

**Leeds United Football Club Limited**

**Consolidated Financial Statements**

**For the year ended  
30 June 2016**

**Leeds United Football Club Limited**

**Financial Statements**

**Year ended 30 June 2016**

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**Leeds United Football Club Limited**

**Officers and Professional Advisers**

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**The board of directors**

M Cellino  
Edoardo Cellino  
D Arty  
S Patel  
J Patel  
G Caboni  
N Barattieri Di San Pietro

**Registered office**

Elland Road  
Leeds  
LS11 0ES

**Auditor**

Gibson Booth  
Chartered Accountants & Statutory Auditors  
New Court  
Abbey Road North  
Shepley  
Huddersfield  
HD8 8BJ

**Bankers**

Barclays Bank plc  
69 Albion Street  
Leeds  
LS1 5AA

**Solicitors**

Walker Morris LLP  
Kings Court  
12 King Street  
Leeds  
LS1 2HL

**Business review and principal activities**

The principal activity of the group during the year was that of professional football club and all associated activities.

The off-season brought further personnel changes, with new faces in place on and off the pitch. Uwe Rosler was named as the club's new head coach. The club also moved to secure a new contract for midfielder Lewis Cook, and highly-rated youngsters Kalvin Phillips and Lewie Coyle were also rewarded with new deals.

The first of the new signings for the 2015/16 campaign arrived in June: Charlie Horton, Lee Erwin and Sol Bamba all putting pen to paper at Elland Road as things geared up for the new season. Chris Wood signed a three year deal commencing in July 2016.

The team made an unbeaten start to the new season in the league, managing to go without defeat throughout a tricky opening month of August, and a further new signing was added to the squad in the shape of winger Stuart Dallas from Brentford. Heading out of the exit door were strike duo Billy Sharp and Steve Morison, who joined League One sides Sheffield United and Millwall respectively.

Despite the squad being strengthened with the loan arrival of winger Will Buckley from Premier League side Sunderland, results dipped and, on the back of three consecutive Championship defeats, October saw Rosler replaced as head coach by former Rotherham United boss Steve Evans.

Evans helped inspire an upturn in fortunes, and made his first signing with the loan addition of Sunderland midfielder Liam Bridcutt, as the team headed towards what would prove to be an unbeaten December and a healthy Christmas period.

In the January transfer window midfielder Toumani Diagouraga was signed from Brentford, Mustapha Carayol joined on loan from Middlesbrough while the influential Liam Bridcutt extended his loan deal from Sunderland until the end of the season. January also saw Sam Byram complete his transfer to Premier League side West Ham United.

The Club's academy graduates would again play a significant part in the season. Charlie Taylor was awarded the Player of the Year award while Lewis Cook continued his rapid development becoming Young Player of the year for the second successive season. We saw a glimpse of the future with debuts for Bailey Peacock-Farrell and Ronaldo Vieira. Chris Wood proved his worth to the team with 13 goals while Stuart Dallas became a firm favourite with the fans and his team-mates.

The team would go on to lose just eight league games from January 2016 until the end of the season securing the highest league finish since 2013. Following the finalisation of both the football season and financial year on the 7th July 2016 the club took the decision to sell academy graduate Lewis Cook for an undisclosed fee to Premier League side AFC Bournemouth.

Off the pitch, the Club announced a five-year deal with Italian sportswear giants Kappa to become the new kit providers from the 2015/16 season onwards.

The Club also announced a series of major commercial deals. Having carried out a strategic review of operations towards the end of the previous financial year, on the 3rd of July the Club and Leeds United Conference and Events Limited entered into an agreement to repurchase the catering and beverages rights for Elland Road stadium. The Group identified that the sale of this arm of the business in 2012 had not only materially contributed to Group financial losses but had taken a core business unit out of its control. The repurchase was seen as a significant move towards making the Group financially viable on a long term basis. Global Autocare was unveiled as the Club's new South Stand sponsor and official vehicle partner and Coral as the Club's new betting and gaming partner.

Following a lengthy commercial dispute with the Club's former technical kit manufacturer Macron SpA, in March 2016 the club entered into a Settlement Agreement to bring matters to a close. Subsequently, the Club took the prudent decision to carry out a valuation exercise on all remaining stock items and a provision of £1.2m has been charged to the Statement of Comprehensive Income. The Club has identified the legal cost and the stock provision arising from this dispute as being exceptional items and have classified them as such in the Statement of Comprehensive Income.

Further legal disputes were settled during the year and those involving previous employees, the Football League and Sky TV have been identified as exceptional and classified as such in the Statement of Comprehensive Income

In financial terms, the year ended 30th June 2016 saw a loss of £8.9m a decline of £6.6m from the £2.3m loss for the previous year. This is despite the increase in group turnover from £24.4m to £30.1m. The increased loss is mainly attributable to the £7m negative movement in player trading which went from £9.8m profit during the year ended 30th June 2015 to a profit of £2.8m during the current year. Exceptional items totalling £3.5m contributed to the total loss for the year and the Group is confident this will not be repeated in future seasons. The Group continues to tightly control both cost of sales and administration expenses and constant monitoring of expenditure will continue into the next financial year.

**Leeds United Football Club Limited**

**Strategic Report (continued)**

**Year ended 30 June 2016**

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**Principal risks and uncertainties**

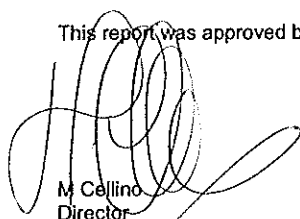
The primary risk facing Leeds United Football Club Limited and its subsidiaries is the divisional status of the Clubs First Team. This is due to the material effect of divisional status on all revenue streams. The Directors have identified further risks associated with the regulations imposed on Leeds United Football Club by the regulatory bodies governing football. Revenue streams such as ticketing income, match day catering, retail and broadcasting income could be impacted by any changes to current regulations.

In order to manage all risks the Board and senior management team meet regularly. Strengths and weaknesses are identified and action is taken as necessary.

**Key performance indicators**

The performance of the team is monitored by publicly available Football League position tables. In addition to this, the commercial operations of the business are monitored against detailed budgets and benchmarking exercises are undertaken to assess the company's performance within the sector. Prices are constantly monitored against other football clubs using data that is publicly available and price rises are kept to a minimum wherever possible. The company has seen a small increase in turnover going from £24.4m to £24.9m. Analysis of this shows that whilst gate revenues are down by £0.5m, both merchandising revenues and broadcast income have increased by the same amount.

