

Leicester City Football Club PLC  
Annual report and financial statements  
for the year ended 31 May 2004

Registered Number 04593477



# **Leicester City Football Club PLC**

## **Annual report and financial statements for the year ended 31 May 2004**

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# **Leicester City Football Club PLC**

## **Directors and advisors for the year ended 31 May 2004**

### **Registered office**

The Walkers Stadium  
Filbert Way  
Leicester  
LE2 7FL

### **Directors**

J McCahill (Chairman)  
G Clarke (Chairman of the Audit Committee)  
T Davies  
M Glenn  
P Hockenhull  
J Johnson  
A Lander  
P Mace  
M Stewart-Smith  
A Wheeler

### **Secretary**

A Lander

### **Bankers**

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2WN

### **Accountants**

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

### **Auditors**

Mazars  
The Atrium  
Park Street West  
Luton  
Bedfordshire  
LU1 3BE

# Leicester City Football Club PLC

## Chairman's statement

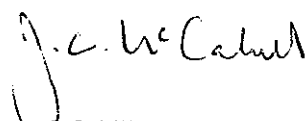
I am pleased to announce our results for the year ended 31 May 2004 which reflects our first full year of trading after the Company successfully took the football club out of administration and gained promotion to the FA Premier League.

Despite relegation at the end of the season, the Company operated significantly ahead of budget for the year. Our profit for the year before taxation was £5,280,000. This profit has helped offset the significant losses which the Company reported for the period ended 31 May 2003 and thus our cash position has been maintained within our borrowing limits.

During this financial year we have hosted an England international, enjoyed entertaining Barcelona in a pre season friendly, seen a full strength Brazil play here and in competing in the FA Premier League, welcomed the very best English football has to offer in our marvellous new stadium. However, despite all the commitment, passion and work rate showed by Micky Adams, his team, the players and all our staff and shareholders, relegation means the team will be competing in the newly branded Coca Cola Championship next season.

At this point I would like to thank our fans whose support throughout the last 18 months has been fantastic and unwavering. Since the move to the Walkers stadium we are now one of the best supported football clubs in the country. To be precise, last season we were the 12th largest football club in terms of support in the Premiership.

In consideration of the following set of annual results I would like to emphasise the importance the Company is placing on considering and securing its future in decision making. We must not lose sight of the fact that Leicester City Football Club did not have a future just over 18 months ago before the new consortium took over and that although on the field success has been made more difficult, some would say virtually impossible, our focus for the long term must be on financial stability.



J. Cahill  
Chairman  
30 August 2004

# Leicester City Football Club PLC

## Directors' report for the year ended 31 May 2004

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

### Principal activity

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

### Results and business review

The Company's profit after taxation for the year was £4,778,000 (2003: loss of £4,148,000 (as restated)). The prior year restatement, as explained more fully in note 1, relates to a reassessment of the basis of revenue recognition.

A review of the results for the year and future developments are set out in the Chairman's statement.

### Directors

The directors of the Company during the year were as follows:

J McCahill  
G Clarke  
T Davies  
M George (resigned 13 August 2003)  
M Glenn  
P Hockenhull  
J Johnson  
A Lander  
P Mace  
M Stewart-Smith  
A Wheeler

The interests of the directors who held office at the year end in the shares of the Company at 31 May 2004 and 31 May 2003 were as follows:

	31 May 2004	31 May 2003
	Number	Number
J McCahill	250,000	200,000
G Clarke	413,000	250,000
T Davies	100,000	100,000
P Hockenhull	125,000	100,000
J Johnson	175,000	150,000
A Lander	25,000	25,000
A Wheeler	100,000	100,000

# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2004 (continued)**

### **Charitable donations**

The Company supports charities and organisations from Leicester and surrounding areas. During the year the Company made a donation of £1,356 (2003: £nil) to Sports Relief and fully supported one of our employees, Alan Birchenall, who on behalf of the Company carried out many charitable activities.

The Company also has a "Players Preferred Charity Scheme" where each player in the senior squad is given a Leicestershire-based organisation that becomes his "preferred" organisation for a year. As well as the player backing the scheme, the Company arranges a package of benefits for each charity. This season the players put the emphasis on smaller Leicestershire-based organisations where contributions can make a real difference.

### **Community activity**

The Company has a strong focus on supporting the local community and has a number of regular events and initiatives in place.

