Registered Number 00035668

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2009

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED

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THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED

DIRECTORS' REPORT

The directors present their directors' report and financial statements of The Liverpool Football Club and Athletic Grounds Limited ("the Club") for the year ended 31 July 2009

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

Results and dividend
The profit and loss account on page 7 shows a loss before taxation for the year of £16 1million *(2008 profit £10 2million)* The directors do not recommend the payment of a dividend

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 increased to £177 3million from £159 1million in 2008 A large part of the increase is due to the higher broadcasting income as a result of the Club challenging for the Premier League title at the end of the 08/09 season This increased revenue from both televised games and final league position Turnover has also increased for retail & mail order, sponsorship, royalties and perimeter advertising as well as pre season income as a result of the Far East tour

These improvements are offset by an increase in administrative expenses before exceptional items of £16 4million The major elements of this being the increase in player salary costs, player amortisation and administration overheads

Also included in administrative expenses is an exceptional amount of £4 3million in relation to the costs of restructuring at the Academy and senior management changes The amount includes amounts payable to former employees

The profit on the disposal of player registrations has shown a decrease from £21 6million in 2008 to £4 1million in 2009 The 2008 profit included the profit on the sale of Sissoko, Carson, Riise, Guthrie and Crouch The 2009 profit included the profit on the sale of Leto and Arbeloa, offset by a loss on Keane

Interest payable has shown a £3 4million increase over the 2008 figure This is mainly as a result of higher intercompany interest due to Kop Football Limited as a result of further finance provided to the Company

The impact of the above has resulted in the change from a profit before taxation of £10 2million in 2008 to a loss before taxation of £16 1million in 2009

DIRECTORS' REPORT *(continued)*

Balance Sheet
Intangibles have decreased from £129 7million in 2008 to £121 9million in 2009 The main element of this is the player registration movement from £129 7million in 2008 to £107 9million in 2009 This is as a result of player acquisitions of £38 8million offset by the net book value of disposals of £21 9million and amortisation of £38 7million Acquisitions accounted for in the financial year include Riera and Johnson as well as further contingent payments on existing players and agent fees on contract renegotiations

The remaining increase in intangible assets of £14m is in relation to the goodwill recognised on the acquisition of the business and assets of the Company's 100% subsidiary – Liverpoolfc TV Limited This transaction was completed on the 31st July 2009

Tangible fixed assets have increased from £50 5million to £73 3million The increase of £22 8million is mainly as a result of the ongoing investment in the design of the new stadium project

Net current liabilities have increased by £23 8million to £167million *(2008 £143 2million)* This is mainly as a result of the additional finance provided by Kop Football Limited and the finance in place to fund the investment in the design of the new stadium

On the football pitch the Club finished second in the Premier League and lost in the quarter final of the Champions League to Chelsea

Strategy
The strategy is to deliver the plans for growth and football success The immediate elements are to continue to strengthen the football squad and to implement plans for a new stadium

Future developments
The commercial team will continue with many new initiatives to build on the success of the recent shirt sponsorship deal with Standard Chartered Bank

The Club invested a further £22 3million in the planning, design and enabling works of its new stadium in 2008/09 The directors are confident that a new stadium will be funded and completed and are fully committed to the project

Close season signings to strengthen the squad included Johnson, Aquilani and Kyrgiakos

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

The financing arrangements in place, which are described in note 16, expire on 3 March 2010 As described in note 1 active negotiations are in progress to secure new financing

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

- As noted above the current financing arrangements expire on 3 March 2010 As set out in note 1, the directors have evaluated the impact of securing new funding in adopting the going concern basis of preparation in these financial statements

DIRECTORS' REPORT *(continued)*

- **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

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

Key performance indicators
The principal key performance indicators for 2008/2009 are as follows

Non Financial

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

Football success is the key driver of commercial success

Financial

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

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' and officers' liability insurance
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

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

Political and charitable donations
The Company made charitable donations of £55,000 during the year *(2008 £52,500)* No political donations were made in the current or prior year