This report was approved by the board of directors on 9<sup>th</sup> March 17 and signed on behalf of the board by:



M Cellino  
Director

Registered office:  
Elland Road  
Leeds  
LS11 0ES

# Leeds United Football Club Limited

## Directors' Report

Year ended 30 June 2016

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The directors present their report and the financial statements of the group for the year ended 30 June 2016.

### Directors

The directors who served the company during the year were as follows:

M Cellino	
Edoardo Cellino	
D Arty	
S Patel	
J Patel	
G Caboni	
N Barattieri Di San Pietro	(Appointed 19 May 2016)
Ercole Cellino	(Resigned 28 March 2016)
A Umbers	(Resigned 12 October 2015)

J Patel and S Patel resigned as directors on 5 September 2016.

### Dividends

The directors do not recommend the payment of a dividend.

### Employment of disabled persons

Applications for employment by disabled persons are always fully considered. In event of members of staff becoming disabled, every opportunity is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee involvement

The company's employment policies are designed to attract, retain and motivate the best people. The company involves employees at all levels of the organisation through a broad base of regular communication, meetings and briefing sessions to understand current performance and communicate future developments.

### Financial instruments

The company's financial instruments comprise of borrowings such as secured and unsecured loans and advanced receipts in respect of the ordinary activities of the club, cash and liquid resources, finance leases and various other items such as trade debtors and trade creditors that also arise directly from its operations.

### Financial risk management and exposure to risk

In order to minimise financial risk the directors of the company have taken the decision not to engage in trades of a speculative nature. At the year end the company had no foreign currency exposure. Other risks and uncertainties may arise dependent on the performance of the football team.

### Cash flow

The company continues to ensure that cash flows are closely monitored on a daily basis and reviews its overall financial requirements on an annual basis. This policy will be maintained for the foreseeable future.

### Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 29 to the financial statements.

### Disclosure of information in the strategic report

Details about future developments are included in the strategic report.

### Directors' responsibilities statement

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and the company and the profit or loss of the group for that period.

**Leeds United Football Club Limited**

**Directors' Report (continued)**

**Year ended 30 June 2016**

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In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 9<sup>th</sup> March 17 and signed on behalf of the board by:



M Cellino  
Director

Registered office:  
Elland Road  
Leeds  
LS11 0ES

**Leeds United Football Club Limited**

**Independent Auditor's Report to the Shareholders of Leeds United Football Club Limited**

**Year ended 30 June 2016**

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We have audited the financial statements of Leeds United Football Club Limited for the year ended 30 June 2016 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

*ARS Russell*

Alistair Russell FCA (Senior Statutory Auditor)

For and on behalf of  
Gibson Booth  
Chartered Accountants & Statutory Auditors

New Court  
Abbey Road North  
Shepley  
Huddersfield  
HD8 8BJ

13/3/17



**Leeds United Football Club Limited**

**Consolidated Statement of Comprehensive Income**

**Year ended 30 June 2016**

		2016 £	2015 £
<b>Turnover</b>	<b>Note 4</b>	30,149,475	24,418,955
<b>Cost of sales</b>		(5,405,959)	(3,937,294)
<b>Gross profit</b>		24,743,516	20,481,661
<b>Administrative expenses</b>		(32,358,816)	(33,324,255)
<b>Other operating income</b>		469,408	201,918
<b>Operating loss</b>	<b>5</b>	(7,145,892)	(12,640,676)
<b>Gain on disposal of players' registrations</b>		2,781,812	9,815,148
<b>Exceptional stock write down</b>		(1,154,533)	–
<b>Exceptional costs of commercial disputes</b>	<b>9</b>	(2,386,062)	–
<b>Interest payable and similar charges</b>	<b>10</b>	(966,259)	547,056
<b>Loss on ordinary activities before taxation</b>		(8,870,934)	(2,278,473)
<b>Tax on loss on ordinary activities</b>	<b>11</b>	–	–
<b>Loss for the financial year and total comprehensive income</b>		<u>(8,870,934)</u>	<u>(2,278,473)</u>

All the activities of the group are from continuing operations.

The notes on pages 13 to 28 form part of these financial statements.

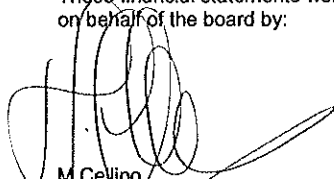
Leeds United Football Club Limited

Consolidated Statement of Financial Position

30 June 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	13	11,454,592	9,909,858
Tangible assets	14	11,512,890	10,595,555
		<u>22,967,482</u>	<u>20,505,413</u>
<b>Current assets</b>			
Stocks	16	640,813	846,015
Debtors: due within one year	17	7,180,984	12,559,147
Debtors: due after more than one year	17	1,600,000	-
Cash at bank and in hand		2,069,781	10,937,672
		<u>11,491,578</u>	<u>24,342,834</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(23,299,178)</u>	<u>(23,939,521)</u>
<b>Net current (liabilities)/assets</b>		<u>(11,807,600)</u>	<u>403,313</u>
<b>Total assets less current liabilities</b>		<u>11,159,882</u>	<u>20,908,726</u>
<b>Creditors: amounts falling due after more than one year</b>	19	<u>(11,411,580)</u>	<u>(12,289,490)</u>
<b>Net (liabilities)/assets</b>		<u>(251,698)</u>	<u>8,619,236</u>
<b>Capital and reserves</b>			
Called up share capital	23	19,000,000	19,000,000
Share premium account	24	6,000,000	6,000,000
Other reserves	24	6,952,017	7,609,361
Profit and loss account	24	(32,203,715)	(23,990,125)
<b>Shareholders' (deficit)/funds</b>		<u>(251,698)</u>	<u>8,619,236</u>

These financial statements were approved by the board of directors and authorised for issue on 9<sup>th</sup> May 17, and are signed on behalf of the board by:

  
M Cellino  
Director

Company registration number: 06233875

The notes on pages 13 to 28 form part of these financial statements.

