

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2008

Registered number: 04593477



Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2008

	Page
Directors and advisors for the year ended 31 May 2008	1
Directors' report for the year ended 31 May 2008	2
Independent auditors' report to the members of Leicester City Football Club Limited.....	6
Profit and loss account for the year ended 31 May 2008	8
Balance sheet as at 31 May 2008	9
Cash flow statement for the year ended 31 May 2008	10
Notes to the cash flow statement for the year ended 31 May 2008	11
Notes to the financial statements for the year ended 31 May 2008	13

Leicester City Football Club Limited

Directors and advisors for the year ended 31 May 2008

Registered office

The Walkers Stadium
Filbert Way
Leicester
LE2 7FL

Directors

M Mandaric (Chairman)
A Lander
M Stewart-Smith
L Hoos
A Sharma

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

Independent auditors

PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2008

The directors present their annual report and the audited financial statements for the year ended 31 May 2008.

Principal activities

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

Results

The results for the year show a loss after taxation of £14,175,000 (2007 loss of: £5,431,000) and turnover of £14,103,000 (2007: £14,710,000). The Company had a net cash outflow for the year of £7,088,000 (2007: inflow of £1,121,000). No dividend has been paid in the year (2007: £nil).

During the year the Company outsourced both its executive catering and cleaning operations to subsidiaries of the Compass Group Plc.

Asset Values

Accounting standards require the Company to value its assets using specific criteria.

At the year end there were 17 players for which the cost of their player registration has been capitalised and was still being amortised over the period of the respective player's contract. The combined net book value of these 17 players is valued at £3.8m as at 31 May 2008.

The Walkers stadium and other land and buildings are currently stated at £18.8m, being valued on a historical cost basis less accumulated depreciation which is calculated at 2% per annum (land is not depreciated).

The Directors' note their market valuation based on the saleable value of the playing squad at 31 May 2008 to be £12.8m and the value of land and buildings, at the higher of cost or depreciated replacement cost to be £43m.

Future outlook

After relegation from the Football League Championship, the Club finds itself competing in the third tier of English football for the first time in its history. The primary aim of the Club is to make an immediate return to the Championship and continue in its ultimate objective of promotion to the Premier League.

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 put 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

Directors' report for the year ended 31 May 2008 (continued)

Principal risks and uncertainties (continued)

These areas include football, employee and finance related risks:

Football

The Company continually faces the risk of underperforming against crowd expectations which has a significant impact on revenue streams and cash generation. The directors understand this risk and therefore make prudent budget assumptions with regards to league position and cup success. The directors also carefully monitor the performance of both management and players.

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 relevant 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.

Finance

The Company operates in a challenging business environment/industry sector whose revenue streams can reduce significantly dependant upon on pitch performance and whose 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 levels and the league in which the club competes. The directors also review the level of fixed costs incurred, with a view to restrict unnecessary expense and match cost to income stream as demonstrated by the outsourcing of the cleaning and catering operations.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk and interest rate 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 debt finance and the related finance costs. The ultimate controlling party, the Milan Mandaric 1999 revocable trust has pledged its continued financial support for the foreseeable future.

In order to ensure stability of cash flows and manage interest rate risk, the Company has a policy of maintaining 100 per cent of its long term debt (2007: 100 per cent) at fixed rates. The Company does not use derivative financial instruments to manage interest rate costs.

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.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2008 (continued)

Key performance indicators

	2008	2007
Average league attendance	23,509	23,206
Cash balance at year end (£'000)	(4,093)	2,995
Staff costs (per note 5)/turnover and expressed as a percentage	103.1%	72.8%
Operating loss excluding goodwill, player amortisation, exceptional items and player trading (£'000)	(7,359)	(3,320)

Directors

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

M Mandaric (Chairman)
A Lander
M Stewart-Smith
P Aldridge (appointed 28 January 2008, resigned 11 June 2008)
L Hoos (appointed 2 July 2008)

Charitable donations

The Company supports charities and organisations from Leicester and surrounding areas. During the year, one of our employees, Alan Birchenall, on behalf of the Company carried out many charitable activities including an annual pre match run which helped raise over £20,000 for PROSTaid.

The Company also has a "Players' Adopted Charity Scheme" where members of the senior squad are given a Leicestershire-based organisation that becomes his "adopted" 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 again put the emphasis on smaller Leicestershire-based organisations where contributions can make a real difference.