The Leicester City Community Day was held in May 2004 and was attended by over 12,000 supporters. The day consisted of activities and events held at the Walkers Stadium, with a specific emphasis on entertainment that represented the ethnic mix of the local community.

The Football in the Community (FITC) scheme runs a wide range of football related activities for boys and girls between the ages of 7 and 14 years.

The Company runs a number of initiatives with local schools including:

- Community Workshops; activity mornings aimed at primary schools and combine activities such as soccer coaching, individual and team exercises and health and fitness promotion;
- Schools Roadshows which incorporate a players Q&A session, quizzes and activities with an educational emphasis;
- The Student Incentive Programme rewards students for attendance and achievement at secondary school; and
- LCFC Study Support Centre, based in a purpose built classroom at the Walkers Stadium, is an out-of-hours initiative to encourage pupils and schools to raise standards and to enhance effective partnerships between the Company, schools, the LEAs, local universities and sponsors.

The Company also supports The Prince's Trust, the children's wards at Leicester Royal Infirmary and Rainbows Hospice and is currently developing a working relationship with Glen Parva Young Offenders Centre.

### **Eliminating racism**

Working with Foxes Against Racism, the Company introduced a number of new initiatives for the 2003/04 season aimed at increasing the profile of the Company's work in both attempting to prevent racism at the Walkers Stadium and in working against racism in local football within Leicestershire.

# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2004 (continued)**

### **Disabled Supporters Association ("DSA")**

Leicester City Football Club PLC is continually working with its disabled supporters to constantly improve their facilities and attract more disabled fans. Since the DSA was formed in 1998 the Club and the DSA have established a positive partnership, raising awareness of the needs of the disabled supporter.

### **Employees**

The Company ensures that management is aware of the views of staff at all levels by regular consultations on matters affecting performance, development and the organisation.

The Company is fully aware of its statutory and social obligations towards the disabled and every consideration is given to them during recruitment and career development. Employees who become disabled are retained where possible in their existing or more suitable roles.

### **Equal opportunities**

As part of the Company's Equal Opportunities Policy we aim to achieve equality of opportunity through the provision of our services and the recruitment and employment of staff.

When recruiting staff the Company will endeavour to advertise job vacancies internally and externally and as widely as possible. This will ensure that people with the appropriate knowledge, skills and experience from all social groups have access to the adverts. When decisions are made about recruitment the Company ensures they are consistent with the policy.

The Company believes that development and promotional opportunities should be available to all staff regardless so therefore all staff will undertake relevant training for their role and promotional opportunities will be brought to the attention of all employees. The Human Resources Department audits and monitors the implementation and success of the policy on a regular basis.

### **Payment of creditors**

It is the Company's policy that it will place orders with suppliers on certain terms and conditions, which include terms of payment. Suppliers will then be paid accordingly, where goods and services have been provided in accordance with the relevant terms and conditions of the contract.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently during the year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2004 (continued)**

### **Corporate governance**

The Board of Directors are committed to ensuring that proper standards of Corporate Governance operate in the Company. The Board, which consists of two executive and eight non-executive directors, met on a bi-monthly basis throughout the year.

The Company has an Audit Committee which comprises of independent non-executive directors and shareholders. The Committee's responsibility is to review the financial statements, the external audit and the internal control and risk assessment. The auditors meet with the Committee prior to the signing of the financial statements.

The Company has a Remuneration Committee which comprises of non-executive directors who are independent of management. The Committee's responsibility is to review and determine the remuneration of the Chief Executive, Chairman, Company Secretary and other members of the executive management as it is designated.

### **Auditors**

A resolution to appoint Mazars as auditors to the Company will be proposed at the Annual General Meeting.

By order of the Board



A Lander  
Secretary  
30 August 2004



## **Independent auditors' report to the members of Leicester City Football Club PLC**

We have audited the financial statements for the year ended 31 May 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2004 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
The Atrium  
Park Street West  
Luton  
Bedfordshire  
LU1 3BE