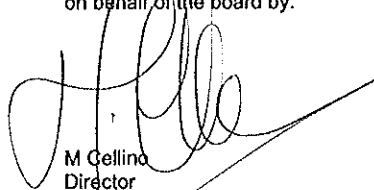
Leeds United Football Club Limited

Company Statement of Financial Position

30 June 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	13	11,780,401	9,909,858
Tangible assets	14	10,039,487	10,595,555
Investments	15	2	—
		<u>21,819,890</u>	<u>20,505,413</u>
<b>Current assets</b>			
Stocks	16	589,873	846,015
Debtors: due within one year	17	7,431,250	12,559,147
Debtors: due after more than one year	17	1,600,000	—
Cash at bank and in hand		2,049,047	10,937,672
		<u>11,670,170</u>	<u>24,342,834</u>
<b>Creditors: amounts falling due within one year</b>	18	(23,918,500)	(23,939,521)
<b>Net current (liabilities)/assets</b>		<u>(12,248,330)</u>	<u>403,313</u>
<b>Total assets less current liabilities</b>		<u>9,571,560</u>	<u>20,908,726</u>
<b>Creditors: amounts falling due after more than one year</b>	19	(11,411,580)	(12,289,490)
<b>Net (liabilities)/assets</b>		<u>(1,840,020)</u>	<u>8,619,236</u>
<b>Capital and reserves</b>			
Called up share capital	23	19,000,000	19,000,000
Share premium account	24	6,000,000	6,000,000
Other reserves	24	6,952,017	7,609,361
Profit and loss account	24	(33,792,037)	(23,990,125)
<b>Shareholders' (deficit)/funds</b>		<u>(1,840,020)</u>	<u>8,619,236</u>

These financial statements were approved by the board of directors and authorised for issue on 9<sup>th</sup> Nov 17 and are signed on behalf of the board by:

  
M Cellino  
Director

Company registration number: 06233875

The notes on pages 13 to 28 form part of these financial statements.

**Leeds United Football Club Limited**

**Consolidated Statement of Changes in Equity**

**Year ended 30 June 2016**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
<b>At 1 July 2014</b>	4,500,000	4,000,000	–	(21,977,783)	(13,477,783)
Loss for the year				(2,278,473)	(2,278,473)
Other comprehensive income for the year:					
Revaluation of financial liability to fair value	–	–	(266,131)	266,131	–
<b>Total comprehensive income for the year</b>	–	–	(266,131)	(2,012,342)	(2,278,473)
Issue of shares	14,500,000	2,000,000	–	–	16,500,000
Revaluation of financial liabilities to fair value	–	–	7,875,492	–	7,875,492
<b>Total investments by and distributions to owners</b>	14,500,000	2,000,000	7,875,492	–	24,375,492
<b>At 30 June 2015</b>	19,000,000	6,000,000	7,609,361	(23,990,125)	8,619,236
Loss for the year				(8,870,934)	(8,870,934)
Other comprehensive income for the year:					
Revaluation of financial liability to fair value	–	–	(657,344)	657,344	–
<b>Total comprehensive income for the year</b>	–	–	(657,344)	(8,213,590)	(8,870,934)
<b>At 30 June 2016</b>	<u>19,000,000</u>	<u>6,000,000</u>	<u>6,952,017</u>	<u>(32,203,715)</u>	<u>(251,698)</u>

The notes on pages 13 to 28 form part of these financial statements.

Leeds United Football Club Limited

Company Statement of Changes in Equity

Year ended 30 June 2016

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total £
<b>At 1 July 2014</b>	4,500,000	4,000,000	–	(21,977,783)	(13,477,783)
Loss for the year				(2,278,473)	(2,278,473)
Other comprehensive income for the year:					
Revaluation of financial liability to fair value	–	–	(266,131)	266,131	–
<b>Total comprehensive income for the year</b>	–	–	(266,131)	(2,012,342)	(2,278,473)
Issue of shares	14,500,000	2,000,000	–	–	16,500,000
Revaluation of financial liabilities to fair value	–	–	7,875,492	–	7,875,492
<b>Total investments by and distributions to owners</b>	14,500,000	2,000,000	7,875,492	–	24,375,492
<b>At 30 June 2015</b>	19,000,000	6,000,000	7,609,361	(23,990,125)	8,619,236
Loss for the year				(10,459,256)	(10,459,256)
Other comprehensive income for the year:					
Revaluation of financial liability to fair value	–	–	(657,344)	657,344	–
<b>Total comprehensive income for the year</b>	–	–	(657,344)	(9,801,912)	(10,459,256)
<b>At 30 June 2016</b>	<u>19,000,000</u>	<u>6,000,000</u>	<u>6,952,017</u>	<u>(33,792,037)</u>	<u>(1,840,020)</u>

The notes on pages 13 to 28 form part of these financial statements.

**Leeds United Football Club Limited**  
**Consolidated Statement of Cash Flows**  
**Year ended 30 June 2016**

	<b>Note</b>	<b>2016</b>	<b>2015</b>
	<b>25</b>	<b>£</b>	<b>£</b>
Cash generated from operations		(6,051,465)	(10,076,759)
Interest paid		(308,915)	(111,346)
Net cash used in operating activities		<u>(6,360,380)</u>	<u>(10,188,105)</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets		(798,204)	(559,267)
Purchase of intangible assets		(6,441,780)	(6,147,927)
Proceeds from sale of intangible assets		3,130,972	10,459,677
Net cash (used in)/from investing activities		<u>(4,109,012)</u>	<u>3,752,483</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		–	10,000,000
Proceeds from borrowings		1,462,019	–
Repayments of borrowings		–	(4,274,581)
Proceeds from loans from group undertakings		44,057	–
Repayments of loans from group undertakings		–	(325,446)
Payments of finance lease liabilities		95,425	(139,726)
Net cash from financing activities		<u>1,601,501</u>	<u>5,260,247</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(8,867,891)</b>	<b>(1,175,375)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>10,937,672</b>	<b>12,113,047</b>
<b>Cash and cash equivalents at end of year</b>		<b><u>2,069,781</u></b>	<b><u>10,937,672</u></b>

The notes on pages 13 to 28 form part of these financial statements.

**1. General information**

Leeds United Football Club Limited is a limited company incorporated in the United Kingdom. The address of the registered office is given in the company information on page 1 of these financial statements. The nature of the company's operations and principal activities are that of a professional football club and all associated activities.

