

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2016
Registered number: 04593477

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Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2016

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Leicester City Football Club Limited

Directors and advisors

Registered office

King Power Stadium
Filbert Way
Leicester
Leicestershire
LE2 7FL

Directors

Vichai Srivaddhanaprabha
Aiyawatt Srivaddhanaprabha
Apichet Srivaddhanaprabha
Shilai Liu
Supornthip Choungsangsee
Susan Whelan

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2016

The directors present their strategic report and the audited financial statements for the year ended 31 May 2016.

Principal activities

The principal activity of the Company is the operation of a professional football club.

Results

The Club is pleased to report another year of increasing revenue and substantial profits. The Club's Profit before Tax fell to £16.4m from £26.3m as an increase in salaries and bonuses arising from the success of the Club, the reintroduction of the management fee and an increase in player amortisation offset the increased revenue. The Profit for the financial year was £20.1m (2015 £31.1m).

The 2015/16 Premier League season has been historic in many respects for Leicester City Football Club. Winning the Premier League by 10 points whilst having a playing budget less than half of the Clubs who have historically contested the League title is unprecedented since the advent of the Premier League. The 1st team, motivated by the outstanding support of our fans have delivered probably the most unexpected title success in the history of English Football and this achievement has now increased the popularity and international reach of the Club significantly. The Club now has a unique opportunity to establish itself towards the top of the Premier League and to challenge for European Honours whilst growing its international fan base and profile.

The turnover of the Club has risen to £128.7m from £104.4m in 2015. Much of this relates to additional place payments arising from the Clubs higher finishing position in the Premier League as well as the Club being chosen for additional live TV fixtures. Retail income has also increased exponentially.

Operating expenditure (excluding staff costs) increased by £22.0m to £41.0m (2015: £19.0m) primarily due to an £11.8m increase in the amortisation costs of player's registrations arising from increased investment in the playing squad. Other increases included a £2.0m donation to Leicester Children's Hospital, £1.3m foreign exchange movement, £1.0m additional cost of retail goods arising from increased sales, £0.9m on activities and events in the year, £0.7m on rebranding at the stadium and a £0.3m increase in depreciation arising from investment in fixed assets undertaken during the year.

Net interest payable for the year increased to £2.1m (2015: £1.8m) arising mostly from an increase in the notional interest charged under FRS102 in relation to the growing value of transfer creditors and an increase in the balance on the deferred stadium purchase consideration.

In the year to 31 May 2016, player trading realised profits of £10.8m (2015: £0.1m), arising mostly from the disposal of the registrations of David Nugent, Chris Wood and Andrei Kramaric as well as the loan of Ritchie De Laet to Middlesbrough.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2016 (continued)

Results (continued)

The Club's achievement in becoming Champions of the Premier League is the latest and most significant success since the acquisition of the Club by King Power International (KPI) and the Srivaddhanapraba family. Their support has been instrumental to the ongoing development of the Club and the progress it has made in the last 6 years.

The Directors are confident the Club has complied with the Premier League Financial Fair Play ("FFP") and Short Term Cost Control requirements in the season and the Club complied with the UEFA licencing requirements.

The Company had a net cash inflow for the year of £16.9m (2015: £5.7m) comprising a £46.3m cash inflow from operating activities (2015: inflow of £28.6m) and a net investment in tangible and intangible assets of £25.4m (2015: net investment of £22.5m). In the current year there was £4.0m net cash used in financing activities (2015: £0.4m). No dividend has been paid in the year (2015: £nil).

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 May 2015. The date of transition to FRS 102 was 1 June 2014. The impact of this adoption is further explained in note 22.

Key performance indicators

	2016	2015
Average league attendance	32,021	31,693
Cash balance at year end (£'000)	31,097	14,179
Staff costs (per note 5)/turnover expressed as a percentage	62.4%	55.0%
Operating profit excluding player amortisation, impairments, and player trading (£'000)	25,738	35,322

Asset values

At the year end there were 41 (2015: 34) players for which the cost of their player registration has been capitalised and that were still being amortised over the period of the respective player's contract. The combined net book value of these players is £40.0m as at 31 May 2016 (2015: £22.9m). An impairment provision of £2.3m has been recognised in 2016 against the carrying value (2015: £nil). The directors' assessment of the market value of the playing squad at 31 May 2016, which includes those players where the market value exceeds their carrying values, is £236.3m (2015: £64.6m). The Club's investment in player's registrations of £41m and the rise in player's registration market value arising from a Premier League title winning season has driven this increase.

The King Power Stadium is currently carried at £39.9m (2015: £40.7m), which reflects the current depreciated replacement value of the stadium based on a valuation by DTZ on 31 May 2014. Based on the advice received, and their own assessment of the potential market value the Club's other land and buildings, the directors are satisfied that the carrying values are not materially different to the current market values.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2016 (continued)

Future outlook

The Club's Premier League title winning season in 2015/6 has provided it with a unique opportunity to grow its international supporter base and to generate revenue world-wide. The Club's participation in the Champions League 2016/17 and the new Premier League TV deal will lead to further significant growth in the Club's income. The Club continues to invest in its squad to allow it to compete in the Champions League through the acquisition of players and the negotiation of new contracts with key players has allowed the Club to retain much of the team who have delivered the recent success.

The Club's on pitch performance both in the Champions League and the Premier League continues to be strong. This will assist the Club in the continued increase of its underlying revenue as the growth in the international profile and Fan base of the Club will allow it to grow its reach and commercial appeal.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate processes are in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse impact on the Company.