30 August 2004

# Leicester City Football Club PLC

## Profit and loss account for the year ended 31 May 2004

	Note	Year ended 31 May 2004 £'000	Period ended 31 May 2003 (restated) £'000
Turnover	2	39,633	6,392
Cost of sales		(30,060)	(9,264)
<b>Gross profit/(loss)</b>		<b>9,573</b>	<b>(2,872)</b>
Administrative expenses		(1,532)	(517)
Operating expenses		(1,824)	(622)
<b>Operating profit/(loss)</b>	3	<b>6,217</b>	<b>(4,011)</b>
(Loss)/profit on disposal of player registrations		(212)	185
<b>Profit/(loss) on ordinary activities before interest and taxation</b>		<b>6,005</b>	<b>(3,826)</b>
Net interest payable	4	(725)	(322)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>5,280</b>	<b>(4,148)</b>
Tax on profit/(loss) on ordinary activities	6	(502)	-
<b>Profit/(loss) for the financial year/period</b>	16	<b>4,778</b>	<b>(4,148)</b>

The prior year period was from 18 November 2002 to 31 May 2003.

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

There are no differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

## Leicester City Football Club PLC

### Statement of total recognised gains and losses for the year ended 31 May 2004

	Note	Year ended 31 May 2004 £'000	Period ended 31 May 2003 (restated) £'000
Profit/(loss) for the financial year/period		4,778	(4,148)
Prior year adjustment	1	443	
Total gains and losses since last annual report		5,221	

# Leicester City Football Club PLC

## Balance sheet as at 31 May 2004

	Note	2004 £'000	2003 (restated) £'000
<b>Fixed assets</b>			
Intangible assets	7	3,884	3,524
Tangible assets	8	20,418	20,666
Investments	9	-	-
		<b>24,302</b>	<b>24,190</b>
<b>Current assets</b>			
Stock		319	148
Debtors	10	2,916	4,977
Cash at bank and in hand		2,000	1,604
		<b>5,235</b>	<b>6,729</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(6,187)</b>	<b>(14,672)</b>
<b>Net current liabilities</b>		<b>(952)</b>	<b>(7,943)</b>
<b>Total assets less current liabilities</b>		<b>23,350</b>	<b>16,247</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(16,090)</b>	<b>(16,195)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(622)</b>	<b>-</b>
<b>Net assets</b>		<b>6,638</b>	<b>52</b>
<b>Capital and reserves</b>			
Called up share capital	14	6,008	4,200
Profit and loss account	15	630	(4,148)
<b>Equity shareholders' funds</b>	16	<b>6,638</b>	<b>52</b>

The financial statements on page 9 to 30 were approved by the board of directors on 30 August 2004 and signed on its behalf by:

*T. B. Davies*

T Davies  
Director

# Leicester City Football Club PLC

## Cash flow statement for the year ended 31 May 2004

	2004	2003
	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities (note a)</b>	<b>4,156</b>	<b>(1,084)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	137	-
Interest paid	(160)	-
Interest element of finance lease payments	(190)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(213)</b>	<b>-</b>
<b>Capital expenditure</b>		
Purchase of tangible and intangible fixed assets	(2,364)	(2,019)
Sale of tangible and intangible fixed assets	104	185
<b>Net cash outflow for capital expenditure</b>	<b>(2,260)</b>	<b>(1,834)</b>
<b>Acquisitions</b>		
Payments to acquire trade (note 20)	15	(978)
<b>Net cash inflow/(outflow) before financing</b>	<b>1,698</b>	<b>(3,896)</b>
<b>Financing</b>		
(Decrease)/increase in borrowings	(800)	1,300
Capital element of finance leases	(2,310)	-
Issue of share capital	1,808	4,200
<b>Net cash (outflow)/inflow from financing</b>	<b>(1,302)</b>	<b>5,500</b>
<b>Increase in cash (note b)</b>	<b>396</b>	<b>1,604</b>

# Leicester City Football Club PLC

## Notes to the cash flow statement for the year ended 31 May 2004

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

	2004	2003 (restated)
	£'000	£'000
Operating profit/(loss)	6,217	(4,011)
Amortisation charge	1,107	104
Depreciation charge	629	130
(Increase)/decrease in stocks	(171)	38
Decrease/(increase) in debtors	1,887	(3,146)
(Decrease)/increase in creditors	(5,513)	5,801
<b>Net cash inflow/(outflow) from operating activities</b>	<b>4,156</b>	<b>(1,084)</b>

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

	2004	2003
	£'000	£'000
Increase in cash in the year	396	1,604
Cash outflow/(inflow) from decrease/(increase) in debt	3,110	(1,300)
Change in net debt from cash flows	3,506	304
New hire purchase contracts	-	(18,000)
Other non-cash changes	5	(5)
Movement in net debt in the year	3,511	(17,701)
Net debt at 31 May 2003	(17,701)	-
Net debt at 31 May 2004 (note c)	(14,190)	(17,701)