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

DIRECTORS' REPORT *(continued)*

Post balance sheet events

Acquisitions to the playing staff since the year end are Aquilani and Kyrgiakos for total transfer fees of £20 4million In addition, the Company has sold Alonso, Dossena and Voronin for total guaranteed fees of £29 7million These sales will result in a profit of £17 1million based on the net book value at the date of sale, on an historic cost basis

Also, the Company has secured a new shirt sponsorship deal with Standard Chartered Bank This commences in July 2010 and can generate up to £81million of income over a 4 year period

The current credit facilities in place were due for repayment on 24 January 2010 In January 2010 these facilities were extended to 3 March 2010 As described in note 1 active negotiations are in progress to secure new financing

Directors

The directors who held office in the year were

G N Gillett
F Gillett
T O Hicks
T O Hicks Jnr (resigned 11 January 2010)
D R Moores (resigned 5 June 2009)
R N Parry BSc FCA (resigned 19 June 2009)
C M C Purslow (appointed 22 June 2009)
P Nash (appointed 17 December 2009)
I Ayre (appointed 17 December 2009)
C Coffman (appointed 11 January 2010)

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

AUDITORS' REPORT

Independent auditors' report to the members of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 July 2009

We have audited the financial statements of The Liverpool Football Club and Athletic Grounds Limited for the year ended 31 July 2009 set out on pages 7 to 28 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 2, 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 2009 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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The company has credit facilities amounting to £97 million which expire on 3 March 2010 The directors of Kop Football (Holdings) Limited, the company's parent, are currently in active negotiations to secure the replacement finance required by the company, including new equity finance Until this replacement finance can be secured the company is dependent upon short term facility extensions

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern

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

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

26 February 2010

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2009

	Notes	Operations excluding player amortisation and trading £'000	Player amortisation and trading £'000	2009 £'000	2008 £'000
Turnover	2	177,324	-	177,324	159,052
Cost of sales		(19,596)	-	(19,596)	(16,523)
Gross profit		157,728	-	157,728	142,529
Other operating income	3	657	-	657	404
Administrative expenses before exceptional costs	4	(122,984)	(38,677)	(161,661)	(145,240)
Administrative expenses – exceptional costs	5	(4,332)	-	(4,332)	-
Total administrative expenses		(127,316)	(38,677)	(165,993)	(145,240)
Operating profit/(loss)		31,069	(38,677)	(7,608)	(2,307)
Profit on disposal of players' registrations		-	4,096	4,096	21,613
Profit/(loss) before interest and taxation		31,069	(34,581)	(3,512)	19,306
Interest receivable and similar income	6			366	460
Interest payable and similar charges	7			(12,938)	(9,567)
(Loss)/profit on ordinary activities before taxation				(16,084)	10,199
Tax on (loss)/profit on ordinary activities	9			2,051	(1,831)
(Loss)/profit for the financial year	21			(14,033)	8,368

All amounts relate to continuing operations

The company has no recognised gains and losses for the year other than the profit stated above

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED
BALANCE SHEET
AS AT 31 JULY 2009

	Notes	2009 £'000	2009 £'000	2008 £'000	2008 £'000
FIXED ASSETS					
Intangible assets	10		121,911		129,719
Tangible assets	11		73,339		50,520
Investments	13		15,890		15,890
			211,140		196,129
CURRENT ASSETS					
Stocks	14	3,882		4,037	
Debtors (including debtors falling due in more than one year of £1,853,606 *(2008 £7,426,327)*)	15	28,477		39,024	
Cash at bank and in hand		27,157		16,284	
		59,516		59,345	
CREDITORS					
Amounts falling due within one year	16	(226,506)		(202,501)	
NET CURRENT LIABILITIES			(166,990)		(143,156)
TOTAL ASSETS LESS CURRENT LIABILITIES			44,150		52,973
CREDITORS					
Amounts falling due after more than one year	16		(30,111)		(22,748)
PROVISIONS FOR LIABILITIES AND CHARGES	17		-		(2,153)
NET ASSETS			14,039		28,072
CAPITAL AND RESERVES					
Called up share capital	20		174		174
Share premium account	21		32,882		32,882
Profit and loss account	21		(19,017)		(4,984)
SHAREHOLDERS' FUNDS	22		14,039		28,072

