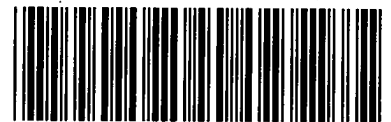


Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2014
Registered number: 04593477

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Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2014

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Leicester City Football Club Limited

Directors and advisors

Registered office

King Power Stadium
Filbert Way
Leicester
LE2 7FL

Directors

Vichai Srivaddhanaprabha
Aiyawatt Srivaddhanaprabha
Apichet Srivaddhanaprabha (appointed 16th August 2014)
Shilai Liu
Supornthip Choungsangsee
Susan Valerie 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
Castle Donington
East Midlands
DE74 2UZ

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2014

The directors present their strategic report and the audited financial statements for the year ended 31 May 2014.

Principal activities

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

Results

It is pleasing to report that the 2013/14 financial year and football season has been one of great progress and success for Leicester City Football Club. A promotion season assisted the Club in growing all its main sources of revenue with revenue increasing to £31.2m from £19.6m in 2013. The Club also signed a ground breaking 5 year international marketing and licencing deal with Trestellar Limited. This deal allows the Club to exploit and monetise its unique brand in both the traditional UK markets and even more excitingly the Far East where the Club's ownership and profile allow it to generate exceptional growth.

During the season the Club took a prudent approach to the squad: mostly acquiring players on free transfers or paying small fees whilst continuing to work towards reducing the playing squad costs of the Club. This strategy arose both from the understanding from the playing management that the existing team, with some judicious strengthening, were capable of promotion, and Championship Financial Fair Play ("FFP") rules which required the Club to reduce ongoing squad costs. However as the Club incurred bonuses for players and other staff arising from the Club's promotion to the Premier League of some £9.4m total staff costs increased to £36.3m from £26.8m in 2013.

Operating expenditure (excluding staff costs) reduced by £8.0m to £12.3m (2013: £20.3m) primarily due to a reduction in the amortisation costs of players registrations.

The conversion of the entire outstanding shareholder loans into ordinary shares on 29 November 2013 has led to interest charges for the year decreasing to £4.1m (2013: £7.2m).

In the year to 31 May 2014, player trading achieved profits of £0.9m (2013: £0.8m).

The results for the financial year show a loss of £20.8m (2013: loss of £34.0m).

The promotion of the Club and the success of the team this season have only been possible thanks to the continued unstinting support and vision from King Power International (KPI) and the Srivaddhanapraba family. The support provided included

- On 29 November the Club converted its entire debt of £103.4m owing to its holding company, King Power International, into ordinary shares. A further 2.75m ordinary shares were issued to KPI at par during the year. This has strengthened the Club's balance sheet and ensures the historic interest charge in the accounts is removed.
- During the Year KPI provided £18.7m of subordinated loans to the Company which were converted into equity on 29 November;

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2014 (continued)

- KPI provided cash funding of a further £2.75m in December 2013 which was subsequently converted into equity.

The Club's directors believe that thanks to a process of cutting costs and increasing revenues the results for this year will comply with the acceptable limits set out in the Football League Championship FFP regulations.

The Company had a net cash inflow for the year of £7.6m (2013: inflow of £0.5m) comprising a nil cash outflow from operating activities (2013: outflow of £13.5m) and a net investment in tangible and intangible assets of £3.8m (2013: net investment of £7.7m) financed by an issue of share capital of £106.2m (2013: £nil) and a reduction in borrowings of £94.8m (2013: increase of £21.8m) primarily through of the conversion of shareholder loans into shares. No dividend has been paid in the year (2013: £nil).

This season more than any other, the Board would like to show our appreciation to the Club's supporters for helping the Club to achieve promotion in the 2013/14 season. Our average attendances in the Championship of 25,003 (2012: 22,569) were the 3rd highest in the Championship. The away support was also incredible. The directors are confident with record season ticket sales and fantastic support at the King Power Stadium with early season gates averaging over 31,000 the supporters will help the team consolidate its position in the Premier League in 2014/15.