## Leicester City Football Club PLC

### Notes to the cash flow statement for the year ended 31 May 2004 (continued)

#### c) Analysis of net debt

	2003	Cash flow	Other non cash movements	2004
	£'000	£'000	£'000	£'000
Cash in hand and at bank	1,604	396	-	2,000
Debt due within one year	(800)	800	(100)	(100)
Debt due after one year	(505)	-	105	(400)
Hire purchase contracts	(18,000)	2,310	-	(15,690)
	(17,701)	3,506	5	(14,190)



# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2004**

### **1 Accounting policies**

#### **Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **Change in accounting policy**

Turnover includes amounts recognised in respect of central distributions from the FA Premier League and Football League. Previously the accounting policy for this revenue was to recognise it in the period 1 August to 31 July. This was the policy established by the previous company prior to the acquisition of the football business in the prior year. Following a review of the policy in the current year, the directors consider it is more appropriate to recognise the revenue in the financial period to 31 May as the football season to which the income relates effectively ends by this date each year.

The effect of the change in policy was to increase turnover and operating profit by £1,303,000 (2003: £427,000) and £1,343,000 (2003: £439,000) respectively. Goodwill on acquisition has reduced by £794,000 (note 20) which has led to a reduction in the amortisation charge of £40,000 (2003: £12,000).

#### **Consolidated accounts**

Consolidated accounts have not been prepared on the grounds of materiality. The Company has one dormant wholly owned subsidiary with net assets of £2.

#### **Turnover**

Turnover represents all income arising from the ordinary activities of the Company excluding transfer fees and value added tax.

#### **Revenue recognition**

Central distributions from the FA Premier League and Football League 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 service or transfer of benefit.

#### **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 likelihood of payment is certain.

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 20 years.

# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2004 (continued)**

### **1 Accounting policies (continued)**

#### **Tangible fixed assets**

Fixed assets are stated at cost less depreciation.

Depreciation is provided 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. Rates applied are as follows:

Freehold buildings	- 2% per annum
Equipment, fixtures and fittings	- 10% - 20% per annum
Computer equipment	- 20% - 33% per annum

Land is not depreciated.

#### **Leased assets**

Assets purchased under finance leases and hire purchase contracts have been capitalised. 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 account as they fall due.

#### **Stocks**

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

Provision is made for obsolete items.

#### **Grants received**

Grants received are credited to the profit and loss account over the period to which they relate.

#### **Signing on fees**

Signing on fees payable to players are charged to the profit and loss account over the contract period of each player.

#### **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 recognised to the extent that they are more likely than not to be recovered. Deferred tax assets and liabilities recognised have not been discounted.

#### **Pensions**

The pension cost charged in the year represents contributions payable by the Company to various pension schemes. Further details are set out in note 18.

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 2 Turnover

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

	Year ended 31 May 2004 £'000	Period ended 31 May 2003 (restated) £'000
Match receipts	8,519	1,878
Other football income	21,328	2,841
Retailing and merchandise	2,271	293
Conference, banqueting and catering	3,839	1,011
Sponsorship, executive suites, advertising and other income	3,676	369
	39,633	6,392

### 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	Year ended 31 May 2004 £'000	Period ended 31 May 2003 (restated) £'000
Operating leases		
- plant and machinery	68	25
Depreciation:		
- owned assets	246	76
- assets held under finance leases and hire purchase contracts	383	54
Amortisation of intangible assets	1,107	104
Auditors' remuneration		
- audit services	7	5

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 4 Net interest payable

	Year ended 31 May 2004 £'000	Period ended 31 May 2003 £'000
Interest payable:		
Bank loans and overdrafts	31	5
Hire purchase contracts	823	190
Interest on deferred player salaries	-	135
	854	330
Interest receivable – bank interest	(129)	(8)
	725	322

### 5 Staff costs

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

	Year ended 31 May 2004 Number	Period ended 31 May 2003 Number
Players	26	31
Administration	179	168
	205	199

The Company employs on average 800 (2003: 726) casual staff for catering, cleaning and on match days.