These areas include football, FFP, employees, business environment and finance related risks:

Football

Membership of, and finishing position in, the Premier League have a highly material impact on the revenue streams and cash generation of the Club. The Company also faces the risk of underperforming against crowd expectations which has a significant impact on revenue streams and cash generation. Qualification for European competition also has a highly material impact on the revenue and cash flows of the Club for the season in question. The directors understand these risks and therefore make prudent budget assumptions with regards to League position and cup success. The directors also monitor the performance of both management and players and have a proven record of making changes where required.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2016 (continued)

Financial Fair Play

The Club is currently regulated for FFP under the Premier League FFP regulations and Short Term Cost Control regulations as well as the UEFA Profitability and Sustainability Regulations. The Club reviews its compliance with these regulations at the time of setting its budgets and at all relevant situations where a decision may be taken that would have a material impact on that compliance.

The Club submitted an FFP return to the Football League in relation to the 2013/14 season in December 2014. The Football League has subsequently indicated that they do not accept the return as compliant. The Club is now challenging the legality of the 2012 Championship FFP Regulations as the Club's directors believe them to be unlawful and the directors are confident that no material liability will arise from this process.

Employees

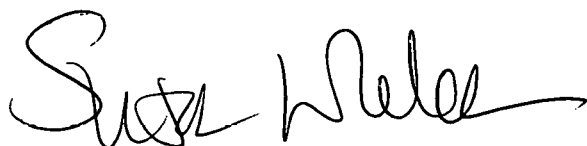
The Company's performance depends largely on its manager and staff. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Company's results. To mitigate these issues the Company is constantly analysing its market place and has employee performance reviews in place that are designed to retain key individuals.

Business environment

The Company operates in a challenging business environment/industry sector where revenue streams can reduce significantly dependent upon on pitch performance and where costs can be unrelated to income generated. To mitigate this risk the Club has a strategy of performance related pay for key personnel, whereby salary costs will fluctuate in line with income generated and on-pitch performance. The directors also review the level of fixed costs incurred, with a view to restricting unnecessary expense and matching costs to income streams.

The Club now purchases and sells players in multiple currencies and also has Champions League revenues which are denominated mostly in Euros. Where the Club has material assets or liabilities in the future the Club reviews its net exchange risk position and where necessary enters into hedging arrangements.

On behalf of the Board



Susan Whelan
Chief Executive
11th October 2016

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2016

The directors present their report and the audited financial statements for the year ended 31 May 2016.

Future developments

The future developments of the Club are detailed within the Strategic report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, interest rate risk, exchange rate risk and credit risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of risk.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Liquidity and interest rate risk

The Company manages its liquidity risk on a weekly basis through cash monitoring and cash flow forecasting to ensure that it has sufficient resources to meet its obligations. The ultimate controlling party has confirmed that it will not require the repayment of any amounts owing that will lead to the Club requiring further external funding.

In order to ensure stability of cash flows and manage interest rate risk, the Company has a policy of maintaining the majority of its long term debt at fixed rates. The Company does not use other derivative financial instruments to manage interest rate costs.

Further detail for the amounts owed to the parent company and companies under common control, which are the principal sources of funding, can be found in note 12.

Credit risk

The Company manages credit risk with respective counterparties as follows:

- Football clubs: the Premier League and Football League rules require football creditors to be paid in full in any insolvency event.
- Corporate partners are reviewed for their credit worthiness using commercially available credit rating facilities and, where necessary, services are only provided after payment has been received.
- Personal credit is only given in controlled circumstances with direct debit systems, and compliance with agreed payments rigorously monitored.

Exchange rate risk

The Company manages its exchange risk by reviewing its net asset and liability exposure in various currencies and where it is believed that net exposure needs to be hedged the Club enters into forward hedging contracts.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2016 (continued)

Going concern

The Company was both substantially profitable and cash positive in the 2015/16 financial year and forecasts indicate that it will continue to be so in the 2016/17 financial year, and the financial statements have therefore been prepared on a going concern basis. Further details are set out in note 1 to the financial statements.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Vichai Srivaddhanaprabha (Chairman)
Aiyawatt Srivaddhanaprabha (Vice Chairman)
Apichet Srivaddhanaprabha
Shilai Liu (Vice Chairman)
Supornthip Choungrangsee
Susan Whelan

Charitable donations

Each year the Club chooses a group of charities to support for the relevant season via its own charity, the LCFC Foxes Foundation. The Club provides free administration, management and accounting support. The main causes supported included the Lord Mayor of Leicester's Appeal, the Royal Voluntary Service, Leicester Hospitals Charity Children's Appeal, Warning Zone and Once, We Were Soldiers.

The Club also has several match-day collections during every season. Collections for St John's Ambulance, The Royal British Legion and the LCFC Foxes Foundation have either been undertaken in the 2015/16 season or will be undertaken in the 2016/17 season.

The Company also supports Leicester City Football in the Community Charitable Trust, a charitable trust aimed at the promotion and provision of sport, education, health and football services for the community in the City and in Leicestershire. The Club donated £23,000 as well as significant in kind contributions during the year.

The Company has made charitable donations in the year of £2,330,000 (2015: £346,000).

Subsequent events

Since the year end the Club has invested £1.45m in its facilities including the purchase of further growing lights for the King Power Stadium pitch and refurbishment of more hospitality spaces to prepare for the Champions League.