Key performance indicators

	2014	2013
Average league attendance	25,003	22,569
Cash balance at year end (£'000)	8,440	874
Staff costs (per note 5)/turnover and expressed as a percentage	116.7%	137.1%
Operating loss excluding player amortisation, impairments, and player trading (£'000)	(14,316)	(16,451)

Asset values

At the year end there were 25 (2013: 20) 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 £5.5m as at 31 May 2014 (2013: £6.2m). No impairment in the carrying value has been recognised in 2014 (2013: £5.2m). The directors' assessment of the market value of the playing squad at 31 May 2014, which includes those players where the market value exceeds their carrying values, is £28.0m (2012: £13.7m). The directors believe that the exceptional performance of the players during the promotion season has led to this increase in value despite the effect of Financial Fair Play on the market for both football clubs and football players.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2014 (continued)

The King Power stadium is currently carried at £41.6m (2013: £38.1m), 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.

Future outlook

The Promotion of the Club to the Premier League at the end of the 2013/14 season as Champions has had a transformational effect on the profitability and cash flows of the Club. Turnover is expected to increase by almost 3 times, arising primarily from the level of income from the Premier League as compared to the Football League, but other major sources of income have also shown significant increases as crowds increase and the Club's supporter base becomes increasingly engaged. The signing of the new commercial licencing deal has also increased sponsorship turnover significantly and the Club expects further benefits to arise from these income streams over the next few years. Costs have significantly increased after promotion to reflect the running of a Premier League team and the Club continues to invest in its playing squad to consolidate its position within the Premier League. Further, the Directors consider that a sensible level of investment has been made to maximise the opportunity of promotion whilst not gambling with the future of the Club or risking non-compliance with FFP in the event the Club be relegated.

The Club is currently performing satisfactorily in the Premier League after a robust start to the season. Having achieved the initial target of reaching the Premier League the Club is now focusing on consolidating its position in the League on the pitch, and working to optimise the financial return by investing in hospitality suites, state of the art advertising digital hoardings and improved training facilities and flood lights. The Club's revenues are forecast to grow significantly : the Club has record season ticket sales at over 22,000 and expects a full stadium for most home games. Retail sales have increased by over 50% from the previous year and it is expected that the Trestellar deal will continue to underpin and grow the commercial and hospitality activity of the Club.

The Club with the continuing support of its owners has worked and invested over the last 4 years to reach the Premier League. Having achieved that target great strides have been made both on the playing front and the operational and business side to prepare the Club for the real challenge and the amazing opportunity membership of the Premier League represents.

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.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2014 (continued)

These areas include football, FFP, employee, business 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. 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.

Financial Fair Play

The Premier League and Football League rules on FFP require the Club to operate within defined financial limits. For the Football League these sanctions will first be imposed relating to the financial results of the 2013/14 season. The Company will continue to monitor progress against these FFP limits and the directors have had regard to them when preparing and reviewing future budgets and forecasts.

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.

On behalf of the Board

Susan Whelan
Chief Executive
1 December 2014



Leicester City Football Club Limited

Directors' report for the year ended 31 May 2014

The directors present their report for the year ended 31 May 2014.

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 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 daily 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.

Going concern

The Company currently forecasts that it will be both profitable and cash positive in the 2014/15 financial year. However the Company has £8.8m payable to its controlling party and that party has confirmed its continued support for the foreseeable future. Further details are set out in note 1 to the financial statements.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared 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 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 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.

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

1 December 2014

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 the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 May 2014 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Leicester City Football Club Limited, comprise:

- the balance sheet as at 31 May 2014;
- the profit and loss account for the year then ended;
- the cash flow statement for the year then ended;
- the statement of total recognised gains and losses for the year then ended;
- the note of historical cost profits and losses for the year then ended;
- the notes to the cash flow statement 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 their preparation is applicable law and United Kingdom Accounting Standards (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.

What an audit of the financial statement involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

In addition, we read all the financial and non-financial information in the Annual report and financial statements (the "Annual Report") 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

Leicester City Football Club

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

course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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.

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.