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 5 Staff costs (continued)

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

	Year ended 31 May 2004	Period ended 31 May 2003
	£'000	£'000
Wages and salaries	21,468	8,037
Social security costs	2,413	815
Other pension costs	228	24
	24,109	8,876

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

	Year ended 31 May 2004	Period ended 31 May 2003
	£'000	£'000
Aggregate emoluments	296	143
Pension contributions	20	5
	316	148

Two directors (2003: two) are accruing benefits under a money purchase pension scheme.

The remuneration of the highest paid director of the Company is as follows:

	Year ended 31 May 2004	Period ended 31 May 2003
	£'000	£'000
Aggregate emoluments	149	67
Pension contributions	11	3
	160	70

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 6 Tax on profit/(loss) on ordinary activities

	Year ended 31 May 2004 £'000	Period ended 31 May 2003 £'000
UK Corporation tax at 30% (2003: 30%)	79	-
Deferred tax (note 13)		
- current year	361	-
- prior year	62	-
	423	-
	502	-

The tax assessment for the year/period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 May 2004 £'000	Period ended 31 May 2003 (restated) £'000
Profit/(loss) on ordinary activities before tax	5,280	(4,148)
Profit/(loss) on ordinary activities multiplied by standard rate in the UK of 30%	1,584	(1,244)
Effects of:		
Disallowable expenses	146	50
Accelerated capital allowances	(338)	-
Short term timing differences	(23)	-
Tax losses movement	(1,290)	1,194
	79	-

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 7 Intangible assets

	Player registrations	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 June 2003	600	4,114	4,714
Fair value hindsight period adjustments (note 20)	-	(1,086)	(1,086)
At 1 June 2003 (restated)	600	3,028	3,628
Additions	1,777	-	1,777
Disposals	(641)	-	(641)
<b>At 31 May 2004</b>	<b>1,736</b>	<b>3,028</b>	<b>4,764</b>
<b>Amortisation</b>			
At 1 June 2003	60	60	120
Fair value hindsight period adjustments (note 20)	-	(16)	(16)
At 1 June 2003 (restated)	60	44	104
Charge for the year	956	151	1,107
Disposals	(331)	-	(331)
<b>At 31 May 2004</b>	<b>685</b>	<b>195</b>	<b>880</b>
<b>Net book amount</b>			
<b>At 31 May 2004</b>	<b>1,051</b>	<b>2,833</b>	<b>3,884</b>
At 31 May 2003 (restated)	540	2,984	3,524

The goodwill arose as a result of the acquisition of the trade and certain assets and liabilities of Leicester City Football Club, and is being amortised on a straight line basis over 20 years, being the period over which the Company expects to benefit from the acquisition.

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 8 Tangible assets

	Stadium	Other land and buildings	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 June 2003	19,106	967	439	284	20,796
Additions	-	-	387	-	387
Disposals	-	(6)	-	-	(6)
<b>At 31 May 2004</b>	<b>19,106</b>	<b>961</b>	<b>826</b>	<b>284</b>	<b>21,177</b>
<b>Depreciation</b>					
At 1 June 2003	52	1	48	29	130
Charge for the year	383	6	148	92	629
<b>At 31 May 2004</b>	<b>435</b>	<b>7</b>	<b>196</b>	<b>121</b>	<b>759</b>
<b>Net book amount</b>					
<b>At 31 May 2004</b>	<b>18,671</b>	<b>954</b>	<b>630</b>	<b>163</b>	<b>20,418</b>
At 31 May 2003	19,054	966	391	255	20,666

Included in the total net book amount of tangible fixed assets held at 31 May 2004 was £18,671,000 (2003: £19,089,000) in respect of assets held under finance leases and hire purchase contracts.

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 Notes 11 and 12.

### 9 Investments

	2004	2003
	£	£
Shares in subsidiary	2	2

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



# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 10 Debtors

	2004	2003 (restated)
	£'000	£'000
Trade debtors	510	2,411
Other debtors	87	1,089
Prepayments and accrued income	2,319	1,477
	<b>2,916</b>	<b>4,977</b>

### 11 Creditors: amounts due within one year

	2004	2003 (restated)
	£'000	£'000
Bank loan	100	-
Convertible loan	-	800
Trade creditors	1,201	1,093
Obligations under finance leases and hire purchase contracts (note 8)	-	2,310
Corporation tax	79	-
Taxation and social security	1,222	1,154
Other creditors	267	3,059
Accruals and deferred income	3,318	6,256
	<b>6,187</b>	<b>14,672</b>