These financial statements were approved by the board of directors on 25 FEBRUARY 2010 and were signed on its behalf by

Philip Nash
Director

Registered number 00035668

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2009

	Note	2009 £'000	2008 £'000
Reconciliation of operating loss to net cash inflow from operating activities			
Operating loss		**(7,608)**	(2,307)
Depreciation charges		**1,920**	1,905
Transfer of deferred credits to profit and loss account	18	**(232)**	(289)
(Profit)/loss on disposal of tangible fixed assets		**(64)**	30
Amortisation and impairment of players' registrations		**38,677**	32,497
Decrease/(increase) in stocks		**155**	(1,347)
(Increase)/decrease in debtors		**(5,223)**	2,602
Increase/(decrease) in creditors		**8,846**	(10,228)
Net cash inflow from operating activities		**36,471**	22,863
CASH FLOW STATEMENT			
Net cash inflow from operating activities		**36,471**	22,863
Returns on investments and servicing of finance	23	**(3,233)**	(199)
Taxation		**(139)**	322
Capital expenditure and financial investment	23	**(50,458)**	(56,800)
Acquisitions and disposals	23	**5,308**	-
Cash outflow before financing		**(12,051)**	(33,814)
Financing	23	**23,018**	86,960
Increase in cash in the year		**10,967**	53,146
Reconciliation of net cash flow to movement in net debt (note 24)			
Increase in cash		**10,967**	53,146
Cash inflow from increase in borrowings		**(25,094)**	(91,731)
Repayment of finance leases and hire purchase contracts		**323**	347
Change in net debt resulting from cash flows		**(13,804)**	(38,238)
Unpaid interest on intercompany balance		**(9,340)**	(6,156)
Net finance leases and hire purchase contracts		**-**	(92)
Capitalisation of finance costs		**1,753**	4,424
Finance costs amortised	24	**(2,864)**	(2,087)
Movement in net debt in year		**(24,255)**	(42,149)
Net debt at 31 July 2008		**(86,017)**	(43,868)
Net debt at 31 July 2009		**(110,272)**	(86,017)

THE LIVERPOOL FOOTBALL CLUB AND ATHLETIC GROUNDS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2009

1 ACCOUNTING POLICIES

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

1 1 Basis of accounting

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006 These financial statements therefore present information about the company as an individual undertaking and not about its group

1 2 Going Concern

At the year end Kop Football (Holdings) Limited had a credit facility with Royal Bank of Scotland ("RBS) and Wachovia Bank ("Wachovia") totalling £297 million of which £251 million had been utilised as at 31 July 2009 and £249 million utilised at 31 January 2010 Of the total facility £97 million was available to Liverpool Football Club and £51 million had been utilised as at 31 July 2009 and £50 million utilised at 31 January 2010 The total facility was due for repayment on 24 January 2010 but was extended to 3 March 2010 dunng January 2010

The current economic conditions have continued to have a significant impact upon world credit markets and accordingly raising finance in this environment remains challenging Despite these prevailing conditions the directors are considenng a senes of options which include new equity financing and a revised reduced debt facility with its current providers The current credit facility was extended to 3 March 2010 to enable the directors to secure new equity financing and active negotiations are currently in progress in this regard Based on discussions with the pnncipal lender the directors are confident that further short term extensions, should they be required, will be granted as appropnate

The directors have also initiated discussions to raise further finance to fund the construction of a new stadium and based on these discussions are confident that once the existing facilities have been renegotiated suitable project finance for construction of the stadium will be secured

In contemplation of revised debt facilities and equity financing the directors have prepared detailed cash flow forecasts to July 2011 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

Whilst the directors believe the going concern basis is appropnate, the Group is dependent on short term facility extensions until new equity is introduced and a revised longer term facility is then put in place This fact indicates the existence of a matenal uncertainty which may cast significant doubt upon the Group's ability to continue as a going concern and it may therefore be unable to realise assets and discharge liabilities in the ordinary course of business Nevertheless after making full enquines, and considenng the uncertainties descnbed above, the directors have a reasonable expectation that the Group will secure adequate resources to enable the Company to continue in operational existence for the foreseeable future For these reasons, they continue to adopt the going concern basis in prepanng the annual report and accounts The financial statements do not include any adjustments that would result from the basis of preparation being inappropnate