Statement of directors' responsibilities in respect of the Annual Report and financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2008 (continued)

Statement of directors' responsibilities in respect of the Annual Report and financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements. Note 1 to the financial statements provides additional information on the way the directors have satisfied themselves on the applicability of the going concern assumption and the inherent certainty which remains.

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.

Statement of disclosure of information to auditors

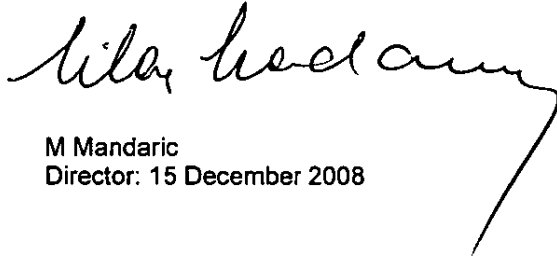
In the case of each director in office at the date the directors' report is approved, under section 234ZA, the following applies:

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

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



M Mandaric
Director: 15 December 2008

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

We have audited the financial statements of Leicester City Football Club Limited for the year ended 31 May 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of Matter – Going Concern

In forming our opinion we have considered the disclosures in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the directors being able to obtain additional funds from the ultimate controlling party to enable the Company to continue in business. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands: 23 December 2008

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2008

	Note	2008 £'000	2007 £'000
Turnover	2	14,103	14,710
Cost of sales		(19,372)	(15,729)
Cost of sales – exceptional	3	(981)	(242)
Gross loss		(6,250)	(1,261)
Administrative expenses		(1,427)	(1,341)
Administrative expenses – exceptional	3, 7	(3,140)	-
Stadium expenses		(2,009)	(2,004)
Total administrative expenses		(6,576)	(3,345)
Other operating income		130	-
Operating loss	3	(12,696)	(4,606)
(Loss)/profit on disposal of player registrations		(238)	325
Loss on ordinary activities before interest and taxation		(12,934)	(4,281)
Net interest payable	4	(1,241)	(1,150)
Loss on ordinary activities before taxation		(14,175)	(5,431)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(14,175)	(5,431)

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

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

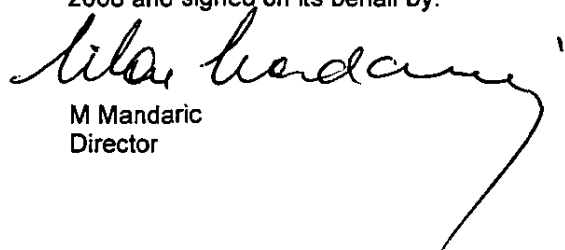
There are no recognised gains or losses other than the loss for the year, and therefore no separate statement of total recognised gains and losses had been presented.

Leicester City Football Club Limited

Balance sheet as at 31 May 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	7	3,839	4,183
Tangible assets	8	20,032	19,817
Investments	9	-	-
		23,871	24,000
Current assets			
Finished goods and goods for resale		65	75
Debtors	10	2,542	6,518
Cash at bank and in hand		-	2,995
		2,607	9,588
Creditors: amounts falling due within one year	11	(13,596)	(6,486)
Net current (liabilities)/assets		(10,989)	3,102
Total assets less current liabilities		12,882	27,102
Creditors: amounts falling due after more than one year	12	(18,386)	(18,431)
Net (liabilities)/assets		(5,504)	8,671
Capital and reserves			
Called up share capital	14	6,571	6,571
Share premium account	15	8,475	8,475
Profit and loss account	15	(20,550)	(6,375)
Total shareholders' (deficit)/funds	16	(5,504)	8,671

The financial statements on page 8 to 28 were approved by the board of directors on 15 December 2008 and signed on its behalf by:


M Mandaric
Director

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2008

	2008	2007
	£'000	£'000
Net cash outflow from operating activities (note a)	(5,561)	(2,657)
Returns on investments and servicing of finance		
Interest received	34	49
Interest paid	(140)	(44)
Interest element of finance lease payments	(1,135)	(943)
Net cash outflow from returns on investments and servicing of finance	(1,241)	(938)
Capital expenditure and financial investment		
Purchase of tangible and intangible fixed assets	(5,195)	(876)
Sale of intangible fixed assets	147	1,275
Net cash (outflow)/inflow from capital expenditure	(5,048)	399
Net cash outflow before financing	(11,850)	(3,196)
Financing		
Increase/(decrease) in borrowings (note c)	262	(100)
Receipt of unpaid share capital	4,500	4,750
Expenses of share issue	-	(333)
Net cash inflow from financing	4,762	4,317
(Decrease)/increase in cash (note b)	(7,088)	1,121