**2. Statement of compliance**

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' and the Companies Act 2006.

**3. Accounting policies**

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial liabilities measured at fair value. The financial statements are prepared in sterling, which is the functional currency of the entity.

**Going concern**

At 30 June 2016 the group had net liabilities of £251,698 (2015: £8,619,236 net assets) and net current liabilities (excluding debtors due after more than one year) of £13,407,600 (2015: £403,313 net current assets). The directors have prepared and reviewed forecasts and, as part of their assessment of the going concern status of the group, they have received written confirmation from Eleonora Sport Limited and Eleonora Immobiliare SpA confirming that they will continue to financially support the group in order that it meets debts as they fall due during the next 12 months and also stating that amounts payable will not be called in for a period of no less than twelve months from approval of the financial statements. As a result, the directors consider that it is appropriate to prepare the accounts on the going concern basis.

**Transition to FRS 102**

The entity transitioned from previous UK GAAP to FRS 102 as at 1 July 2014. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 33.

**Consolidation**

The financial statements consolidate the financial statements of Leeds United Football Club Limited and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

**Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**Financial instruments**

A discount rate is applied to long term debts on which interest below market rates are charged to restate the balances to fair value. The discount rate has been selected with reference to the expected commercial rate for a loan with similar terms. The discount rate is reviewed annually and adjusted where necessary. The carrying amount of the financial instruments are included in note 22.

**3. Accounting policies (*continued*)**

**Judgements and key sources of estimation uncertainty (*continued*)**

**Useful economic lives of intangible and tangible assets**

The annual amortisation and depreciation charge for intangible and tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 13 and 14 for the carrying amount of the intangible and tangible assets respectively, and note 3 for the amortisation and depreciation rates used for each class of assets.

**Significant judgements**

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

**Impairment of intangible and tangible fixed assets**

The directors review the carrying amount of all intangible and tangible fixed assets at the year end and consider whether any impairment of these assets is required. See notes 13 and 14 for details of any impairments.

**Revenue recognition**

Turnover represents income receivable from football and related commercial activities, exclusive of VAT. Gate receipts and other match day revenue are recognised as the games are played. The club also receives central distributions from the Football League and a solidarity payment from the Premier League that are beyond the direct control of the officers of the club. These distributions are recognised evenly over the course of the financial year.

Revenue derived from season tickets is credited to income in the period to which it relates. Amounts received in advance are credited to deferred income in the balance sheet.

Sponsorship, advertising and similar commercial income is recognised over the duration of the respective contracts. Amounts received in advance are credited to deferred income in the balance sheet.

Facility fees received for live coverage or highlights are taken when earned.

**Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted.

**Foreign currencies**

Foreign currency transactions are initially recorded in the functional currency, by applying the average exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.



**3. Accounting policies (continued)**

**Intangible assets - goodwill**

Costs incurred whilst the Club was in administration in 2007/08 were capitalised as goodwill and are being amortised in equal instalments over 50 years based on the longevity of the club and the strength of the brand. Goodwill is reviewed annually to ensure that it is not impaired.

Goodwill has also arisen on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business. Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life which the directors consider to be 5 years.

Negative goodwill is also recognised where the net amount of identifiable assets, liabilities and provisions for contingent liabilities exceeds the cost of the business acquisition. The excess is being recognised in profit or loss in the period expected to benefit which the directors consider to be 5 years.

**Intangible assets - player registrations**

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets and amortised, in equal annual instalments, over the period of the respective players' contract. The transfer fee levy refund received during the year is credited against additions to intangible assets. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

**Intangible assets - trademarks**

Expenditure on trademarks is capitalised in intangible fixed assets and amortised in equal annual instalments over 10 years.

**Intangible assets - computer software**

Expenditure on computer software is capitalised in intangible fixed assets and amortised in equal annual instalments over 2 to 7 years.

**Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

**Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Leasehold land and buildings	-	5 - 34 years straight line
Alterations and improvements	-	2 - 20 years straight line
Fixtures and fittings	-	2 - 20 years straight line

Assets under the course of construction are not depreciated until they are brought into productive use.

**Investments in subsidiary undertakings**

Investments in subsidiary undertakings comprise the company's investment in shares and are stated at cost less any provision for impairment.

**Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

**Stocks**

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value.

**Leases**

Assets under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their estimated useful life. Finance charges are allocated evenly over the period of the lease in proportion to the capital amount outstanding.

Operating lease rentals are charged to profit and loss in equal amounts over the term of the lease.

**Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

**3. Accounting policies (continued)****Financial instruments (continued)**

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

**Pension costs**

For defined contribution schemes the pension cost charged in the year represents contributions payable by the group to various pension schemes. For defined benefit schemes the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**Signing-on fees**

Signing-on fees represent a normal part of the employment cost of the player and as such are to be charged to the profit and loss account over the term of the contract, except in the circumstances of a player disposal. In that case, any remaining signing-on fees due are allocated in full against the profit on disposal of players' registrations in the year in which the player disposal is made.

**4. Turnover**

Turnover arises from:

	2016 £	2015 £
Gate receipts	8,188,578	8,761,296
Television and broadcasting income	712,000	270,400
Merchandising income	5,175,476	4,656,646
Central distributions	4,538,100	4,098,500
Other commercial revenue	6,680,690	6,632,113
Catering income	4,854,631	—
	<u>30,149,475</u>	<u>24,418,955</u>

The whole of the turnover is attributable to the principal activity of the group wholly undertaken in the United Kingdom.

**5. Operating loss**

Operating loss is stated after charging:

	2016 £	2015 £
Amortisation of intangible assets	3,888,654	3,186,411
Depreciation of tangible assets	1,423,751	1,320,965
Total impairment losses recognised in:		
Administrative expenses	236,540	353,727
Loss on disposal of tangible assets	2,108	786
Foreign exchange differences	62,885	(181,910)
Defined contribution plans expense	41,189	26,633
Impairment of Yorkshire Radio Limited inter-company debtor	—	11,950
Operating lease costs	<u>2,029,422</u>	<u>1,983,583</u>

Leeds United Football Club Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

6. Auditor's remuneration

	2016 £	2015 £
Fees payable for the audit of the financial statements	22,500	19,500
Fees payable to the company's auditor and its associates for other services:		
Audit of subsidiaries	5,000	–
Taxation compliance services	–	13,885
Other assurance services	9,988	5,000
Corporate finance services	–	5,330
Other non-audit services	–	3,402
	14,988	27,617

7. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2016 No.	2015 No.
Full-time playing staff	41	52
Apprentices	18	12
Football team management	15	12
Management/administration	74	69
Casual match day staff	294	351
	442	496

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016 £	2015 £
Wages and salaries	16,306,752	17,781,412
Social security costs	1,782,375	2,039,694
Other pension costs	41,189	26,633
	18,130,316	19,847,739

Included in wages and salaries are redundancy and ex-gratia payments of £460,370 (2015: £1,173,591).

8. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016 £	2015 £
Remuneration	1,729	16,667

9. Exceptional costs of commercial disputes

Following a commercial dispute with the Club's former technical kit manufacturer, the Club entered into a Settlement Agreement. The Club has identified the legal cost arising from this dispute as being an exceptional item and have classified it as such in the Statement of Comprehensive Income.

Further legal disputes were settled during the year and those involving previous employees, the Football League and Sky TV have also been identified as exceptional and classified as such in the Statement of Comprehensive Income.

Leeds United Football Club Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

10. Interest payable and similar charges

	2016 £	2015 £
Interest on obligations under finance leases and hire purchase contracts	50,208	65,882
Other interest payable and similar charges	916,051	(612,938)
	<u>966,259</u>	<u>(547,056)</u>

Other interest payable and similar charges includes £657,344 (2015: 266,131) relating to the revaluation to fair value of the financial liability described in note 22.

11. Tax on loss on ordinary activities

Reconciliation of tax income

The tax assessed on the loss on ordinary activities for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20% (2015: 20.75%).

	2016 £	2015 £
Loss on ordinary activities before taxation	(8,870,934)	(2,278,473)
Loss on ordinary activities by rate of tax	(1,774,186)	(455,695)
Effect of expenses not deductible for tax purposes	2,426	10,531
Effect of capital allowances and depreciation	170,907	186,993
Unused tax losses	1,610,356	220,037
Other timing differences	(9,503)	38,134
Tax on loss on ordinary activities	<u>—</u>	<u>—</u>

Factors that may affect future tax income

The company has losses of approximately £75 million (2015: £68 million) to carry forward against future profits.

12. Loss for the year of the parent company

The loss for the financial year of the parent company was £10,459,256 (2015: £2,544,604).

13. Intangible assets

Group	Goodwill £	Negative goodwill £	Trademarks £	Computer software £	Player registrations £	Total £
<b>Cost</b>						
At 1 Jul 2015	5,984,321	—	10,398	124,724	9,654,593	15,774,036
Additions	125,000	—	1,200	7,200	6,308,380	6,441,780
Disposals	—	—	—	—	(3,905,069)	(3,905,069)
Acquisitions through business combinations	294,562	(717,255)	—	—	—	(422,693)
<b>At 30 Jun 2016</b>	<b>6,403,883</b>	<b>(717,255)</b>	<b>11,598</b>	<b>131,924</b>	<b>12,057,904</b>	<b>17,888,054</b>
<b>Amortisation</b>						
At 1 Jul 2015	935,231	—	5,546	91,284	4,832,117	5,864,178
Charge for the year	231,752	(83,680)	1,079	18,898	3,720,605	3,888,654
Disposals	—	—	—	—	(3,555,909)	(3,555,909)
Impairment losses	—	—	—	—	236,539	236,539
<b>At 30 Jun 2016</b>	<b>1,166,983</b>	<b>(83,680)</b>	<b>6,625</b>	<b>110,182</b>	<b>5,233,352</b>	<b>6,433,462</b>
<b>Carrying amount</b>						
<b>At 30 Jun 2016</b>	<b>5,236,900</b>	<b>(633,575)</b>	<b>4,973</b>	<b>21,742</b>	<b>6,824,552</b>	<b>11,454,592</b>
At 30 Jun 2015	5,049,090	—	4,852	33,440	4,822,476	9,909,858

## 13. Intangible assets (continued)

Company	Goodwill £	Trademarks £	Computer software £	Player registrations £	Total £
<b>Cost</b>					
At 1 Jul 2015	5,984,321	10,398	124,724	9,654,593	15,774,036
Additions	—	1,200	7,200	6,308,380	6,316,780
Disposals	—	—	—	(3,905,069)	(3,905,069)
<b>At 30 Jun 2016</b>	<b>5,984,321</b>	<b>11,598</b>	<b>131,924</b>	<b>12,057,904</b>	<b>18,185,747</b>
<b>Amortisation</b>					
At 1 Jul 2015	935,231	5,546	91,284	4,832,117	5,864,178
Charge for the year	119,956	1,079	18,898	3,720,605	3,860,538
Disposals	—	—	—	(3,555,909)	(3,555,909)
Impairment losses	—	—	—	236,539	236,539
<b>At 30 Jun 2016</b>	<b>1,055,187</b>	<b>6,625</b>	<b>110,182</b>	<b>5,233,352</b>	<b>6,405,346</b>
<b>Carrying amount</b>					
<b>At 30 Jun 2016</b>	<b>4,929,134</b>	<b>4,973</b>	<b>21,742</b>	<b>6,824,552</b>	<b>11,780,401</b>
At 30 Jun 2015	5,049,090	4,852	33,440	4,822,476	9,909,858

Included in intangible assets is negative goodwill with a carrying amount of £633,575 (2015: £nil). This negative goodwill arose on the acquisition of Leeds United Media Limited during the year. The negative goodwill all relates to non-monetary assets and is being amortised over a period of five years, being the period that the company is expected to benefit.

Following a review of the playing squad at the year end and the subsequent release of several players the Directors have taken the decision to impair the value of several members of the First Team squad. A total of £236,539 (2015: £353,727) has been charged to the profit and loss in respect of this impairment.