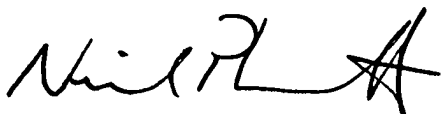
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page [9], 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 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.



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

11/12/2014

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2014

	Note	2014 £'000	2013 £'000
Turnover	2	31,150	19,557
Cost of sales - recurring		(44,372)	(37,003)
Cost of sales - exceptional expenses	3	-	(5,181)
Total cost of sales		(44,372)	(42,184)
Gross loss		(13,222)	(22,627)
Administrative expenses		(1,771)	(2,516)
Stadium expenses		(2,530)	(2,428)
Total administrative expenses		(4,301)	(4,944)
Operating loss	3	(17,523)	(27,571)
Loss on disposal of fixed assets		(50)	-
Profit on disposal of player registrations		909	819
Loss on ordinary activities before interest and taxation		(16,664)	(26,752)
Net interest payable	4	(4,145)	(7,218)
Loss on ordinary activities before taxation		(20,809)	(33,970)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(20,809)	(33,970)

The Company's turnover and expenses all relate to continuing operations.

Leicester City Football Club Limited

Statement of total recognised gains and losses for the year ended 31 May 2014

	2014 £'000	2013 £'000
Loss for the financial year	(20,809)	(33,970)
Unrealised surplus on revaluation of the stadium	4,346	-
Total recognised gains and losses recognised for the year	(16,463)	(33,970)

Note of historical cost profit and losses for the year ended 31 May 2014

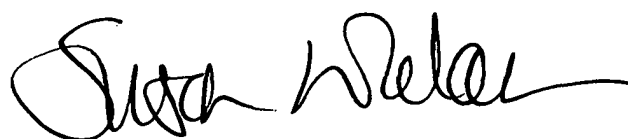
	2014 £'000	2013 £'000
Reported loss on ordinary activities before taxation	(20,809)	(33,970)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	463	463
Historical cost loss on ordinary activities before taxation	(20,346)	(33,507)
Historical cost loss for the financial year	(20,346)	(33,507)

Leicester City Football Club Limited

Balance sheet as at 31 May 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	7	5,543	6,194
Tangible assets	8	49,357	44,520
Investments	9	-	-
		54,900	50,714
Current assets			
Finished goods and goods for resale		311	245
Debtors	10	6,419	5,148
Cash at bank and in hand		8,440	874
		15,170	6,267
Creditors: amounts falling due within one year	11	(46,888)	(114,176)
Net current liabilities		(31,718)	(107,909)
Total assets less current liabilities		23,182	(57,195)
Creditors: amounts falling due after more than one year	12	(6,892)	(16,237)
Net assets/(liabilities)		16,290	(73,432)
Capital and reserves			
Called up share capital	14	112,756	6,571
Share premium account	15	8,475	8,475
Revaluation reserve	15	26,730	22,847
Profit and loss account	15	(131,671)	(111,325)
Total shareholders' funds/(deficit)	16	16,290	(73,432)

The financial statements on pages 11 to 32 were approved by the board of directors on 1 December 2014 and signed on its behalf by:



Susan Whelan
Chief Executive

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2014

	2014 £'000	2013 £'000
Net cash outflow from operating activities (note a)	(4)	(13,540)
Returns on investments and servicing of finance		
Interest received	-	2
Interest paid	(17)	(57)
Net cash (outflow) from returns on investments and servicing of finance	(17)	(55)
Capital expenditure and financial investment		
Purchase of tangible and intangible fixed assets	(5,574)	(8,952)
Sale of intangible fixed assets	1,794	1,297
Net cash outflow from capital expenditure	(3,780)	(7,655)
Net cash outflow before financing	(3,801)	(21,250)
Financing		
Issue of Share Capital	106,185	-
Increase in borrowings (note 20)	20,386	21,795
(Decrease) in borrowings in year	(115,204)	-
Net cash inflow from financing	11,367	21,795
Increase in cash (note b)	7,566	545

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2014

a) Reconciliation of operating loss to net cash outflow from operating activities