Since 31 May 2016 the Club has contracted for the purchase and sale of various players. The net cost of these transactions, taking into account the applicable levies and contingent fees but excluding value added tax, is £47.9m (2015: £33.7m). These transfers and costs will be accounted for in the year ending 31 May 2017.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2016 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS102) 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 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.

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.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the Board

Susan Whelan
Chief Executive

11th October 2016

Registered number: 04593477



Leicester City Football Club Limited

Independent auditors' report to the members of Leicester City Football Club Limited

Report on the financial statements

Our opinion

In our opinion, Leicester City Football Club Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 May 2016 and of its profit and cash flows 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.

What we have audited

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 May 2016;
- the Profit and loss account and Statement of comprehensive income for the year then ended;
- the Cash flow statement and the notes to the cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS102) and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Leicester City Football Club Limited

Independent auditors' report to the members of Leicester City Football Club Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 8, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Leicester City Football Club Limited

Independent auditors' report to the members of Leicester City Football Club Limited (continued)

What an audit of the financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
11th October 2016

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2016

	Note	2016 £'000	Restated 2015 £'000
Turnover	2	128,715	104,437
Cost of sales		(108,641)	(71,373)
Gross profit		20,074	33,064
Administrative expenses		(9,548)	(2,024)
Stadium expenses		(3,444)	(3,002)
Other operating income		597	-
Loss on disposal of fixed assets		-	(38)
Profit on disposal of player registrations		10,793	135
Operating profit on ordinary activities before interest and taxation		18,472	28,135
Interest receivable and similar income	4	166	33
Interest payable and similar charges	4	(2,273)	(1,860)
Net interest payable	4	(2,107)	(1,827)
Profit on ordinary activities before taxation		16,365	26,308
Tax on profit on ordinary activities	6	3,697	4,742
Profit for the financial year		20,062	31,050

Statement of comprehensive income for the year ended 31 May 2016

	Note	2016 £'000	Restated 2015 £'000
Profit for the financial year		20,062	31,050
Other comprehensive income			
Deferred tax current year credit	6	443	91
Total comprehensive income for the year		20,505	31,141

The restatement of the 2015 profit and loss account relates to the changes in accounting policies required as a result of the transition to FRS 102, which are presented in more detail in note 22.


Leicester City Football Club Limited

Balance sheet as at 31 May 2016

	Note	2016 £'000	Restated 2015 £'000
Fixed assets			
Intangible assets	7	40,013	22,896
Tangible assets	8	53,542	52,684
Investments	9	-	-
		93,555	75,580
Current assets			
Finished goods and goods for resale		634	577
Debtors	10	44,632	21,783
Cash at bank and in hand		31,097	14,179
		76,363	36,539
Creditors: amounts falling due within one year	11	(98,603)	(63,622)
Net current liabilities		(22,240)	(27,083)
Total assets less current liabilities		71,315	48,497
Creditors: amounts falling due after more than one year	12	(8,764)	(6,451)
Net assets		62,551	42,046
Capital and reserves			
Called up share capital	14	112,756	112,756
Share premium account		8,475	8,475
Revaluation reserve		25,814	26,273
Profit and loss account		(84,494)	(105,458)
Total shareholders' funds		62,551	42,046

The restatement of the 2015 balance sheet relates to the changes in accounting policies required as a result of the transition to FRS 102, which are presented in more detail in note 22.

The financial statements on pages 12 to 39 were approved by the board of directors on 11th October 2016 and signed on its behalf by:


Susan Whelan
Chief Executive

Leicester City Football Club Limited

Statement of changes in equity for the year ended 31 May 2016

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders funds £'000
Balance as at 1 June 2014 (restated)	112,756	8,475	26,730	(137,056)	10,905
Profit for the financial year	-	-	-	31,050	31,050
Other comprehensive income for the year	-	-	-	91	91
Transfer to profit and loss account	-	-	(457)	457	-
Balance as at 1 June 2015 (restated)	112,756	8,475	26,273	(105,458)	42,046
Profit for the financial year	-	-	-	20,062	20,062
Other comprehensive income for the year	-	-	-	443	443
Transfer to profit and loss account	-	-	(459)	459	-
Balance as at 31 May 2016	112,756	8,475	25,814	(84,494)	62,551

The restatement of the 1 June 2015 balances relates to the changes in accounting policies required as a result of the transition to FRS 102, which are presented in more detail in note 22.

The accounting policies and the notes on pages 17 to 39 form part of these financial statements.

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2016

	2016 £'000	2015 £'000
Net cash inflow from operating activities (note a)	46,308	28,633
Taxation paid	-	-
Net cash generated from operating activities	46,308	28,633
Cash flow from investing activities		
Purchase of tangible and intangible fixed assets	(28,652)	(23,572)
Sale of intangible fixed assets	3,049	1,033
Interest received	166	33
Net cash used in investing activities	(25,437)	(22,506)
Cash flow from financing activities		
Repayment of obligations under finance leases	(3,235)	-
Interest paid	(718)	(388)
Net cash used in financing activities	(3,953)	(388)
Net increase in cash and cash equivalents	16,918	5,739
Cash and cash equivalents at start of year	14,179	8,440
Cash and cash equivalents at start of year	31,097	14,179
Cash and cash equivalents consists of:		
Cash at bank and in hand	31,097	14,179
Cash and cash equivalents	31,097	14,179

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2016

a) Reconciliation of profit to net cash inflow from operating activities

	2016 £'000	2015 £'000
Profit for the financial year	20,062	31,050
Tax on profit on ordinary activities	(3,697)	(4,742)
Net interest payable	2,107	1,827
Operating profit	18,472	28,135
Amortisation and impairment charge	18,059	7,284
Depreciation charge	2,660	2,333
Profit on disposal of tangible and intangible fixed assets	(10,793)	(97)
Increase in stocks	(57)	(266)
Increase in debtors	(6,049)	(12,017)
Increase in creditors	24,016	3,261
Net cash inflow from operating activities	46,308	28,633

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016

1 Accounting policies

General information

Leicester City Football Club Limited's ('the Company') principal activity continues to be the operation of a professional football team.