## 14. Tangible assets

Group	Leasehold land and buildings £	Alterations and improvements £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 July 2015	2,186,666	12,347,982	3,923,046	18,457,694
Additions	—	333,633	464,571	798,204
Disposals	—	—	(5,500)	(5,500)
Transfers	839,331	1,469,048	470,044	2,778,423
<b>At 30 June 2016</b>	<b>3,025,997</b>	<b>14,150,663</b>	<b>4,852,161</b>	<b>22,028,821</b>
<b>Depreciation</b>				
At 1 July 2015	333,675	4,508,527	3,019,937	7,862,139
Charge for the year	156,109	933,313	334,329	1,423,751
Disposals	—	—	(3,391)	(3,391)
Transfers	290,527	542,505	400,400	1,233,432
<b>At 30 June 2016</b>	<b>780,311</b>	<b>5,984,345</b>	<b>3,751,275</b>	<b>10,515,931</b>
<b>Carrying amount</b>				
<b>At 30 June 2016</b>	<b>2,245,686</b>	<b>8,166,318</b>	<b>1,100,886</b>	<b>11,512,890</b>
At 30 June 2015	1,852,991	7,839,455	903,109	10,595,555

Leeds United Football Club Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

14. Tangible assets (continued)

Company	Leasehold land and buildings £	Alterations and improvements £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 July 2015	2,186,666	12,347,982	3,923,046	18,457,694
Additions	—	333,633	440,379	774,012
Disposals	—	—	(781,686)	(781,686)
<b>At 30 June 2016</b>	<b>2,186,666</b>	<b>12,681,615</b>	<b>3,581,739</b>	<b>18,450,020</b>
<b>Depreciation</b>				
At 1 July 2015	333,675	4,508,527	3,019,937	7,862,139
Charge for the year	117,570	860,638	234,653	1,212,861
Disposals	—	—	(664,467)	(664,467)
<b>At 30 June 2016</b>	<b>451,245</b>	<b>5,369,165</b>	<b>2,590,123</b>	<b>8,410,533</b>
<b>Carrying amount</b>				
<b>At 30 June 2016</b>	<b>1,735,421</b>	<b>7,312,450</b>	<b>991,616</b>	<b>10,039,487</b>
At 30 June 2015	1,852,991	7,839,455	903,109	10,595,555

The company has an option to acquire land adjacent to Lowfields Road from Leeds City Council that would be required to complete the East Stand Development for which planning consent is in place. The option will expire on 31 October 2016.

The directors have reviewed the carrying amount of both the tangible and intangible assets and are satisfied that they are not impaired other than as described in note 13.

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

Group and company	Fixtures and fittings £
<b>At 30 June 2016</b>	<b>95,147</b>
At 30 June 2015	172,000

15. Investments

The group has no investments.

Company	Shares in group undertakings £
<b>Cost</b>	
Additions	2
<b>At 30 June 2016</b>	<b>2</b>
<b>Impairment</b>	
At 1 Jul 2015 and 30 Jun 2016	—
<b>Carrying amount</b>	
<b>At 30 June 2016</b>	<b>2</b>
At 30 June 2015	—

Leeds United Football Club Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

15. Investments (continued)

On 3 July 2015 the company acquired the entire share capital of Leeds United Conference and Events Limited, a company incorporated in England and Wales with the principal activity of providing conferencing and events facilities. On 25 November 2015 the company acquired the entire share capital of Leeds United Media Limited, a company incorporated in England and Wales with the principal activity of providing digital media and online advertising. The share capital of both companies was acquired from Leeds City Holdings Limited at its nominal value of £1 each.

Further details of the acquisitions in the year are included in note 26.

16. Stocks

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Goods held for resale	<u>640,813</u>	<u>846,015</u>	<u>589,873</u>	<u>846,015</u>

The cost of stock recognised as cost of sales during the year was £4,002,556 (2015: £3,937,296).

Stocks are stated after provisions for impairment of £1,154,533 (2015: £nil).

17. Debtors

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	984,466	2,824,307	824,913	2,824,307
Amounts owed by group undertakings	2,178,094	4,022,701	2,736,812	4,022,701
Prepayments and accrued income	1,861,794	4,564,610	1,723,205	4,564,610
Transfer fee debtors	1,774,686	902,001	1,774,686	902,001
Other debtors	<u>381,944</u>	<u>245,528</u>	<u>371,634</u>	<u>245,528</u>
	<u>7,180,984</u>	<u>12,559,147</u>	<u>7,431,250</u>	<u>12,559,147</u>

Amounts owed by group undertakings of £4,022,701 at 30 June 2015 has been restated as due within one year as this balance is repayable on demand.

Debtors falling due after one year are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Transfer fee debtors	<u>1,600,000</u>	<u>—</u>	<u>1,600,000</u>	<u>—</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts owed to related parties	2,000,000	1,000,000	2,000,000	1,000,000
Trade creditors	3,215,574	4,332,941	3,137,859	4,332,941
Amounts owed to group undertakings	4,988,337	4,944,280	6,036,747	4,944,280
Accruals and deferred income	8,646,423	9,968,201	8,417,988	9,968,201
Social security and other taxes	1,718,054	920,273	1,595,116	920,273
Obligations under finance leases and hire purchase contracts	78,943	86,916	78,943	86,916
Transfer fee creditors	2,372,328	2,247,294	2,372,328	2,247,294
Other creditors	<u>279,519</u>	<u>439,616</u>	<u>279,519</u>	<u>439,616</u>
	<u>23,299,178</u>	<u>23,939,521</u>	<u>23,918,500</u>	<u>23,939,521</u>

**18. Creditors: amounts falling due within one year (continued)**

Amounts owed to group undertakings of £4,142,114 at 30 June 2015 has been restated as due within one year as this balance is repayable on demand.

Included in accruals and deferred income are £5,665,493 (2015: £4,969,132) representing advance payment of tickets and sponsorship that would only become a liability of the group should the football club fail to fulfill all of its fixtures for future seasons.

Included in accruals and deferred income is an advance payment of £nil (2015: £900,000) which is secured by a fixed and floating charge over all the company's assets.

Obligations under finance leases are secured on the related assets.

**19. Creditors: amounts falling due after more than one year**

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Amounts owed to related parties	8,047,983	8,390,639	8,047,983	8,390,639
Other loans	1,600,000	—	1,600,000	—
Accruals and deferred income	—	550,000	—	550,000
Obligations under finance leases and hire purchase contracts	165,995	62,597	165,995	62,597
Transfer fee creditors	1,269,730	2,880,802	1,269,730	2,880,802
Pension	327,872	405,452	327,872	405,452
	<u>11,411,580</u>	<u>12,289,490</u>	<u>11,411,580</u>	<u>12,289,490</u>

Obligations under finance leases are secured on related assets.