1 ACCOUNTING POLICIES (continued)

1 3 Turnover and income 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

1 4 Investments

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

1 5 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 2012 This has been revised to 5 years to 2013 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

1 6 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

1 ACCOUNTING POLICIES (continued)

1 7 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

1 8 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

1 9 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

1 10 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"

1 11 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

1 12 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

1 ACCOUNTING POLICIES (continued)

1 13 Deferred credits

Deferred credits relate to grants receivable from The Football Trust in relation to the stadium improvements These are transferred to the profit and loss account over the life of the assets to which the grants relate Grants are repayable to The Football Trust 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

1 14 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

1 15 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

1 16 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 TURNOVER

	2009	2008
By activity	**£'000**	£'000
Turnover comprises		
Media	**74,596**	68,358
Matchday	**42,462**	39,215
Commercial	**60,266**	51,479
	177,324	159,052

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

	2009	2008
United Kingdom	**173,026**	157,341
Rest of World	**4,298**	1,711
	177,324	159,052

3 OTHER OPERATING INCOME

	2009	2008
	£'000	£'000
Other operating income comprises		
Donations from Development Associations	**650**	328
Rent receivable	**7**	76
	657	404

4 ADMINISTRATIVE EXPENSES – before exceptional costs

	2009	2008
	£'000	£'000
Operations excluding player amortisation and trading		
Depreciation of tangible fixed assets		
- owned by the company	**1,795**	1,739
- held under finance leases and hire purchase contracts	**125**	166
(Profit)/loss on disposal of tangible fixed assets	**(64)**	29
Staff costs (note 8)	**96,127**	89,729
Grants released	**(232)**	(289)
Other operating charges	**24,182**	20,406
Operating lease rentals - land and buildings	**906**	760
- other	**95**	128
Auditors' remuneration - audit of these financial statements	**50**	75
	122,984	112,743
Player amortisation and trading		
Amortisation of players' registrations	**37,434**	32,497
Impairment of players' registrations	**1,243**	-
	161,661	145,240

Amounts receivable by the Company's auditors 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 the Company's parent, Kop Football (Holdings) Limited

5 ADMINISTRATIVE EXPENSES – exceptional costs

	2009 £'000	2008 £'000
Termination payments	**4,332**	-
	4,332	-

Termination payments represent amounts payable to former employees These include the former Chief Executive and coaching staff following a restructuring of the Academy The tax effect of these expenses has been to increase taxable losses carried forward by £3 6million

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Bank interest	**365**	459
Other	**1**	1
	366	460

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
On bank loans and overdrafts	**6,338**	4,724
Finance charges under finance leases and hire purchase contracts	**42**	47
Payable to group undertakings	**9,340**	6,156
Other	**63**	63
	15,783	10,990
Less finance costs capitalised	**(2,845)**	(1,423)
	12,938	9,567

Included within interest on bank loans and overdrafts are amortised finance costs of £2,864,286 *(2008 £2,087,000)* 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 3 5%, which is the rate incurred on the new stadium facility with RBS

8 DIRECTORS AND EMPLOYEES

	2009	2008
Remuneration of directors	**£'000**	£'000
The directors of the company received the following remuneration		
Emoluments (excluding pension contributions)	**1,371**	1,001
Aggregate payments to defined contribution pension schemes	**57**	63
Compensation for loss of office	**3,000**	-
Highest paid director's remuneration		
Emoluments	**4,238**	772
Company pension contributions	**57**	63
	4,295	835

At 31 July 2009, no director had retirement benefits accruing under defined contribution pension schemes *(2008 one)*

	2009 Number	2008 Number
Dunng the year the average number of full-time employees (including directors) was		
Players, manager and coaches	**142**	137
Ground and maintenance staff	**57**	60
Administration, commercial and other	**217**	172
	416	369

Full-time employees are those employed for more than 20 hours per week In addition, the company employed on match days on average 840 part-time employees (*2008 918*) The company also employs an additional 104 part-time scouts and coaches (*2008 83*)