	2014 £'000	2013 £'000
Operating loss	(17,523)	(27,571)
Amortisation and impairments	3,207	11,120
Depreciation charge	1,690	1,610
Increase in stocks	(66)	(72)
Increase in debtors	(1,534)	(428)
Increase in creditors	14,222	1,801
Net cash outflow from operating activities	(4)	(13,540)

b) Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Increase in cash in the year	7,566	545
Cash inflow/(outflow) from changes in debt	94,818	(21,795)
Change in net debt from cash flows	102,384	(21,250)
Other non-cash changes	(1,363)	(4,651)
Movement in net debt in the year	101,021	(25,901)
Opening net debt	(111,260)	(85,359)
Closing net debt (note c)	(10,239)	(111,260)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2014 (continued)

c) Analysis of net debt

	1 June 2013	Cash flow	Other non cash movements	31 May 2014
	£'000	£'000	£'000	£'000
Cash at bank and in hand	874	7,566	-	8,440
Debt due within one year	(94,818)	94,818	(32)	(32)
Debt due after one year	(277)	-	32	(245)
Hire purchase liabilities	(17,039)	-	(1,363)	(18,402)
Total debt	(112,134)	94,818	(1,363)	(18,679)
Net debt	(111,260)	102,384	(1,363)	(10,239)

Non cash movements relate to £1,363,000 accrued interest on the stadium loan.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014

1 Accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of the stadium, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

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.

Going concern

During the year the Company incurred trading losses but is forecast to be both profitable and cash positive in the 2014/15 financial year. The Company also had 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. As part of this the directors have reviewed in detail the cash flow forecasts prepared for the period of 12 months from the date of these financial statements. These forecasts show that the Company is reliant on not fully repaying amounts owed to its holding company, King Power International Limited and former holding companies AFI and King Power Sports Investments.

King Power International has confirmed that existing loans will not be called in for the foreseeable future and not less than 12 months from the date of approval of these financial statements

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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the value of goods delivered and services provided by the Company during the year (stated net of value added tax and the Football League Levy). 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 and Football 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 18.

Intangible fixed assets

The cost of player registrations is capitalised as an intangible asset and amortised over the period of the respective player's contract. 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

Tangible fixed assets (continued)

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 has therefore been 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.

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 11, Impairment of Fixed Assets and Goodwill. 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

1 Accounting policies (continued)

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.

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 19, 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. No deferred tax has been recognised on the revalued stadium as the Company has no plans to dispose of this asset. Deferred tax assets and liabilities have not been discounted.

2 Turnover

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

	2014 £'000	2013 £'000
Match receipts	6,978	5,737
Other football income	5,590	6,306
Retailing and merchandise	1,632	1,423
Conference, banqueting and catering	880	880
Sponsorship, executive suites, advertising and other income	16,070	5,211
	31,150	19,557

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

3 Operating loss

Operating loss is stated after charging:

	2014 £'000	2013 £'000
Operating leases		
- plant and machinery	195	133
Depreciation:		
- owned tangible fixed assets	844	765
- assets held under finance leases and hire purchase contracts	846	845
Amortisation of intangible assets	3,207	5,939
Impairment of intangible assets	-	5,181
Auditors' remuneration		
- audit of the Company's annual financial statements	41	26
- non-audit services – other assurance services	9	12
- non-audit services – tax advisory	105	-
- non-audit services – tax compliance	6	6

In the 2012/13 financial year the directors reassessed the market values of the Club and its individual intangible assets having regard to the impact of the implementation of the Financial Fair Play. This review identified a fall in the value of the Club and this was recognised through an impairment of £5.2m in the value of certain players where the market value of those players was considered to be lower than the carrying values at 31 May 2013. During 2013/14 no equivalent provision is considered required and consequential no additional impairment charge has been recognised.