Other loans includes an invoice finance discounting advance of £1,600,000 (2015: £nil) secured on the related book debt.

**20. Finance leases and hire purchase contracts**

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	96,262	128,794	96,262	128,794
Later than 1 year and not later than 5 years	170,432	100,990	170,432	100,990
	<u>266,694</u>	<u>229,784</u>	<u>266,694</u>	<u>229,784</u>
Less: future finance charges	(21,756)	(80,271)	(21,756)	(80,271)
Present value of minimum lease payments	<u>244,938</u>	<u>149,513</u>	<u>244,938</u>	<u>149,513</u>

**21. Employee benefits****Defined contribution schemes**

Certain professional footballing staff are members of the Football League Players Retirement Income Scheme, a non-contributory defined contribution scheme. In addition the company operates a defined contribution scheme open to all other employees. Costs of all defined contribution schemes, totalling £33,601 (2015: £26,633), have been charged to the profit and loss account in the period.



**21. Employee benefits (continued)****Defined benefit scheme**

Certain other professional footballing staff are members of the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. Under section 28 of FRS 102 the FLLPLAS would be treated as a defined benefit multi-employer scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Sufficient information is not available for full disclosure.

Following a review of the Minimum Funding Requirement ("MFR") of the FLLPLAS, accrual of benefits of the final salary section of the scheme was suspended as at 31 August 1999. In light of the exceptional circumstances affecting the scheme, the trustees of the scheme commissioned an independent actuary's report on the MFR position and a substantial deficit was identified. Under the Pensions Act 1985, participating employers will be required to contribute to the deficiency. The latest actuarial valuation of the scheme was carried out as at 31 August 2014 and resulted in a charge to the profit and loss account of £172,946. The allocation of the deficit under this valuation is repayable at £6,465 per month effective from 1 September 2015.

**22. Financial instruments**

The carrying amount for each category of financial instrument is as follows:

	2016 £	2015 £
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>8,047,983</u>	<u>8,390,639</u>

Financial liabilities relate to an interest free loan provided by a shareholder that is repayable in more than one year. The loan has been recognised at the present value of future payments discounted at a market rate of interest for a similar debt instrument, deemed to be 7%. The difference between the value of the loan and the cash received, and any subsequent movement has been recognised as a capital contribution by the connected party.

The financial liability is included in amounts owed to related parties and £3,500,000 is repayable in annual instalments from June 2016 to June 2019. In the event that the club becomes a member of the FA Premier League prior to 2019, the remaining £13,500,000 will be repayable. If the club does not become a member of the FA Premier League, the remaining balance is repayable in annual instalments from June 2019 to June 2032. The loans are unsecured and interest free.

The fair value calculation has been carried out on the basis that the club will not become a member of the FA Premier League prior to 2019.

**23. Called up share capital**

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>19,000,000</u>	<u>19,000,000</u>	<u>19,000,000</u>	<u>19,000,000</u>

**24. Reserves**

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution - This reserve records movements in the fair value of financial instruments.

Profit and loss account - This reserve records retained earnings and accumulated losses.

Leeds United Football Club Limited

Notes to the Financial Statements (continued)

Year ended 30 June 2016

25. Cash generated from operations

	2016 £	2015 £
Loss for the financial year	(8,870,934)	(2,278,473)
<i>Adjustments for:</i>		
Depreciation of tangible assets	1,423,751	1,320,965
Amortisation of intangible assets	3,888,654	3,186,409
Impairment of intangible assets	236,539	353,727
Gain on disposal of players' registrations	(2,781,812)	(9,815,148)
Interest payable and similar charges	966,259	(547,056)
Loss on disposal of tangible assets	2,108	786
Accrued (income)/expenses	(527,014)	1,014,835
<i>Changes in:</i>		
Stocks	205,202	(208,033)
Trade and other debtors	5,028,697	(3,722,427)
Trade and other creditors	(5,622,915)	617,656
	<u>(6,051,465)</u>	<u>(10,076,759)</u>

26. Business combinations

Acquisition of Leeds United Conference and Events Limited

The fair value of consideration paid in relation to the acquisition of Leeds United Conference and Events Limited is as follows:

Cash	£ <u>1</u>
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The fair value of amounts recognised at the acquisition date in relation to Leeds United Conference and Events Limited are as follows:

	<b>Fair value</b> £
Tangible assets acquired	1,544,989
Other creditors assumed	<u>(1,839,550)</u>
	(294,561)
Goodwill on acquisition	<u>294,562</u>
	<u>1</u>

Acquisition of Leeds United Media Limited

The fair value of consideration paid in relation to the acquisition of Leeds United Media Limited is as follows:

Cash	£ <u>1</u>
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The fair value of amounts recognised at the acquisition date in relation to Leeds United Media Limited are as follows:

	<b>Fair value</b> £
Other debtors acquired	1,112,553
Cash and cash equivalents acquired	<u>1</u>
Other creditors assumed	<u>(395,299)</u>
	717,255
Goodwill on acquisition	<u>(717,254)</u>
	<u>1</u>

**27. Operating leases**

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Not later than 1 year	2,129,547	2,095,184	2,129,547	2,095,184
Later than 1 year and not later than 5 years	8,733,867	8,567,021	8,733,867	8,567,021
Later than 5 years	20,978,757	23,099,609	20,978,757	23,099,609
	<u>31,842,171</u>	<u>33,761,814</u>	<u>31,842,171</u>	<u>33,761,814</u>

**28. Contingencies**

In the event of the club becoming a member of the FA Premier League before the 2017/18 Season then a liability of £4,750,000 (2015: £4,750,000) will become payable to the liquidator of Leeds United Association Football Club Limited under the provision of the sale agreement entered into on 4 May 2007.

Under the terms of the financial provisions relating to transfer of player registrations, future payments of up to £3,867,859 (2015: £1,197,620) may be payable dependent on the club's promotion to the FA Premier League and/or players appearances for the club. Promotion to the FA Premier League may also incur bonuses payable of £10,938,046 (2015: £8,321,284) conditional on the performance of both players and football management throughout the 2015/16 season.