	2009 £'000	2008 £'000
Aggregate amounts for both staff and directors charged in respect of		
Wages and salanes	**88,691**	79,075
Social secunty costs	**10,438**	9,989
Pension costs	**1,330**	665
	100,459	89,729

9 TAXATION

Analysis of tax charge in the year	2009 £'000	2008 £'000
Current tax		
Payment for group relief received	-	142
Foreign tax	96	-
Adjustments in respect of prior periods	6	(464)
Total current tax	**102**	(322)
Deferred tax (see note 17)		
Origination and reversal of timing differences	(2,153)	2,153
Tax on (loss)/profit on ordinary activities	**(2,051)**	1,831

The tax assessed for the year differs from the loss for the year multiplied by the standard rate of corporation tax in the UK 28% *(2008 28%)* The differences are explained below

(Loss)/profit on ordinary activities before taxation	**(16,084)**	10,199
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% *(2008 28%)*	**(4,504)**	2,855
Effects of		
Adjustment to tax in respect of previous years	**6**	(464)
Expenses not deductible for tax purposes/income not taxable	**474**	(82)
Depreciation in excess of capital allowances	**532**	323
Amortisation in excess of tax claims	**1,171**	728
Reversal of provisions	-	46
Effective change in rate on losses	-	459
Movement in tax losses	**2,423**	(4,187)
Total current tax charge/(credit)	**102**	(322)

The company has losses available to be offset against future profits amounting to £17 3million

10 INTANGIBLE FIXED ASSETS

	Players' Registrations	Goodwill	Total
Cost	**£'000**	**£'000**	**£'000**
At 1 August 2008	187,393	-	187,393
Additions in year	38,790	13,994	52,784
Disposals in year	(45,263)	-	(45,263)
At 31 July 2009	**180,920**	**13,994**	**194,914**
Amortisation			
At 1 August 2008	57,674	-	57,674
Charge for year	38,677	-	38,677
Disposals in year	(23,348)	-	(23,348)
At 31 July 2009	**73,003**	**-**	**73,003**
Net book amount			
At 31 July 2009	**107,917**	**13,994**	**121,911**
At 31 July 2008	129,719	-	129,719

On 31st July 2009, the Company purchased the business and assets of its 100% subsidiary - Liverpoolfc TV Limited This business will now be operated as a division of the Club

The difference between the purchase consideration of £20,000,500 and the separately identifiable assets and liabilities is £13,994,190 and this has been classified as goodwill and included in intangible fixed assets The directors consider this to have a useful economic life of 11 years and therefore the goodwill will be written off over this period

The following table sets out the book values of the identifiable assets and the liabilities acquired and their fair value to the company

	Book value	Fair value adjustments	Fair value to the company
	£'000	**£'000**	**£'000**
Tangible fixed assets	1,487	-	1,487
Current assets			
Debtors	1,267	-	1,267
Cash	5,308	-	5,308
Total assets	**8,062**	**-**	**8,062**
Creditors			
Trade creditors	103	-	103
Group creditors	1,058	-	1,058
Taxation	86	-	86
Other	808	-	808
Total liabilities	2,055	-	2,055
Net assets	**6,007**		**6,007**
Additional goodwill recognised			13,994
Satisfied by			
Purchase consideration (satisfied by an intercompany creditor)			**20,001**

11 TANGIBLE FIXED ASSETS

	Land and Buildings					
Cost	Freehold £'000	Long leasehold £'000	Stands, fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets in course of construction £'000	Total £'000
At 1 August 2008	22,443	3	49,225	731	23,182	95,584
Additions	35	-	2,372	65	22,333	24,805
Disposals	(48)	-	(56)	(28)	-	(132)
At 31 July 2009	**22,430**	**3**	**51,541**	**768**	**45,515**	**120,257**
Depreciation						
At 1 August 2008	12,289	-	32,645	130	-	45,064
Charge for the year	189	-	1,585	146	-	1,920
On disposals	(10)	-	(39)	(17)	-	(66)
At 31 July 2009	**12,468**	**-**	**34,191**	**259**	**-**	**46,918**
Net book amounts						
At 31 July 2009	**9,962**	**3**	**17,350**	**509**	**45,515**	**73,339**
At 31 July 2008	10,154	3	16,580	601	23,182	50,520