The Company is incorporated and domiciled in the UK. The address of its registered office is King Power Stadium, Filbert Way, Leicester, LE2 7FL.

Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 22.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are also disclosed in this note.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Consolidated financial statements

Consolidated financial statements have not been prepared on the grounds of materiality under the exemption available under section 405 of the Companies Act 2006. The Company has one dormant wholly owned subsidiary with net assets of £2.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Going concern

During the year the Company was both profitable and cash positive and with Premier League status and Champions League qualification secured for the 2016/17 season the Club is forecast to continue to be profitable and cash flow positive in the 2016/17 financial year. The Company has net current liabilities at the year end.

In considering the appropriateness of the going concern basis for the preparation of these financial statements, the directors have considered the working capital requirements of the Company for the short, medium and longer term and the directors' therefore have a reasonable expectation that the Company will be able to continue as a going concern for the foreseeable future, and for this reason they continue to adopt the going concern basis in preparing the financial statements.

Accordingly, no provisions, reclassifications, or adjustments have been made in these financial statements to reflect the impact of the Company not being able to continue in business.

Turnover

Turnover represents the value of goods delivered and services provided by the Company during the year (stated net of value added tax). Season ticket and sponsorship income received prior to the year end in respect of the following football season is treated as deferred income and recognised over the season to which it relates.

Central distributions from the FA Premier League, UEFA in relation to the Champions League and sponsorship income are recognised in the profit and loss account in the relevant financial period for the season to which the income relates.

All other income is recognised on the provision of the service or transfer of economic benefit.

Pensions

The Company operates defined contribution schemes for certain of its employees. The Company funds its pension liabilities through externally managed pension schemes. Contributions are charged against operating profits in the year in which payments are due.

Certain of the Company's employees and ex-employees are members of the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme. As the Company is one of a number of participating employers in FLLPLAS it is not possible to identify the Company's share of the individual assets and liabilities within the scheme. However, the actuarial surplus or deficit is estimated and a provision is made for any unfunded obligation with any payments made being deducted from the outstanding balance. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Further details are set out in note 16.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Intangible fixed assets

The fair value of the cost of player registrations is capitalised as an intangible asset and amortised over the period of the respective player's contract. The fair value of contingent player registration costs are capitalised when the directors have reasonable grounds to consider that payment will be made during the contract period of the player.

Goodwill arising on acquisition is the difference between the fair value of consideration and the fair value of the separately identifiable assets and liabilities acquired. Goodwill is capitalised and amortised over its estimated useful life.

Tangible fixed assets

Fixed assets are stated at cost or valuation less depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

With effect from 31 May 2009, the stadium is revalued every five years, with an interim valuation after three years, on an existing use basis. The Stadium was therefore revalued as at 31 May 2014.

Depreciation is provided at rates calculated to write down the cost or valuation of each asset to its residual value on a straight-line basis over its expected useful life. Rates applied are as follows:

Stadium / freehold buildings	-	2% per annum
Fixtures and fittings	-	10% - 20% per annum
Computer equipment	-	20% - 33% per annum
Motor vehicles	-	20% per annum

Freehold land is not depreciated.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Fixed asset investments

Investments held as fixed assets are stated at cost and reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment

Intangible and tangible fixed assets and investments are subject to review for impairment in accordance with FRS 102, section 27, Impairment of Assets. Any impairment in the value of fixed assets is charged to the profit and loss account, as an additional component of the depreciation or amortisation charges.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair market value less costs to sell, and its value in use. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of a risk-free interest rate adjusted for risk related to the specific asset. For assets dependent on other assets to generate cash flows, the recoverable amount is calculated for the income generating unit to which the asset belongs.

Impairment losses are reversed if there is a trigger that changes the recoverable amount, with the exception of impairment losses on goodwill. The impairment losses on the goodwill are only reversed where an external event caused the original impairment loss and subsequent external events clearly and demonstrably reverse the effect of that event in a way that was not foreseen in the original impairment assessment.

Leased assets

Assets purchased under finance leases and hire purchase contracts have been capitalised and depreciation is charged at rates calculated to write down the cost of each asset to its residual value on a straight-line basis over its expected useful life or the period of the lease, whichever is shorter. Interest is charged to profit so as to produce a constant periodic rate of charge on the remaining balance of the lease for each accounting period. Operating lease payments are charged to the profit and loss on a straight line basis.

Stocks

Stocks comprise goods for resale and are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Provision is made for obsolete items.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Signing on fees

Signing on fees payable to players are charged to the profit and loss account over the contract period of each player. Contractual obligations are recognised when they become payable, with prepayments or accruals arising at each period end included within current assets or current liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/(loss) on disposal of players registrations in the period in which the disposal is recognised.

Deferred taxation

As required by FRS 102, section 29, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. Deferred tax assets are only recognised to the extent that they are more likely than not to be recovered. Deferred tax assets and liabilities have not been discounted.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest.

Taxation

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Critical accounting estimates

We believe that the following accounting policies reflect the most critical judgments, estimates and assumptions and are significant to the financial statements.

