	**2,344**	-
Provision at 31 May 2012	**3,732**	1,548

27 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent company is N.E.S.V. I, LLC (also known as Fenway Sports Group) which is incorporated in the United States of America.

The largest group in which the results of the Company are consolidated is that headed by N.E.S.V. I, LLC (also known as Fenway Sports Group). The smallest group in which the results of the Company are consolidated is that headed by UKSV Holdings Company Limited, incorporated in the United Kingdom.

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

28 Post balance sheet events

Since the end of the financial period, the Club has contracted for the purchase and sale of various players and extended some existing player contracts. The net amount payable resulting from this activity is £38.7 million. This activity will be accounted for in the year ending 31 May 2013. The cumulative effect on the profit and loss account since the period end in relation to the gains on sales of players is a £8.4 million loss

On 3 August 2012, UKSV Holdings Company Limited injected £46.8 million in to the company via a non interest bearing intercompany loan. This was used to fully repay the £37.8 million outstanding amount on the stadium loan facility with the remaining £9m being used to repay part of the revolving credit facility. The £120 million total facility is now available for general corporate purposes.