4 Net interest payable

	2014 £'000	2013 £'000
Interest payable and similar charges:		
Bank loans and overdrafts	12	57
Hire purchase contracts	1,363	1,291
Other loans	2,770	5,872
	4,145	7,220
Interest receivable and similar income – bank interest	-	(2)
	4,145	7,218

5 Staff costs

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

	2014 Number	2013 Number
Players	42	38
Administration	146	131
	188	169

In addition, the Company employs on average 458 (2013: 443) casual staff on match days.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

5 Staff costs (continued)

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

	2014 £'000	2013 £'000
Wages and salaries	31,472	22,959
Benefits in kind	624	615
Social security costs	3,902	3,053
Other pension costs (note 18)	344	187
	36,342	26,814

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

	2014 £'000	2013 £'000
Aggregate emoluments	121	130
Pension contributions	12	12
	133	142

The aggregate emoluments of the highest paid director were £133,000 (2013: £133,000) and one of the directors was accruing benefits under a defined contribution pension scheme (2013: one).

6 Tax on loss on ordinary activities

	2014 £'000	2013 £'000
UK corporation tax		
- current year	-	-
Total current tax	-	-
Deferred tax		
- current year	-	-
Total deferred tax (note 13)	-	-
Tax on loss on ordinary activities	-	-

The standard rate of tax for the year ended 31 May 2014 was based on the UK effective rate of 22.67% (2013: 23.83%). The actual charge for the year is higher (2013: higher) than the standard rate for the reasons set out in the following reconciliation:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(20,809)	(33,970)
Loss on ordinary activities multiplied by effective rate in the UK of 22.67% (2013: 23.83%)	(4,717)	(8,095)
Effects of:		
Disallowable expenses	835	1,644
Accelerated capital allowances	228	210
Trading losses and other timing differences not recognised	3,654	6,241
Current tax charge for the year	-	-

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

6 Tax on loss on ordinary activities (continued)

The March 2012 Budget included a reduction in the main rate of corporation tax for UK companies from 26% to 24% from 1 April 2012. Legislation to further reduce the main rate of corporation tax to 23% from 1 April 2013 was included in the Finance Act 2012 and substantively enacted in July 2012.

The Finance Act 2013 was substantively enacted on 2 July 2013 and includes legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015.

UK deferred tax has therefore been provided at 20% (2013: 23%).

7 Intangible assets

	Player registrations £'000	Goodwill £'000	Total £'000
Cost			
At 1 June 2013	22,560	4,266	26,826
Additions	3,176	-	3,176
Disposals	(7,572)	-	(7,572)
At 31 May 2014	18,164	4,266	22,430
Accumulated amortisation			
At 1 June 2013	16,366	4,266	20,632
Charge for the year	3,207	-	3,207
Disposals	(6,952)	-	(6,952)
At 31 May 2014	12,621	4,266	16,887
Net book amount			
At 31 May 2014	5,543	-	5,543
At 31 May 2013	6,194	-	6,194

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 ongoing trading losses of the Club trigger an impairment test. Accordingly, the directors have undertaken a detailed assessment of the current value of the Club. In the current season no potential shortfall in the amount recoverable in respect of player registrations was identified. This exercise, combined with post year end transactions, has identified no impairment (in 2013 an impairment of £5.2m was recognised in these financial statements).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

8 Tangible assets

	Stadium £'000	Other land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost						
At 1 June 2013	41,463	2,313	5,449	67	1,375	50,667
Additions	-	-	1,800	-	432	2,232
Surplus on Revaluation	119	-	-	-	-	119
Disposals	-	-	(57)	-	-	(57)
At 31 May 2014	41,582	2,313	7,192	67	1,807	52,961
Accumulated depreciation						
At 1 June 2013	3,381	167	1,691	54	854	6,147
Charge for the year	846	33	612	3	196	1,690
Revaluation	(4,227)	-	-	-	-	(4,227)
Disposals	-	-	(6)	-	-	(6)
At 31 May 2014	-	200	2,297	57	1,050	3,604
Net book amount						
At 31 May 2014	41,582	2,113	4,895	10	757	49,357
At 31 May 2013	38,082	2,146	3,758	13	521	44,520

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 existing depreciated carrying value of £37,236,000. 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 2014 would be £19,106,000 (2013: £19,106,000), £4,256,000 (2013: £3,872,000) and £14,850,000 (2013: £15,234,000).