Revenue recognition Commercial

Commercial revenue comprises amounts receivable from the utilisation of the Leicester City brand through sponsorship and other commercial agreements, including minimum guaranteed revenue and fees generated by the Leicester City first team promotional tours. Minimum guaranteed revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship benefits enjoyed by the individual sponsor. In instances where the sponsorship rights remain the same over the duration of the contract, revenue is recognised on a straight-line basis.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

1 Accounting policies (continued)

Recognition of deferred tax assets

Deferred tax effects of temporary differences are recognised between the financial statement carrying amounts and the tax basis of our assets and liabilities. Deferred tax assets are recognised only to the extent that it is probable that the associated deductions will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary differences can be utilised, provided the asset can be reliably quantified. In estimating future taxable profit, management use "base case" approved forecasts which incorporate a number of assumptions, including a prudent level of future uncontracted revenue in the forecast period. In arriving at a judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to tax and advice on their interpretation. Future taxable income may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded. Furthermore, changes in the legislative framework or applicable tax case law may result in management reassessing the recognition of deferred tax assets in future periods.

2 Turnover

Turnover, which is all derived from the Company's principal activity and originates in the United Kingdom, is analysed as follows:

	2016 £'000	2015 £'000
Broadcasting rights	94,677	72,419
Sponsorship and advertising	14,427	15,104
Gate receipts	11,567	11,700
Commercial revenue	7,194	4,268
Other operating income	850	946
	128,715	104,437

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

3 Operating profit

Operating profit is stated after charging:

	2016 £'000	Restated 2015 £'000
Operating leases		
- plant and machinery	117	195
Depreciation:		
- owned tangible fixed assets	1,817	1,490
- assets held under finance leases and hire purchase contracts	843	843
Amortisation of intangible assets	15,804	7,284
Impairment of trade receivables	200	114
Impairment of inventory	-	15
Inventory recognised as an expense	2,167	1,293
Auditors' remuneration		
- audit of the Company's annual financial statements	50	41
- non-audit services – other assurance services	-	-
- non-audit services – tax advisory	10	20
- non-audit services – tax compliance	8	6

The restatement of the 2015 amortisation relates to the changes in accounting policies required as a result of the transition to FRS 102.

4 Net interest payable

	2016 £'000	Restated 2015 £'000
Interest payable and similar charges:		
Bank loans and overdrafts	70	167
Hire purchase contracts	1,559	1,472
Interest on transfer fees payable	644	221
	2,273	1,860
Interest receivable and similar income:		
Bank interest	-	(2)
Interest on staff loan	(10)	-
Interest on transfer fees receivable	(156)	(31)
	(166)	(33)
Net interest payable	2,107	1,827

The restatement of the 2015 amounts relates to the changes in accounting policies required as a result of the transition to FRS 102.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

5 Staff costs

The average monthly number of employees during the year, including directors, was as follows:

	2016 Number	2015 Number
Players	52	52
Administration	171	155
	223	207

In addition, the Company employs on average 555 (2015: 495) casual staff on match days.

Employee costs, including directors, during the year amounted to:

	2016 £'000	2015 £'000
Wages and salaries	68,772	49,082
Benefits in kind	2,134	1,209
Social security costs	9,240	6,519
Other pension costs (note 17)	206	628
	80,352	57,438

The employee costs above include the following remuneration in respect of the directors of the Company.

	2016 £'000	2015 £'000
Aggregate emoluments	145	121
Pension contributions	13	24
	158	145

The aggregate emoluments of the highest paid director were £158,000 (2015: £145,000) and one of the directors was accruing benefits under a defined contribution pension scheme (2015: one). The remaining directors receive no remuneration through the company.

Key management compensation	2016 £'000	2015 £'000
Salaries and other short-term benefits	145	123
Post-employment benefits	13	24
Share based payments	-	-
	158	145

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

6 Tax on profit / (loss) on ordinary activities

	2016 £'000	2015 £'000
UK corporation tax		
- current year	-	-
Total current tax	-	-
Deferred tax		
- origination and reversal of timing differences	(4,205)	(5,501)
- adjustments in respect of prior periods	16	-
- effect of changes in tax rate	492	759
Total deferred tax (note 13)	(3,697)	(4,742)
Tax on profit on ordinary activities	(3,697)	(4,742)

The standard rate of tax for the year ended 31 May 2016 was based on the UK effective rate of 20.00% (2015: 20.83%). The actual charge for the year is lower (2015: lower) than the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation	16,365	26,308
Tax on profit on ordinary activities at standard UK tax rate of 20.00% (2015: 20.83%)	3,273	5,479
Effects of:		
Expenses not deductible	806	245
Deferred tax not provided	(8,284)	(11,225)
Adjustment from previous periods	16	-
Tax rate changes	492	759
Current tax charge for the year	(3,697)	(4,742)

During the year the main rate of corporation tax was reduced from 21% to 20%. This change was effective from 1 April 2015.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017, and 18% from 1 April 2020 have already been substantially enacted on 26 October 2015.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

7 Intangible assets

	Player registrations £'000	Goodwill £'000	Total £'000
Cost			
At 1 June 2015 restated	41,030	4,266	45,296
Additions	40,815	-	40,815
Disposals	(13,206)	-	(13,206)
At 31 May 2016	68,639	4,266	72,905
Accumulated amortisation			
At 1 June 2015 restated	18,134	4,266	22,400
Charge for the year	15,804	-	15,804
Impairment	2,255	-	2,255
Disposals	(7,567)	-	(7,567)
At 31 May 2016	28,626	4,266	32,892
Net book amount			
At 31 May 2016	40,013	-	40,013
At 31 May 2015 restated	22,896	-	22,896

The purchased goodwill arose as a result of the acquisition of the trade and certain assets and liabilities of Leicester City Football Club in 2003.