The net book amount of stands, fixtures, fittings and equipment includes (2009 £373,794) *(2008 £498,392)* in respect of assets held under finance leases or hire purchase contracts

Contracted capital commitments at 31 July 2009 for which no provision has been made in these financial statements amount to £152,000 *(2008 £1,631,000)*

Costs relating to the proposed new stadium amounting to £45 5m are carried forward under the heading of assets in the course of construction During the year planning permission for the revised design of the new stadium was granted by Liverpool City Council with a 60,000 capacity The stadium design is such that the stadium could accommodate a capacity of 73,000 in the future Preparatory work on the new stadium was halted in September 2008 Further expenditure has been incurred during the year, utilising credit facilities available for the pre-construction phase The directors have initiated discussions with the Kop Football (Holdings) Limited group's lenders to raise further finance to fund the construction of a new stadium and based on these discussions are confident that once the existing facilities have been renegotiated suitable project finance for construction of the stadium will be secured The directors have also performed a detailed review of costs incurred to date to confirm their applicability to the current stadium design and based on this assessment and their confidence that the stadium will be fully funded consider it appropriate to continue carrying the costs in tangible assets in the balance sheet

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 2013 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 2012

Included in the cost of tangible fixed assets is £4,268,000 *(2008 £1,423,000)* in respect of capitalised finance costs

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12 LEASE COMMITMENTS

	2009	2008
	£'000	£'000
Annual commitments under non-cancellable operating leases are as follows		
Land and buildings		
Expiring between two and five years	**43**	140
Expiring after five years	**828**	703
	871	843
Other		
Expiring within one year	**1**	27
Expiring between two and five years	**11**	-
	12	27

13 INVESTMENTS

	Shares in group undertakings
	£'000
Cost	
At 1 August 2008	15,890
Additions in year	-
At 31 July 2009	**15,890**
Provisions	
At 1 August 2008	-
Provided in year	-
At 31 July 2009	**-**
Net book amount	
At 31 July 2009	**15,890**
At 31 July 2008	15,890

13 INVESTMENTS (continued)

(a) **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			

The subsidiaries did not trade in the year They are incorporated in England and Wales with issued share capital of 100 ordinary £1 shares except for LFC Services Ltd, Liverpool Ltd and Liverpool FC Ltd which have issued share capital of 1,000 ordinary £1 shares None of the subsidiaries has reserves at the balance sheet date Amounts owed by The Liverpool Football Club and Athletic Grounds Limited to group undertakings are shown in note 16 to the accounts

(b) **Investment in Liverpoolfc TV Limited**

Liverpoolfc TV Limited is a company incorporated in England and Wales The company's accounting reference date is 31 July and its principal activity is to own and operate the official Liverpool Football Club internet portal

Liverpoolfc TV Limited has an authorised, issued and fully paid up share capital of £1,000 divided into 500 A shares of £1 each and 500 B shares of £1 each Both classes of share rank pari passu and are equal in all respects The shares are 100% owned by Liverpool Football Club & Athletic Grounds Limited

On 31st July 2009, as part of a reorganisation of the trading activities within the group, the Club purchased the business and assets of Liverpoolfc TV Limited This business will now be operated as a division on the Club The net assets in Liverpoolfc TV Limited after the transfer total £20,000,501

(c) **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

	2009	2008
	£'000	£'000
Goods for resale	**3,882**	4,037

15 DEBTORS

	2009 £'000	2008 £'000
Trade debtors	**23,980**	33,667
Other debtors	**591**	83
Amounts owed by group undertakings	**-**	3,292
Prepayments and accrued income	**3,906**	1,982
	28,477	39,024

Debtors include trade debtors of £1,854,000 *(2008 £7,426,000)* due after more than one year