Fixtures and fittings and computer equipment above includes assets costing £194,000 with a net book value of £125,000 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 2014 (continued)

Land included within "Other land and buildings" at a cost of £650,000 (2013: £650,000) is not depreciated.

9 Investments

	2014 £	2013 £
Shares in subsidiary	2	2

The investment relates to Leicester City Media Limited, a wholly owned dormant company incorporated in the United Kingdom.

10 Debtors

	2014 £'000	2013 £'000
Trade debtors	372	409
Transfer fees receivable	1,562	1,825
Other debtors	3,152	2,114
Prepayments and accrued income	1,333	800
	6,419	5,148

11 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans	32	32
Trade creditors	2,718	1,023
Transfer fees payable	2,448	2,456
Amounts owed to parent company and companies under common control:		
- subordinated loans and other amounts payable	8,767	100,722
- obligations under finance lease and hire purchase contracts	11,903	1,500
Taxation and social security	2,627	1,674
Other creditors	11,914	2,245
Accruals and deferred income	6,479	4,524
	46,888	114,176

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

12 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank loans	245	277
Transfer fees payable	32	190
Amounts owed to parent company and companies under common control:		
- obligations under finance leases and hire purchase contracts	6,499	15,539
Accruals and deferred income	116	231
	6,892	16,237

Bank loans

	2014 £'000	2013 £'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	118	150
	277	309

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.

Obligations under finance leases and hire purchase contracts

	2014 £'000	2013 £'000
Amounts payable:		
Within one year	11,903	1,500
Between two and five years	6,499	4,500
After five years	-	11,039
	18,402	17,039

Amounts owed to parent company and companies under common control

	2014 £'000	2013 £'000
Amounts payable:		
Within one year	8,767	100,597

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

12 Creditors: amounts falling due after more than one year (continued)

Other loans

	2014 £'000	2013 £'000
Amounts payable:		
Within one year	-	125
	-	125

£Nil (2013: £94.7m) of the amounts owed to the parent company and companies under common control represent subordinated loans of which in 2013 £10.0m bore interest at 8% and: £84.7m at 6%. All of these interest bearing loans were unsecured, repayable on demand and were converted on 29 November 2014 into ordinary share capital. The remaining £8.8m represents accrued management fees, interest and travel costs. The creditor companies have confirmed that they will not seek repayment of these loans and other amounts within 12 months of the date of signing these financial statements if such payment would prejudice the ability of the Company to settle its other obligations as they fall due.

13 Provisions for liabilities and charges

Deferred tax

The deferred tax assets provided and those unprovided, calculated at 20% (2013: 23%), are as follows:

	2014		2013	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	-	(148)	-	(36)
Short term timing differences	-	(72)	-	(86)
Trading losses	-	(23,485)	-	(23,276)
	-	(23,705)	-	(23,398)

No deferred tax liability has been recognised on the revalued stadium, as the Company has no current intention to dispose of this asset, however the unprovided amount would be approximately £5.3m (2013: £4.6m).

Deferred tax assets are not recognised where there is insufficient certainty over the availability of suitable taxable profits against which these losses can be utilised.

In addition to the changes in rates of corporation tax disclosed in note 6, further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

14 Called up share capital

	2014 £'000	2013 £'000
Allotted, and fully paid		
Ordinary shares of £1 each		
112,564,441 (2013: 6,379,476) ordinary shares of £1 each	112,564	6,379
Redeemable shares of £1 each		
1 (2013: 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2013: 19,138,432) 'A' shares of 1p each	192	192
	112,756	6,571

The Company issued 106,184,965 Ordinary shares of £1 each during the year at par. The proceeds were used to repay existing intercompany debt and to fund working capital requirements.