The restatement of the 2015 opening balances relates to the changes in accounting policies required as a result of the transition to FRS 102.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

8 Tangible assets

	Stadium £'000	Other land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost or valuation						
At 1 June 2015	41,582	2,313	10,763	67	2,709	57,434
Reclassification	-	-	300	(67)	(233)	-
Additions	-	-	3,292	-	226	3,518
Disposals	-	-	-	-	-	-
At 31 May 2016	41,582	2,313	14,355	-	2,702	60,952
Accumulated depreciation						
At 1 June 2015	843	233	2,400	60	1,214	4,750
Reclassification	-	-	368	(60)	(308)	-
Charge for the year	843	33	1,285	-	499	2,660
Disposals	-	-	-	-	-	-
At 31 May 2016	1,686	266	4,053	-	1,405	7,410
Net book amount						
At 31 May 2016	39,896	2,047	10,302	-	1,297	53,542
At 31 May 2015	40,739	2,080	8,363	7	1,495	52,684

The stadium was initially revalued on 31 May 2009 by DTZ Debenham Tie Leung Limited, on an existing use basis, at £41,463,000. Included within this valuation was freehold land of £4,777,000.

In accordance with the Clubs accounting policy a further valuation was undertaken on 31 May 2014, also by DTZ Debenham Tie Leung Limited, which valued the stadium at £41,582,000 as compared to the depreciated carrying value of £37,236,000 at that date. Included within this valuation is freehold land of £9,555,000 which is not depreciated. This valuation was carried out in accordance with the RICS appraisal and valuation manual.

If the stadium was stated on a historical cost basis, the amounts for cost, aggregate depreciation and net book amount respectively at 31 May 2016 would be £19,106,000 (2015: £19,106,000), £5,024,000 (2015: £4,640,000) and £14,082,000 (2015: £14,466,000).

Fixtures and fittings and computer equipment above includes assets costing £194,000 with a net book value of £58,000 held under finance leases.

The stadium is the subject of a hire purchase contract. The repayment terms of the contract are contingent on the revenues associated with the division of the Football League that the Club plays in during the duration of the contract. The payment profile of the contract has been calculated based on the league status of the Club at the year end. Amounts payable under finance leases and hire purchase contracts are set out in note 12.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

8 Tangible assets (continued)

Land included within "Other land and buildings" at a cost of £650,000 (2015: £650,000) is not depreciated.

9 Investments

	2016	2015
	£	£
Shares in subsidiary	2	2

The investment relates to Leicester City Media Limited, a wholly owned dormant company incorporated in the United Kingdom. The directors believe that the carrying value of the investments is supported by their underlying net assets.

10 Debtors

	2016	Restated 2015
	£'000	£'000
Trade debtors	8,232	5,532
Transfer fees receivable	14,031	648
Amounts owed by group undertakings:	856	-
Deferred tax asset (note 13)	7,678	4,261
Other debtors	4,871	3,767
Prepayments and accrued income	8,964	7,575
	44,632	21,783

Trade Debtors are stated after provisions for impairment of £202,000 (2015: 117,000)

Transfer fees receivable includes £2,180,000 (2015: £nil) falling due after more than one year.

Gross transfer fees receivable before discounting are £14,318,000 (2015: £650,000).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

11 Creditors: amounts falling due within one year

	2016 £'000	Restated 2015 £'000
Bank loans	32	32
Trade creditors	4,978	2,152
Transfer fees payable	20,416	6,997
Amounts owed to group undertakings:		
- subordinated loans and other amounts payable	11,434	8,767
- obligations under finance lease and hire purchase contracts	18,194	19,874
Taxation and social security	9,324	5,192
Other creditors	27,608	14,055
Accruals and deferred income	6,617	6,553
	98,603	63,622

Gross transfer fees payable before discounting are £20,740,000 (2015: £7,154,000).

Other creditors include £20,015,000 payable to employees (2015: £11,361,000).

12 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Bank loans	182	214
Transfer fees payable	4,532	2,270
Taxation and social security	4,050	3,967
	8,764	6,451

Gross transfer fees payable before discounting are £4,575,000 (2015: £2,270,000).

Bank loans

	2016 £'000	2015 £'000
Amounts payable:		
Within one year	32	32
Between one and two years	32	32
Between two to five years	95	95
Greater than five years	55	87
	214	246

The bank loans are secured on the freehold training ground and a freehold property. Interest is payable at 1.75% above the bank base rate.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

13 Provisions for liabilities and charges

Deferred tax

The deferred tax assets provided and those unprovided, calculated at 18%, except for losses, 19% (2015: 20%), are as follows:

	2016		2015	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	762	-	482	-
Stadium revaluation	(4,729)	-	(5,255)	-
Short term timing differences	43	-	84	-
Trading losses	7,635	4,668	4,177	13,474
	3,711	4,668	(512)	13,474

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 and was substantively enacted on 6 September 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

14 Called up share capital

	2016 £'000	2015 £'000
Allotted, and fully paid		
Ordinary shares of £1 each		
112,564,441 (2015: 112,564,441) ordinary shares of £1 each	112,564	112,564
Redeemable shares of £1 each		
1 (2015: 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2015: 19,138,432) 'A' shares of 1p each	192	192
	112,756	112,756

The following rights attach to the 'A' shares:

- The 'A' shareholder shall have the right to appoint directors of the Company;
- The 'A' shareholder shall have the right to vote at any general meeting or at any separate meeting of the holders of the 'A' shares in the Company.