16 CREDITORS

	2009 £'000	2008 £'000
Amounts falling due within one year		
Bank loans and overdrafts	**36,525**	21,920
Trade creditors	**35,504**	49,236
Amounts owed to group undertakings	**100,757**	81,286
Other taxation and social security	**13,889**	10,558
Net obligations under finance lease and hire purchase contracts	**132**	323
Other creditors	**400**	5,870
Accruals	**10,855**	9,695
Deferred credits (note 18)	**232**	290
Deferred income	**28,212**	23,323
	226,506	202,501

When the bank loans were arranged (25 January 2008) there were £4 4million of 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 £2 9million (*2008 £2 1million*) of costs were amortised to the profit and loss account

Bank loans due within one year are stated net of issue costs of £1 2million *(2008 £2 3million)*

Included within amounts owed to group undertakings and joint venture is an amount of £100 7million *(2008 £79.9million)* due to Kop Football Limited which is payable on demand However within the terms of the loan agreement Kop Football Limited cannot demand repayment if to do so would cause the company to become insolvent

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

16 CREDITORS *(continued)*

	2009 £'000	2008 £'000
Amounts falling due after more than one year		
Trade creditors	**7,660**	20,597
Amounts owed to group undertakings	**20,001**	-
Net obligations under finance lease and hire purchase contracts	**15**	147
Other creditors	**1,738**	1,133
Deferred credits (note 18)	**697**	871
	30,111	22,748

	2009 £'000	2008 £'000
(a)The bank loans and overdrafts are repayable as follows		
Bank loans	**37,471**	23,883
Less issue costs	**(1,226)**	(2,337)
	36,245	21,546
Overdrafts	**280**	374
Within one year or less or on demand	**36,525**	21,920

	2009 £'000	2008 £'000
(b)The maturity of obligations under finance leases and hire purchase contracts is as follows		
Within one year	**132**	323
In the second to fifth years	**15**	147
In more than one year but not more than two years	**147**	470

On 27 July 2009, KFL refinanced its existing credit facilities with RBS, as the issuing bank The new credit facility with RBS is part of a combined facility with Kop Football Limited ("Kop"), the parent company, and provides for £97million of availability to the company for working capital and new stadium development This facility is secured on the Club's assets The credit facility was due for repayment on 24 January 2010 but was extended to 3 March 2010 Interest accrues at a rate of LIBOR plus 4 5% and is payable at various times as selected by the company ranging from monthly, to quarterly or semi-annually During the year, a further £13 6million was drawn on the facility by the company for stadium development costs and £37 5million was outstanding at 31 July 2009

On 31 January 2008, the company entered into a Forward start Swaption Collar ("Swaption") in relation to the stadium line of the credit facility with RBS and Wachovia (together the "arrangers" of the new credit facility) The Swaption gave the company the right, but not the obligation, to pay a fixed rate of interest on the stadium line The Swaption had a 75% participation with RBS and 25% participation with Wachovia The agreement was due to terminate on 31 July 2037 Both the RBS and Wachovia Swaption were settled at no cost on 31 July 2009

(c) Trade creditors falling due after more than one year relate to contractual payments due on the acquisition of player's registrations

17 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	**2009 £'000**	2008 £'000
This comprises deferred taxation attributable to		
Accelerated capital allowances	**813**	1,598
Other timing differences	**(763)**	(366)
Roll over claims on intangible fixed assets	**2,453**	3,624
	2,503	4,856
Less losses available	**(2,503)**	(2,703)
	-	2,153

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

	2009 £'000	2008 £'000
At beginning of year	**2,153**	-
(Credit)/charge to profit and loss account	**(2,153)**	2,153
At end of year	**-**	2,153

The Company has tax losses to carry forward of £17 3million A deferred tax asset 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

	2009 £'000	2008 £'000
The Football Trust – grants receivable		
At beginning of year	**1,161**	1,450
Credited to profit and loss account	**(232)**	(289)
At end of year	**929**	1,161

19 CONTINGENT LIABILITIES AND ASSETS

Additional transfer fees payable of £13,677,872 *(2008 £19,811,679)* will arise if certain conditions in transfer contracts at 31 July 2009 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 £1,069,328 of contingent liabilities have crystallised