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2008

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

	2008	2007
	£'000	£'000
Operating loss	(12,696)	(4,606)
Amortisation charge	2,136	1,081
Goodwill impairment	3,140	-
Player impairment	61	205
Depreciation charge	611	629
Decrease in stocks	10	205
(Increase)/decrease in debtors	(33)	183
Increase/(decrease) in creditors	1,210	(354)
Net cash outflow from operating activities	(5,561)	(2,657)

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

	2008	2007
	£'000	£'000
(Decrease)/increase in cash in the year	(7,088)	1,121
Cash (inflow)/outflow from changes in debt	(262)	100
Change in net debt from cash flows	(7,350)	1,221
Other non-cash changes	-	(212)
Movement in net debt in the year	(7,350)	1,009
Net debt at 31 May 2007/2006	(14,336)	(15,345)
Net debt at 31 May 2008/2007 (note c)	(21,686)	(14,336)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2008 (continued)

c) Analysis of net debt

	1 June 2007	Cash flow	Other non cash movements	31 May 2008
	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,995	(7,088)	-	(4,093)
Debt due within one year	(100)	100	(132)	(132)
Debt due after one year	(100)	(473)	132	(441)
Hire purchase liabilities	(17,131)	111	-	(17,020)
	(14,336)	(7,350)	-	(21,686)

Non cash movements of £nil (2007: £212,000) were in relation to accrued interest on the stadium loan.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008

1 Accounting policies

Basis of accounting

The accounts have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 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 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.

Going concern

During the year the company incurred trading losses and has continued to do so after the year end. It had net current liabilities and net liabilities at the year end.

In considering the appropriateness of the going concern basis for the preparation of these accounts, the directors have considered the working capital requirements of the Company for the short, medium and longer term. In doing so, the directors have determined that additional funding is required, to enable the Company to continue in business.

Historically the directors have approached the ultimate controlling party, Milan Mandaric 1999 revocable trust, to provide and have received such funds in the form of loans or subscribing for additional share capital. The ultimate controlling party has confirmed that finance will be available to fund future trading, although the precise terms and form of this finance has not been determined.

The director therefore believe that it is appropriate for the financial statements to be prepared on a going concern basis as they are confident that adequate funding will be available. Accordingly no provisions, reclassifications, or adjustments have been made in these accounts to reflect the impact of the Company not being able to continue in business.

Turnover

Turnover represents all income arising from the ordinary activities of the Company excluding transfer fees, value added tax, and is stated net of the football league levy.

Revenue recognition

Central distributions from the FA Premier League and Football League and sponsorship income is 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 economic benefit.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

1 Accounting policies (continued)

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 payment is made.

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 (20 years).

Tangible fixed assets

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

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
Fixtures and fittings	-	10% - 20% per annum
Computer equipment	-	20% - 33% per annum
Motor vehicles	-	20% per annum

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.

Dividends received from investments are brought to account in the profit and loss account when received.

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 such fixed assets is charged to the profit and loss account, as an additional component of 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 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

1 Accounting policies (continued)

Impairment (continued)

Impairment losses are reversed if there is a trigger that changes the recoverable amount, with the exception of impairment losses on goodwill.

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 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. Prepayments or accruals arising at each period end are included within current assets or current liabilities, as appropriate. Where a player's registration is transferred, any signing on fees 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 recognised to the extent that they are more likely than not to be recovered. Deferred tax assets and liabilities 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 Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

2 Turnover

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

	2008	2007
	£'000	£'000
Match receipts	5,667	5,343
Other football income	2,805	2,120
Retailing and merchandise	1,295	915
Conference, banqueting and catering	1,172	3,187
Sponsorship, executive suites, advertising and other income	3,164	3,145
	14,103	14,710

3 Operating loss

Operating loss is stated after charging:

	2008	2007
	£'000	£'000
Operating leases		
- plant and machinery	51	56
Depreciation:		
- owned assets	229	247
- assets held under finance leases and hire purchase contracts	382	382
Amortisation of intangible assets	2,136	1,081
Player impairment	61	205
Goodwill impairment (Note 7)	3,140	-
Auditors' remuneration		
- audit services	21	21
- non-audit services – tax compliance	2	2

Expenses of £981,000 (2007: £242,000) were incurred in relation to management restructuring and are reported within cost of sales.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

4 Net interest payable

	2008	2007
	£'000	£'000
Interest payable:		
Bank loans and overdrafts	140	37
Hire purchase contracts	1,135	1,155
	1,275	1,192
Interest receivable – bank interest	(34)	(42)
	1,241	1,150

5 Staff costs

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

	2008	2007
	Number	Number
Players	39	27
Administration	113	152
	152	179

In addition, the Company employs on average 460 (2007: 540) casual staff on match days.