### 12 Creditors: amounts due after one year

	2004	2003
	£'000	£'000
Bank loan	400	505
Obligations under finance leases and hire purchase contracts (note 8)	15,690	15,690
	<b>16,090</b>	<b>16,195</b>

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 12 Creditors: amounts due after one year (continued)

#### Bank loans

	2004	2003
	£'000	£'000
Amounts payable:		
Within one year	100	-
Between one and two years	100	64
Between two to five years	300	323
After five years	-	118
	500	505

The bank loan is secured on the freehold training ground. Interest is payable at 1.75% above the bank base rate.

#### Obligations under finance leases and hire purchase contracts

	2004	2003
	£'000	£'000
Amounts payable:		
Within one year	-	2,310
Between two to five years	-	6,224
After five years	15,690	9,466
	15,690	18,000

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 13 Provisions for liabilities and charges

	Indemnity	Deferred tax	Total
	£'000	£'000	£'000
1 June 2003	-	-	-
Cash receipts	199	-	199
Profit and loss account	-	423	423
<b>31 May 2004</b>	<b>199</b>	<b>423</b>	<b>622</b>

#### Indemnity

As part of an agreement with the administrators of Leicester City PLC, the Company has provided an indemnity for certain potential liabilities to the Company relating to the administration period. A provision of £199,000 has been made for the full potential liability under the agreement which will be held for a maximum period of two years unless the liability crystallises within this two year period.

#### Deferred tax

The full potential and provided deferred tax at 30% (2003: 30%) is as follows:

	2004		2003	
	Provided	Full potential	Provided	Full potential (restated)
	£'000	£'000	£'000	£'000
Accelerated capital allowances	443	-	-	-
Short term timing differences	(20)	-	-	-
Losses	-	-	-	(1,194)
	<b>423</b>	<b>-</b>	<b>-</b>	<b>(1,194)</b>

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 14 Share capital

	2004	2003
	£'000	£'000
<b>Authorised</b>		
7,750,000 (2003: 6,000,000) ordinary shares of £1 each	7,750	6,000
<b>Allotted, called up and fully paid</b>		
5,878,476 (2003: 4,100,000) ordinary shares of £1 each	5,878	4,100
130,000 (2003: 100,000) 'B' ordinary shares of £1 each	130	100
1 (2003: nil) redeemable share of £1	-	-
	<b>6,008</b>	<b>4,200</b>

During the year, 1,808,476 shares were issued at par.

During the year, £799,999 of £800,000 convertible loan stock was repaid to Teachers Insurance and Annuity Association of America (TIAA) with the remaining £1 converting into a redeemable share of £1.

Where shares are allotted to the Supporters Trust they are designated as 'B' shares. For so long as the aggregate number of 'B' shares in issue is less than £500,000 in nominal amount they carry the same rights as the Ordinary Shares. For so long as the aggregate number of 'B' shares in issue exceeds £500,000 in nominal amount then:

- (a) the holders of the 'B' shares shall have the right from time to time to appoint one person to be a non-executive director of the Company (the 'B' Director) and to remove from office any person so appointed and to appoint another person in his place. The 'B' Director shall not be subject to retirement by rotation;
- (b) on a resolution of shareholders in general meeting to remove a 'B' Director or to amend Article 3 of the Articles of Association ("Rights attached to the 'B' shares"), the 'B' shares shall together carry at least one vote in excess of 75 per cent of the votes exercisable in the general meeting at which such resolutions are to be proposed;

Where shares are allotted to TIAA they are designated as redeemable shares. The following rights are attached to redeemable shares:

- (a) the holders of the redeemable shares shall have the right from time to time to appoint one person to be a non-executive director of the Company (the TIAA Director) and to remove from office any person so appointed and to appoint another person in his place. The TIAA Director shall not be subject to retirement by rotation;
- (b) on a resolution of shareholders in general meeting to remove the TIAA Director or to amend Article 4 of the Articles of Association ("Rights attached to the redeemable shares"), the redeemable shares shall together carry at least one vote in excess of 75 per cent of the votes exercisable in the general meeting at which such resolutions are to be proposed;

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 14 Share capital (continued)