In the event of a qualifying offer which the 'A' shareholder wishes to accept, the 'A' shareholder shall give written notice to all the holders of the ordinary shares of its wish to accept the qualifying offer and that they require the ordinary shareholders to transfer all their shares to the offeror.

In the event of a qualifying offer the ordinary shareholders are required to transfer all their ordinary shares in issue at a price being not less than £0.10 and not more than £1.00 per share.

On the winding-up of the Company the surplus assets shall be applied, first, in repaying the members the amount paid up on their shares respectively in accordance with their entitlements. If such assets are insufficient to repay the said amount in full, they shall be applied rateably, so that the loss shall fall upon the members in proportion to the amount called up on their shares respectively. No member shall be entitled to have any call upon other members for the purpose of adjusting the members' rights; but where any call has been made and has been paid by some of the members such call be enforced against the remaining members for the purpose of adjusting the rights of the members between themselves.

If the surplus assets shall be more than sufficient to pay to the members the whole amount paid upon their shares, the balance shall be given by the members of the Company, at or before the time of dissolution as they direct, to The Football Association Benevolent Fund, or to some Club or Institute in Leicestershire with objects similar to those set out in the Memorandum of Association of the Company or to any local charity, or charitable or benevolent institution situated within Leicestershire.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

15 Financial Instruments

The company has the following financial instruments

	Note	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	10	8,232	5,532
- Transfer fees receivable	10	14,031	648
- Amounts owed by group undertakings	10	856	-
- Other debtors	10	4,871	3,767
		27,990	9,947
Financial liabilities measured at amortised cost			
- Bank loans	11	32	32
- Trade creditors	11	4,978	2,152
- Transfer fees payable	11	20,416	6,997
- Amounts owed to group undertakings: subordinated loans and other amounts payable	11	11,434	8,767
obligations under finance lease and hire purchase contracts	11	18,194	19,874
- Other creditors	11	27,608	14,055
- Bank loans	12	182	214
- Transfer fees payable	12	4,532	2,270
		83,888	54,361

16 Leasing commitments

At 31 May, the Company had annual commitments under non-cancellable operating leases for plant and equipment expiring as follows:

	2016 £'000	2015 £'000
Within one year	57	16
Within two to five years	-	67

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

17 Pension costs

Certain employees of the Company (professional footballers) are members of the Football League Limited Players Retirement Scheme.

Other employees of the Company are members of the Football League Limited pension and life assurance scheme or the Football League Limited group personal pension plan with certain other employees belonging to the Leicester City Football Club group personal pension scheme.

These are all defined contribution schemes, and contributions are expensed in the profit and loss account as they become payable. The pension cost charge represents contributions payable by the company to the fund and amounted to £206,065 (2015: £628,830).

Certain employees and ex-employees of the Company are members of the closed Football League Limited Pension and Life Assurance Scheme, a defined benefit scheme. As the Company is one of a number of participating employers in the scheme, it is not possible to allocate any actuarial surplus or deficit on an annual basis. However, under Section 75 of the Pensions Act 1995, the Company, as a participating employer in the scheme, is liable to fund the deficit relating to Company's ex-employees who are members of the scheme. The Scheme Actuary finalised a full valuation as at 31 August 2014 in April 2015 and allocated £199,139 as the Club's share of the deficit as at 1 September 2014. The increase in the deficit arising from this revaluation of £138,943 was recognised in the profit and loss account for the year ended 31 May 2015. The deficit is funded by annual contributions and the Club incurs interest at 6% on its allocated share of the deficit. The balance outstanding at the year-end date is included in other creditors. The Club has made contributions of £45,252 in the year (2015: £158,377). The assets of the scheme are held separately from those of the Company.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

18 Contingencies and commitments

a) Player transfer costs

The Company has certain contracts with other football clubs that relate to player transfers. Under the terms of these contracts, additional amounts become payable or receivable if conditions concerning future team successes and appearances are met. The maximum amount that is potentially payable and receivable under these contracts is £5,034,000 (2015: £3,808,000) and £508,000 (2015: £2,500,000) respectively. £3,318,000 of the total potential fees and the associated Levy were provided for as at 31 May 2016 (2015: £2,090,000).

b) Capital commitments

At 31 May 2016, the Company had committed capital expenditure of £405,000 (2015: £660,000).

c) Football League

As noted above the Club has entered into an arbitration process with the Football League in relation to the legality of the 2012 Championship FFP rules. Provision has been made for legal costs in relation to this process however the directors are confident that no further liability will be incurred by the Company. In the unlikely event LCFC should not succeed with regard to the challenge to the legality of the 2012 FFP rules a financial penalty may be imposed on LCFC, the quantum of which would be arrived at by the independent arbitral panel at some point over the next 12 to 24 months.

19 Related party transactions

The Company owed as at 31 May 2016 £5,282,647 (2015: £5,282,647) to King Power International Limited, the Company's immediate parent undertaking. The balance relates to outstanding interest on a now fully repaid subordinated loan previously made to the Company. At the same date the Company was owed £797,178 (2015: £5,488) by King Power International Limited for costs incurred in the running of the international education project and retail products supplied by the Company.