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

	2008	2007
	£'000	£'000
Wages and salaries	13,103	9,638
Social security costs	1,317	949
Other pension costs	119	124
	14,539	10,711

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

5 Staff costs (continued)

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

	2008	2007
	£'000	£'000
Aggregate emoluments	43	215
Pension contributions	31	10
	74	225

One of the directors are accruing benefits under a defined contribution pension scheme (2007: one).

6 Tax on loss on ordinary activities

	2008	2007
	£'000	£'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 2008 was based on the UK effective rate of 29.7% (2007: 30%). The actual charge for the current year and the previous year are higher than the standard rate for the reasons set out in the following reconciliation:

	2008	2007
	£'000	£'000
Loss on ordinary activities before taxation	(14,175)	(5,431)
Loss on ordinary activities multiplied by effective rate in the UK of 29.7% (2007: 30%)	(4,210)	(1,629)
Effects of:		
Disallowable expenses	142	135
Accelerated capital allowances	(410)	(572)
Short term timing differences	4,478	2,066
Current tax charge for the year	-	-

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

7 Intangible assets

	Player registrations	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 June 2007	2,428	4,266	6,694
Additions	5,869	-	5,869
Disposals	(1,712)	-	(1,712)
At 31 May 2008	6,585	4,266	10,851
Amortisation			
At 1 June 2007	1,599	912	2,511
Charge for the year	1,922	214	2,136
Impairment	61	3,140	3,201
Disposals	(836)	-	(836)
At 31 May 2008	2,746	4,266	7,012
Net book amount			
At 31 May 2008	3,839	-	3,839
At 31 May 2007	829	3,354	4,183

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.

During the year, the directors have reassessed the value in use and fair market value of the goodwill based on the results for the year ended 31 May 2008 and the club's relegation to League One. Based on this evidence, an impairment of £3,140,000 has been recognised.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

8 Tangible assets

	Stadium	Other land and buildings	Fixtures and fittings	Motor vehicles	Computer equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 June 2007	19,106	1,182	1,736	45	394	22,463
Additions	-	489	273	12	52	826
Disposals	-	-	(678)	-	-	(678)
At 31 May 2008	19,106	1,671	1,331	57	446	22,611
Depreciation						
At 1 June 2007	1,580	27	711	12	316	2,646
Charge for the year	382	15	152	9	53	611
Disposals	-	-	(678)	-	-	(678)
At 31 May 2008	1,962	42	185	21	369	2,579
Net book amount						
At 31 May 2008	17,144	1,629	1,146	36	77	20,032
At 31 May 2007	17,526	1,155	1,025	33	78	19,817

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.

Land included within "Other land and buildings" at a cost of £650,000 (2007: £650,000) is not depreciated.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

9 Investments

	2008	2007
	£	£
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

	2008	2007
	£'000	£'000
Trade debtors	968	985
Other debtors	417	331
Prepayments and accrued income	1,157	702
Unpaid share capital	-	4,500
	2,542	6,518

11 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Bank loan	132	100
Bank overdraft	4,093	-
Trade creditors	3,046	1,002
Obligations under finance lease and hire purchase contracts	1,000	1,000
Taxation and social security	809	958
Other creditors	144	228
Accruals and deferred income	4,372	3,198
	13,596	6,486

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

12 Creditors: amounts falling due after more than one year

	2008	2007
	£'000	£'000
Bank loan	441	100
Obligations under finance leases and hire purchase contracts	16,020	16,131
Accruals and deferred income	1,925	2,200
	18,386	18,431

Bank loan

	2008	2007
	£'000	£'000
Amounts payable:		
Within one year	132	100
Between one and two years	32	100
Between two to five years	95	-
Greater than five years	314	-
	573	200

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

	2008	2007
	£'000	£'000
Amounts payable:		
Within one year	1,000	1,000
Between two and five years	3,000	3,000
After five years	13,020	13,131
	17,020	17,131

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

13 Provisions for liabilities and charges

Deferred tax

The amounts of deferred tax (assets)/liabilities provided and those unprovided, calculated at 28% (2007: 30%), is as follows:

	2008		2007	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	279	-	-	(112)
Short term timing differences	(21)	-	-	(27)
Trading losses	(258)	(7,641)	-	(3,873)
	-	(7,641)	-	(4,012)