- (c) the redeemable shares shall not confer any right to receive notice of or to attend or vote at any general meeting of the Company except in the circumstances of (b) above or on variation of the rights of the shares;
- (d) the redeemable shares shall not confer any right to dividends;
- (e) the redeemable shares shall confer the right to be paid out of the assets of the Company available for distribution amongst the members the capital paid up on such shares *pari passu* with and in proportion to any amounts of capital paid to the holders of the Ordinary Shares, but shall not confer any right to participate in any surplus remaining following payment of the amount of capital paid up thereon;
- (f) the redeemable shares are to be redeemed by the Company under the circumstances set out in the Articles of Association and in any case, by 1 August 2053;

When 'B' shares or redeemable shares are held by anyone other than the Supporters Trust or TIAA respectively, the shares automatically convert into Ordinary Shares.

### 15 Reserves

	Profit and loss account
	£'000
1 June 2003	(4,591)
Prior year adjustment (note 1)	443
1 June 2003 (restated)	(4,148)
Profit for the financial year	4,778
<b>31 May 2004</b>	<b>630</b>

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 16 Reconciliation of movements in shareholders' funds

	2004	2003 (restated)
	£'000	£'000
Shares issued in the year/period	1,808	4,200
Profit/(loss) for the financial year/period	4,778	(4,148)
Opening shareholders' funds (originally deficit of £391,000 before adding prior year adjustment of £443,000)	52	-
Closing shareholders' funds	6,638	52

### 17 Leasing commitments

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

	2004	2003
	£'000	£'000
Operating leases which expire:		
Within one year	52	73
Within two to five years	3	10
	55	83

# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2004 (continued)**

### **18 Pension costs**

Certain employees of the Company are members of the Football League Limited Players Retirement Scheme, a defined contribution scheme. Contributions to the scheme are expensed in the profit and loss account as they become payable.

Certain employees of the Company are members of the Football League Limited Players Benefit 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 and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the Company.

Certain employees and ex-employees of the Company are members of the 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 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 employees who are members of the scheme. The liability has been calculated by the Trustees at 1 April 2003 at £145,000 of which £35,000 has been paid in the year (2003: £6,000). The balance outstanding is included in other creditors and will be amortised to the profit and loss account over the expected service lives of the current employees to which it relates. The assets of the scheme are held separately from those of the Company.

Retirement benefits to employees are funded by contributions from the Company and its employees. Payments may also be made on behalf of certain employees into personal pension schemes.

### **19 Contingencies and commitments**

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 appearances are met. The total maximum amount that is potentially payable and receivable under these contracts is £125,000 (2003: £375,000) and £1,300,000 (2003: £1,350,000) respectively.

At 31 May 2004, the Company had committed capital expenditure of £103,000 (2003: £nil).

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2004 (continued)

### 20 Acquisitions

On 13 February 2003, the trade and certain assets and liabilities of Leicester City Football Club were acquired from the administrators of the Leicester City PLC group of companies. The adjustments made in the hindsight period to the provisional fair values of the assets and liabilities acquired are set out below:

	Provisional fair values	Hindsight adjustments	Change in accounting policy	Final fair values
	£'000	£'000	£'000	£'000
<b>Intangible fixed assets</b>				
Player registrations	500	-	-	500
<b>Tangible fixed assets</b>				
Equipment, fixtures and fittings	393	-	-	393
Computer equipment	284	-	-	284
<b>Current assets</b>				
Stocks	186	-	-	186
Debtors	1,531	126	-	1,657
<b>Current liabilities</b>				
Creditors	(5,680)	-	794	(4,886)
<b>Net liabilities acquired</b>	<b>(2,786)</b>	<b>126</b>	<b>794</b>	<b>(1,866)</b>
Goodwill on acquisition	4,114	(292)	(794)	3,028
Consideration	1,328	(166)	-	1,162

Consideration consists of £978,000 paid in the period ended 31 May 2003 and a net receipt of £15,000 in the current year, being a deferred payment of £350,000 and amounts received of £365,000. Of the amounts received in the current year, £199,000 is being held as a provision for a rates indemnity and accordingly does not form part of the consideration above (see note 13).

The other adjustments to the fair values shown above relate to debtors not identified at the date of acquisition of £126,000 and a change in the accounting policy for certain income received in the prior year of £794,000 (see note 1).

As part of the purchase agreement there is consideration payable of £350,000 contingent on the football club remaining promoted to the Premier League for season 2006/7 having been promoted to the Premier League for season 2005/6.