The following rights attach to the 'A' shares:

- a) The 'A' shareholder shall have the right to appoint directors of the Company;
- b) 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 2014 (continued)

15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2013	8,475	22,847	(111,325)
Loss for the financial year	-	-	(20,809)
Revaluation	-	4,346	-
Transfer to profit and loss account	-	(463)	463
31 May 2014	8,475	26,730	(131,671)

16 Reconciliation of movements in total shareholders' funds/(deficit)

	2014 £'000	2013 £'000
Loss for the financial year	(20,809)	(33,970)
Share Capital Issued	106,185	-
Revaluation	4,346	-
Net movement in total shareholders' funds/(deficit)	89,722	(33,970)
Opening total shareholders' deficit	(73,432)	(39,462)
Closing total shareholders' funds/(deficit)	16,290	(73,432)

17 Leasing commitments

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

	2014 £'000	2013 £'000
Within two to five years	131	131

18 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 £298,588 (2013: £145,537).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

18 Pension costs (continued)

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 2011 in May 2012 and allocated £309,077 as the Club's share of the deficit as at 1 September 2012. The increase in the deficit arising from this revaluation of £229,331 was recognised in the profit and loss account for the year ended 31 May 2012. 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 (2013: £41,312). The assets of the scheme are held separately from those of the Company. The Club also prepaid £113,125 on 6th August 2014 to reduce the risk arising from the Pension fund deficit.

19 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 £2,346,000 (2013: £7,550,000) and £2,810,000 (2013: £1,535,000) respectively. £270,000 of the total potential fees and the associated Levy were provided for as at 31 May 2014 (2013: £554,000).

b) HRMC

HRMC issued a revised assessment for repayment of £59,790 (2013: £59,790) of input VAT previously recovered which relates to payments made under the contractual arrangements between the Company and certain football agents. This amount has been settled during the year however a provision remains in these financial statements for any applicable penalties and interest which have not yet been charged.

As part of their ongoing risk reviews of professional Football Clubs, HRMC have undertaken a review of the payroll tax processes at the Club and the Club has reached a satisfactory resolution on all material items.

c) Capital commitments

At 31 May 2014, the Company had committed capital expenditure of £4,020,000 (2013: £130,000).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

20 Related party transactions

As at 31 May 2013 the Company had a subordinated loan from its former immediate parent undertaking Asia Football Investments Pte Limited (AFI) of £1,872,115, together with a subordinated loan from K Power Sports Investment (KPSI), the former ultimate holding company of the Club, of £8,090,546.

During the year the Company repaid these amounts in full.

At the start of the year King Power International Limited, the Company's current immediate parent undertaking had made a subordinated loan of £84,698,813 to the Company. Further advances of £18,736,153 were made during the year. On 29 November 2013 LCFC issued 103,434,965 ordinary shares at par to settle in full the outstanding loans from KPI at that date. A further 2,750,000 ordinary shares were issued at par in December 2013.

Subsequent to these transactions £1,650,000 was advanced as part of the subordinated loan agreement and repaid before the end of the year together with interest of £4,950.

The loans were unsecured and bore interest at 8% for AFI and K Power Sports Investment and 6% for K Power International Co. Interest of £2,770,227 accrued on these loans during the year and a balance of £5,282,647 remained unpaid at the year end.

Members of the King Power group also were party to Sponsorship agreements with the Company with a value of £2,029,016 and retail items were supplied to the value of £33,799. The Company purchased £172,061 of retail products from other members of the King Power Group.

The freehold interest in the King Power Stadium was acquired in February 2013 by K Power Holdings Company Limited, a company also controlled by members of the Srivaddhanaprabha family. As part of the acquisition of the Stadium the hire purchase obligations between the previous owner and the Company were assigned to K Power Holdings. Accordingly the outstanding balance payable as at 31 May 2014 under this agreement of £18,402,111 (2013: £17,039,016) is now due to another group company. This obligation incurs interest at 8% per annum and £1,363,095 has accrued on the amount during the year.

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 remains outstanding at the year-end. The Club incurred travel charges from KPSI of £66,100 during the year

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2014 (continued)

21 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 holding Company of King Power International 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.

22 Subsequent events

No additional funding has been received from the parent company in the period to 1 December 2014 and the company anticipates no funding requirements in the current financial year.