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

14 Share capital

	2008	2007
	£'000	£'000
Authorised		
Ordinary shares of £1 each		
7,200,000 (2007: 7,200,000) ordinary shares of £1 each	7,200	7,200
Redeemable shares of £1 each		
800,000 (2007: 800,000) redeemable share of £1	800	800
'A' shares of 1p each		
25,000,000 (2007: 25,000,000) 'A' shares of 1p each	250	250
	8,250	8,250
Allotted, called up and fully paid		
Ordinary shares of £1 each		
6,379,476 (2007: 6,379,476) ordinary shares of £1 each	6,379	6,379
Redeemable shares of £1 each		
1 (2007: 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2007: 9,569,216) 'A' shares of 1p each	192	96
	6,571	6,475
Allotted, called up and not paid		
'A' shares of 1p each		
Nil (2007: 9,569,216) 'A' shares of 1p each	-	96
	6,571	6,571

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

14 Share capital (continued)

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 exercise its rights under the Call Option at any time;
and
- c) 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 requiring 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.

On 21 January 2008, UK Football Investments LLC exercised its call option over all the ordinary shares in issue at a price of £0.10 per share. The transfer of all shares was completed by 21 January 2008.

Where redeemable shares are held by T-C Sports, the following rights shall be attached to the 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 T-C Sports director) and to remove from office any person so appointed and to appoint another person in his place. If at any time, the holders of the redeemable shares have the right to appoint a T-C Sports director, but for any reason no such director is appointed the holders of the redeemable shares shall have the right to appoint an observer to attend board meetings;
- b) The T-C Sports director shall receive a reimbursement package not exceeding £10,000 per annum for the first five years from the initial appointment of the first T-C Sports director and such maximum limit thereafter shall be increased in each year by the same percentage as the increase in the retail price index for the previous year;
- c) On a resolution of shareholders in general meeting to remove the T-C Sports director or to amend or alter these rights, 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; and
- d) The redeemable shares shall be issued on the condition that they are to be redeemed by the company by 1 August 2053.

Any redeemable share which ceases to be so held shall automatically convert into ordinary shares.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

14 Share capital (continued)

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 situate within Leicestershire.

15 Reserves

	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000
At 1 June 2007	8,475	(6,375)	2,100
Loss for the financial year	-	(14,175)	(14,175)
31 May 2008	8,475	(20,550)	(12,075)

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

	2008	2007
	£'000	£'000
Net proceeds from issue of shares	-	8,917
Loss for the financial year	(14,175)	(5,431)
Net (reduction in)/addition to total shareholders' funds	(14,175)	3,486
Opening total shareholders' funds	8,671	5,185
Closing total shareholders' (deficit)/funds	(5,504)	8,671

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

17 Leasing commitments

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

	2008	2007
	£'000	£'000
Operating leases which expire:		
Within one year	38	45
	38	45

18 Pension costs

Certain employees of the Company (professional footballers) 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 pension and life assurance scheme or the Football League Limited group personal pension plan. These are both defined contribution schemes, consequently contributions are expensed in the profit and loss account as they become payable.

Other employees of the company are members of the Leicester City Football Club group personal pension scheme, a defined contribution scheme. Contributions to the scheme are expensed in the profit and loss account as they become payable.

Certain 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. 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 ex-employees who are members of the scheme. The liability has been calculated by the Trustees at 31 May 2008 as £62,000 (1 April 2007 £76,000) of which £14,000 (31 May 2007: £14,000) has been paid in the year. The balance outstanding is included in other creditors. The assets of the scheme are held separately from those of the Company.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2008 (continued)

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 £320,000 (2007: £904,000) and £1,779,000 (2007: £270,000) respectively.

b) HM Customs & Excise

HM Customs and Excise has issued an assessment for repayment of £287,000 (2007: £220,000) of input VAT previously recovered which relates to payments made under the contractual arrangements between the Company and certain football agents. The Company considers the VAT concerned has been properly recovered and, accordingly, an appeal has been lodged against the assessment, consequently no provision has been made within these accounts.

c) Capital commitments

At 31 May 2008, the Company had no committed capital expenditure (2007: £nil).

20 Related party transactions

During the year, the company levied a management charge of £130,000 (2007: nil) to MM Capital Limited, a company related to it by virtue of a common director, M Mandaric.

21 Ultimate parent company and controlling party

The Company's immediate parent undertaking is UK Football Investment LLC, a company incorporated in Delaware.

The ultimate controlling party is the Milan Mandaric 1999 revocable trust.