The freehold interest is owned by K Power Holdings Company Limited, a company also controlled by members of the Srivaddhanaprabha family. The outstanding deferred purchase consideration payable under the hire purchase agreement stands at £18,193,798 as at 31 May 2016 (2015: £19,874,279). This obligation increases at 8% per annum and £1,554,715 (2015: £1,472,169) has accrued on the amount during the year. The Company also incurred costs of £59,274 (2015: nil) on behalf of K Power Holdings Company Limited and this balance remained unpaid at the year-end.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

19 Related party transactions (continued)

The Company was party to a management agreement with K Power Sports Investment where the Club was charged a management fee based on turnover for management services provided. This agreement came to an end on 31 May 2013 however the balance of £3,484,810 (2015: £3,484,810) remains outstanding at the year-end.

A new management agreement has been entered into commencing on 1st December 2015 with K Power Sports Investments where the Club is again charged a management fee to reflect the costs incurred by that company in providing management services to LCFC. The balance outstanding under this contract was £2,667,000 at 31st May 2016. (£nil : 2015).

Member companies of the King Power Group have entered into sponsorship agreements with Trestellar Limited in relation to the acquisition of sponsorship and marketing inventory including the front of shirt sponsorship and the stadium naming rights at the Club which has been licenced to Trestellar Limited.

20 Ultimate parent company and controlling party

The Company's immediate parent undertaking is King Power International Limited, a company incorporated in the Kingdom of Thailand. The ultimate parent and controlling party of King Power International Limited is V&A Holdings Company Limited, a company incorporated in the Kingdom of Thailand and the beneficial owner of V&A Holdings Limited is the Srivaddhanaprabha family.

21 Subsequent events

Since 31 May 2016 the Club has contracted for the purchase and sale of various players. The net cost of these transactions, taking into account the applicable levies and contingent fees but excluding value added tax, is £47.9m (2015: £33.7m). These transfers and costs will be accounted for in the year ending 31 May 2017.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

22 Transition to FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 May 2015. The date of transition to FRS 102 was 1 June 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 May 2015 and the total equity as at 1 June 2014 and 31 May 2015 between UK GAAP as previously reported and FRS 102.

Profit for the financial year	2015 £'000
UK GAAP – As previously reported	31,153
Revaluation of intangible assets	(168)
Fair value adjustment on disposal of intangible assets	31
Total adjustment to profit before tax for the financial year	(137)
Deferred tax impact of adjustments	
- Revaluation and fair value adjustment of intangible assets	34
Total adjustment to tax expense	34
Total adjustment to profit for the financial year	(103)
FRS 102	31,050

Other comprehensive income	2015 £'000
UK GAAP – As previously reported	-
Deferred tax impact of adjustments	
- Provision on revaluation of stadium	91
FRS 102	91

Total equity	1 June 2014 £'000	31 May 2015 £'000
UK GAAP – As previously reported	16,290	47,443
Revaluation of intangible assets	(7)	(175)
Fair value adjustment on disposal of intangible assets	(33)	(2)
Deferred tax impact of adjustments		
- Provision on revaluation of stadium	(5,346)	(5,255)
- Revaluation and fair value adjustment of intangible assets	1	35
FRS 102	10,905	42,046

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2016 (continued)

22 Transition to FRS 102 (continued)

Revaluation of intangible fixed assets

FRS 102 requires intangible assets to be recognised at fair value. Previously under UK GAAP the Company valued intangible assets at gross cost. Accordingly at transition the value of intangible assets was reduced by £25,000 and transfer fees payable reduced by £18,000. In the profit and loss account for the year ended 31 May 2015 the amortisation charge was reduced by £53,000 and a finance cost of £221,000 was recognised.

At 31 May 2015 intangible assets were valued at £332,000 lower than under UK GAAP and transfer fees payable were valued £157,000 lower.

Fair value adjustment on disposal of intangible assets

FRS 102 requires profit on sale of intangible assets to be recognised at fair value. Previously under UK GAAP the Company recognised profit at the gross amounts received. Accordingly at transition the value of transfer fees receivable was reduced by £33,000 and interest received of £31,000 was recognised in the profit and loss account for the year ended 31 May 2015

At 31 May 2015 transfer fees receivable were valued at £2,000 lower than under UK GAAP.

Deferred tax

The company has accounted for deferred taxation on transition as follows:

(a) Revaluation and fair value adjustment of intangible assets – A deferred tax credit of £1,000 has been recognised on transition at 1 June 2014. In the year ended 31 May 2015 the company has recognised a credit of £34,000 in the profit and loss account.

At 31 May 2015 the deferred tax asset was £35,000 higher than under UK GAAP.

(b) Provision on revaluation of stadium – Under previous UK GAAP the company was not required to provide for taxation on revaluations, unless the company had entered into a binding sale agreement and recognised the gain or loss expected to arise. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation. A deferred tax charge of £5,346,000 arose on transition to FRS 102. In the year ending 31 May 2015 there is a tax credit arising of £91,000 on the reduction in the revaluation in the year.

At 31 May 2015 a deferred tax creditor existed for £5,255,000 which was not present under UK GAAP.

(c) FRS 102 requires deferred tax assets and creditors to be shown separately with no right to offset the liability against an asset. At 31 May 2015 the deferred tax asset was re-stated along with the adjustments stated above between debtors, creditors: amounts falling due within one year and creditors: amounts falling due after more than one year.

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Notes to the financial statements for the year ended 31 May 2016 (continued)

22 Transition to FRS 102 (continued)

Statement of cash flows

The company's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.