

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2011
Registered number: 04593477

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Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2011

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Leicester City Football Club

Directors and advisors

Registered office

King Power Stadium
Filbert Way
Leicester
LE2 7FL

Directors

Vichai Raksriaksorn
Aiyawatt Raksriaksorn
Supornthip Choungsangsee
Susan Valerie Whelan
M Stewart-Smith

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

Directors' report for the year ended 31 May 2011

The directors present their audited directors' report and the financial statements for the year ended 31 May 2011

Principal activities

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

Results

The 2010/11 season was a time of transition for the Club, which started disappointingly with team not gelling under the leadership of Paulo Sousa. It was with regret that Paulo was replaced, but with Sven Goran Eriksson managing the team results improved significantly. Finally at the end of the season the Club fell frustratingly short of making the play offs and an inconsistent start to the current season has led to Sven leaving the Club. The Board has appointed Nigel Pearson as the ideal candidate to lead the Club forward and the team's improved performances have given us a strong foundation from which to build for the rest of the 2011/12 season.

The Board can only thank our superb supporters for continuing to back the Club during the ups and downs of the 2010/11 season. Our average attendances in the Championship of 23,709 (2010: 23,943) were the fourth highest in the league and given our inconsistent on pitch performance represent how dedicated our fans are in following their club.

The Club's reported turnover increased to £17.4m (2010: £16.2m) which considering the Club did not repeat the £0.8m windfall from reaching the play offs which was received in 2010 was a strong performance. £1.0m (2010: £0.3m) of the turnover in the year came from the Club's cup runs including the ties against Manchester City.

Operating expenditure (excluding staff costs) increased by £6.3m to £15.5m (2010: £9.2m). The Club has also chosen to invest into the playing squad during the season which is reflected in our increased staff costs that rose £2.1m to £16.6m compared to last year's £14.5m.

In the year to 31 May 2011, player trading achieved profits of £1.8m (£1.4m in 2010). After taxation, the results for the year show a loss of £15.2m (2010 loss of £7.5m). The Company had a net cash outflow for the year of £0.9m (2010: inflow of £8.2m) arising from a net cash outflow from operating activities of £11.2m and a net investment in tangible and intangible assets of £2.8m financed by an increase in borrowings of £13.1m primarily through an injection of shareholder loans. No dividend has been paid in the year (2010: £nil).

On the 12 August 2010, UK Football Investments LLC sold its 100% share holding in Leicester City Football Club Limited to Asia Football Investments Pte Limited (AFI). The new beneficial owner (Aiyawatt Raksriaksorn) has implemented significantly enhanced football strategy to challenge for promotion as well as investing significantly in the infrastructure of the Club. During the financial year £15.1m of new working capital was injected into the business by way of parent company loans.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2011 (continued)

Asset values

At the year end there were 24 players for which the cost of their player registration has been capitalised and were still being amortised over the period of the respective player's contract. The combined net book value of these players is £3.3m as at 31 May 2011 (2010 £3.1m). The directors' market valuation of the playing squad at 31 May 2011 was £7.2m. The King Power stadium and other land and buildings are currently stated at £42.3m, which reflects the current depreciated replacement value of the stadium which was revalued on 31 May 2009 at £41.5m. Depreciation on the buildings is calculated at 2% per annum, whilst the land is not subject to depreciation.

Future outlook

During the summer 2011 transfer window the Club has made an extremely significant investment in new players, committing over £10m in transfer fees alone. The primary aim of the Club will be to challenge for a top 6 position in the Championship in the current season with the ultimate objective of promotion to the Premier League. The Club is currently in 12th place the Championship which is within the play off positions. The Club has also, through its owner's relationships in Thailand, been able to enter into some significant new sponsorship deals which will contribute positively to the Club's revenues in the future.

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.

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 monitor the performance of both management and players and have a proven record of making changes where required.

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.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2011 (continued)

Business environment

The Company operates in a challenging business environment/industry sector where revenue streams can be 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. The directors also review the level of fixed costs incurred, with a view to restricting unnecessary expense and matching costs to income streams.

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 Company manages its liquidity risk on a daily basis through cash monitoring and cash flow forecasting to ensure that it operates within its agreed facilities. The ultimate controlling party has confirmed that finance will be available to fund future trading and support the football strategy to achieve promotion back to the Premier League. In order to ensure stability of cash flows and manage interest rate risk, the Company has a policy of maintaining 98 per cent of its long term debt (2010: 98 per cent) at fixed rates. The Company does not use other 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.

Credit Risk

The Company manages credit risk 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 are rigorously monitored.