Under the terms of certain contracts for the sale of players' registrations, future amounts may be received by the company As at 31 July 2009 the maximum amount that could be received is £6,057,298 *(2008 £11,577,700)* Since the year end £1,615,824 of contingent assets have crystallised

20 CALLED UP SHARE CAPITAL

	2009	2008
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 2008	32,882	(4,984)
Loss for the year	-	(14,033)
At 31 July 2009	**32,882**	**(19,017)**

22 SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
The reconciliation of movements in shareholders' funds was as follows		
(Loss)/profit for the year	**(14,033)**	8,368
Opening shareholders' funds	**28,072**	19,704
Closing shareholders' funds	**14,039**	28,072

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23 GROSS CASH FLOWS

	2009 £'000	2008 £'000
Returns on investment and servicing of finance		
Interest received	366	460
Interest paid	(3,557)	(613)
Interest element of finance leases and hire purchase contracts	(42)	(46)
	(3,233)	(199)
Capital expenditure		
Payments to acquire tangible fixed assets	(21,473)	(17,938)
Proceeds from the sale of tangible fixed assets	130	1
Payments to acquire intangible fixed assets	(66,525)	(52,140)
Proceeds from sale of intangible fixed assets	42,660	23,913
Payments to acquire investments	(5,250)	(10,636)
	(50,458)	(56,800)
Acquisitions and Disposals		
Cash acquired on purchase of trade and assets	5,308	-
Financing		
New bank loans	13,588	28,883
New inter-company debt	11,506	73,755
Costs of raising finance	(1,753)	(4,424)
Repayment of bank loans	-	(10,907)
Capital element of finance leases and hire purchase contracts	(323)	(347)
	23,018	86,960

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 2008 £'000	Cash flows £'000	Finance cost capitalisation £'000	Amortisation of finance costs £'000	Non cash flows £'000	At 31 July 2009 £'000
Cash at bank and in hand	16,284	10,873	-	-	-	**27,157**
Overdraft	(374)	94	-	-	-	**(280)**
	15,910	10,967	-	-	-	**26,877**
Debt due within one year	(21,546)	(13,588)	1,753	(2,864)	-	**(36,245)**
Debt due after one year	-	-	-	-	-	**-**
		(13,588)				
Inter-company debt	(79,911)	(11,506)	-	-	(9,340)	**(100,757)**
Finance leases	(470)	323	-	-	-	**(147)**
	(86,017)	(13,804)	1,753	(2,864)	(9,340)	**(110,272)**

25 PENSIONS

a) 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 £486,000 *(2008 £327,000)*

b) 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 has been increased accordingly This has resulted in a charge of £791,000 being included in the profit and loss account 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 movements in the creditor is shown below -

	2009 £'000	2008 £'000
Creditor at 1 August 2008	**1,256**	1,093
Payments in year	**(122)**	(122)
Increase in creditor	**791**	285
Creditor at 31 July 2009	**1,925**	1,256

26 RELATED PARTIES

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 in included, can be obtained from the address given in note 27

27 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER.

The Company is a subsidiary undertaking of Kop Investment LLC which is the ultimate parent company incorporated in the United States of America The ultimate controlling parties are George N Gillett Jnr and Thomas O Hicks

The largest group in which the results of the Company are consolidated is that headed by Kop Football (Holdings) Limited incorporated in the United Kingdom No other group financial statements include the results of the Company

The consolidated financial statements of Kop Football (Holdings) Limited are available to the public and may be obtained from the Register of Companies, Companies House, Crown Way, Cardiff, CF14 3UZ

28 POST BALANCE SHEET EVENTS

Acquisitions to the playing staff since the year end are Aquilani and Kyrgiakos for total transfer fees of £20 4million In addition, the Company has sold Alonso, Dossena and Voronin for total guaranteed fees of £29 7million These sales will result in a profit of £17 1million based on the net book value at the date of sale, on an historic cost basis

Also, the Company has secured a new shirt sponsorship deal with Standard Chartered Bank This commences in July 2010 and can generate up to £81million of income over a 4 year period

The current credit facilities in place were due for repayment on 24 January 2010 In January 2010 these facilities were extended to 3 March 2010 As described in note 1 active negotiations are in progress to secure new financing