At the year end there were a number of legal claims and various claims from H M Revenue and Customs outstanding against the company. These claims are being challenged by the directors and so there is significant uncertainty over their outcome. For this reason no provision has been included in the balance sheet.

**29. Events after the end of the reporting period**

On 5 September 2016 the club entered into a new agreement with GFH Financial Group B.S.C. to restructure existing loans totalling £17,000,000. Under the terms of the new agreement the club's liability reduced to £16,950,000 with annual repayments commencing in August 2017 and ending in August 2029. The new agreement is interest bearing and repayments are no longer conditional on the club's promotion to the FA Premier League.

On 26 September 2016 the club entered into an agreement with Eleonora Sport Limited, the parent company, to capitalise £5,000,000 of debt due to Eleonora Sport Limited by Leeds United Football Club Limited. Under the terms of the agreement the £5,000,000 of debt was converted into 5,000,000 ordinary £1 shares.

**30. Directors' advances, credits and guarantees**

The company made advances of £19,862 (2015: £1,311,183) to Mr Massimo Cellino, a director, and received repayments of £25,430 (2015: £31,034). At 30 June 2016 a balance of £nil (2015: £5,568), included in other debtors, was due from Mr Massimo Cellino. The maximum overdraft balance during the year was £13,568. This loan was unsecured, interest free and repayable on demand.

The company made advances of £5,000 (2015: £nil) to Mr Edoardo Cellino, a director. At 30 June 2016 a balance of £5,000 (2015: £nil), included in other debtors, was due from Mr Edoardo Cellino. The maximum overdraft balance during the year was £5,000. This loan is unsecured, interest free and repayable on demand.

**31. Related party transactions****Entities with control over the company**

	2016 £	2015 £
Advances received	5,281,358	4,718,643
Repayments made	4,424,736	5,044,083
Debt converted to share capital	–	6,500,000
Creditor balance	4,998,736	4,142,114
Interest payable	125,000	–

**Key management personnel**

	2016 £	2015 £
Advances received	382,468	31,034
Repayments made	396,995	1,342,217
Interest payable	14,583	–
Creditor	56	–

**Other related parties**

	2016 £	2015 £
Advances received	–	116,516
Repayments made	–	3,000,000
Management fees charged	–	250,000
Advances made	3,395	54,450
Reversal of interest previously accrued	–	914,369
Debtors	2,188,495	4,034,651
Creditors	17,000,000	17,812,427
Purchases	(10,261)	32,809

The company has taken advantage of the exemption in section 33 of FRS 102 not to disclose transactions with subsidiary undertakings where the company controls 90% or more of the voting rights.

**32. Controlling party**

Trust Sporting 2006, a trust registered in Italy, is the ultimate controlling party and Eleonora Sport Limited is the immediate parent company.

**33. Transition to FRS 102**

These are the first financial statements that comply with FRS 102. The group and the company transitioned to FRS 102 on 1 July 2014.

## 33. Transition to FRS 102 (continued)

## Reconciliation of equity

Group	As previously stated £	1 July 2014 Effect of transition £	FRS 102 (as restated) £	As previously stated £	30 June 2015 Effect of transition £	FRS 102 (as restated) £
Fixed assets	19,304,635	—	19,304,635	20,505,413	—	20,505,413
Current assets	21,587,749	—	21,587,749	24,342,834	—	24,342,834
Creditors: amounts falling due within one year	(18,734,657)	—	(18,734,657)	(23,939,521)	—	(23,939,521)
Net current (liabilities)/assets	2,853,092	—	2,853,092	403,313	—	403,313
Total assets less current liabilities	22,157,727	—	22,157,727	20,908,726	—	20,908,726
Creditors: amounts falling due after more than one year	(35,635,510)	—	(35,635,510)	(19,898,851)	7,609,361	(12,289,490)
Net (liabilities)/assets	(13,477,783)	—	(13,477,783)	1,009,875	7,609,361	8,619,236
Capital and reserves	(13,477,783)	—	(13,477,783)	1,009,875	7,609,361	8,619,236

## Reconciliation of equity

Company	As previously stated £	1 July 2014 Effect of transition £	FRS 102 (as restated) £	As previously stated £	30 June 2015 Effect of transition £	FRS 102 (as restated) £
Fixed assets	19,304,635	—	19,304,635	20,505,413	—	20,505,413
Current assets	21,587,749	—	21,587,749	24,342,834	—	24,342,834
Creditors: amounts falling due within one year	(18,734,657)	—	(18,734,657)	(23,939,521)	—	(23,939,521)
Net current (liabilities)/assets	2,853,092	—	2,853,092	403,313	—	403,313
Total assets less current liabilities	22,157,727	—	22,157,727	20,908,726	—	20,908,726
Creditors: amounts falling due after more than one year	(35,635,510)	—	(35,635,510)	(19,898,851)	7,609,361	(12,289,490)
Net (liabilities)/assets	(13,477,783)	—	(13,477,783)	1,009,875	7,609,361	8,619,236
Capital and reserves	(13,477,783)	—	(13,477,783)	1,009,875	7,609,361	8,619,236

33. Transition to FRS 102 *(continued)*

## Reconciliation of profit or loss for the year

	Year ended 30 June 2015		
	As previously stated £	Effect of transition £	FRS 102 (as restated) £
Turnover	24,418,955	–	24,418,955
Cost of sales	(3,937,294)	–	(3,937,294)
Gross profit	20,481,661	–	20,481,661
Administrative expenses	(33,324,255)	–	(33,324,255)
Other operating income	201,918	–	201,918
Operating loss	(12,640,676)	–	(12,640,676)
Gain on disposal of players' registrations	9,815,148	–	9,815,148
Interest payable and similar charges	813,187	(266,131)	547,056
Loss for the financial year	(2,012,342)	(266,131)	(2,278,473)

**Financial instruments**

FRS 102 requires financial instruments to be recognised at fair value. No transition adjustment was required at 1 July 2014 but an interest free loan was advanced to the company during the year ended 30 June 2015 on which a fair value adjustment was recognised increasing capital and reserves by £7,609,361 at 30 June 2015. An interest charge of £266,131 was also recognised in the year ended 30 June 2015 increasing the loss for the year by this amount.

**Computer software**

Computer software, with a net book value of £54,660 at 1 July 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.