Going concern

Whilst the Company has been working hard to increase revenues, given the current level of investment in both fixed assets and the playing squad the Company relies and continues to rely on funding from the ultimate controlling party. This party has pledged its continued financial support for the foreseeable future.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2011 (continued)

Key performance indicators

	2011	2010
Average league attendance	23,709	23,943
Cash balance at year end (£'000)	244	1,173
Staff costs (per note 5)/turnover and expressed as a percentage	95.5%	89.3%
Operating loss excluding goodwill, player amortisation, exceptional items and player trading (£'000)	(11,794)	(5,372)

Directors

The directors of the Company during the year and subsequently, together with details of appointments and resignations, were as follows

A Raksriakson	(appointed 12 August 2010)
V Raksriakson (Chairman)	(appointed 2 December 2010)
S Choungrangsee	(appointed 2 December 2010)
SV Whelan	(appointed 2 December 2010)
M Stewart-Smith	
M Mandaric	(Chairman, resigned 29 November 2010)
L Hoos	(Resigned 15 June 2011)
M Johnson	(Resigned 15 June 2011)

Charitable donations

The Club has chosen 10 charities to support through its "One in a Million" campaign for the 2011-2012 season with the target to raise a minimum of £150,000 to bring the total charity funds raised by LCFC and its legend Alan Birchenall MBE to £1 million. This campaign involves various activities throughout the season as well as behind the scenes activity with staff and the families of those affected. To facilitate this campaign the Club has incorporated a new charity, the LCFC Foxes Foundation which will act as an active fund raiser for the "One in a Million campaign" and for future seasons. The Club is also encouraging participation and player endorsements and appearances to assist in campaigns to help raise the profile of the charities involved.

This campaign will conclude with Alan Birchenall MBE, carrying out his annual charity run at the end of the season as he has for over 30 years.

The Club also has several match day collections during every season, currently collections for St John's Ambulance, The Royal British Legion and the LCFC Foxes Foundation "One in a Million" Campaign have either been undertaken or are planned for the 2011/12 season.

The Company also supports a charitable trust through its funding of and involvement in the Leicester City Football in the Community Charitable Trust.

The Company has made charitable donations during the year of £1,000 (2010 £1,000).

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2011 (continued)

Subsequent events

Additional funding of £25.6m from the parent company has been received in the period to 20th February 2012 and was used to invest substantially in the playing squad, as well as over £4m of capital investment into the training ground, the new club shop, a new "Desso" pitch at the King Power Stadium and new information technology including a new ticket system and two new LED screens

This investment has also been supported by large new sponsorship agreements with Air Asia and Amazing Thailand as well as, on 1st July 2011, a 3 year naming rights deal to rename the stadium as the "King Power Stadium". These contracts provide for a significant increase in the commercial income of the Club. The Club would like to thank Walker's for their support over the years and for continuing with their legacy partnership.

In June 2011 we were also able to welcome Susan Whelan as Chief Executive Officer and Simon Capper as Finance Director and Company Secretary who were appointed to take on the management of the Club from Lee Hoos and Mark Johnson respectively.

Sven Goran Eriksson left the Club in October 2011 and Nigel Pearson was appointed as 1st team manager on 15th November 2011. Our thanks go to Sven, Lee Hoos and Mark Johnson for their efforts for the Club during their time here.

Statement of directors' responsibilities

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). 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.

Leicester City Football Club Limited

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

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



Aiyawatt Raksriaksorn

Executive Director

20th February 2012

Registered number 04593477

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 2011 which comprise the profit and loss account, the balance sheet, the note of historical cost profits and losses, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

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 to identify material inconsistencies with the financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 May 2011 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

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

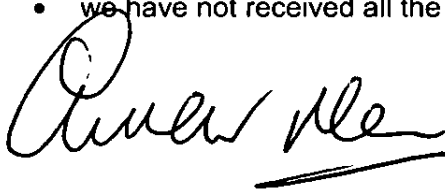
Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, 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, or
- certain disclosure of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Mair (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
20th February 2012

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2011

	Note	2011 £'000	Restated 2010 £'000
Turnover	2	17,357	16,213
Cost of sales		(26,459)	(19,745)
Gross loss		(9,102)	(3,532)
Administrative expenses		(3,874)	(2,473)
Stadium expenses		(1,758)	(1,465)
Total administrative expenses		(5,632)	(3,938)
Other operating income		435	6
Operating loss	3	(14,299)	(7,464)
Profit on disposal of player registrations		1,815	1,425
Loss on ordinary activities before interest and taxation		(12,484)	(6,039)
Net interest payable	4	(2,732)	(1,491)
Loss on ordinary activities before taxation		(15,216)	(7,530)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(15,216)	(7,530)

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

The restatement of the 2010 profit and loss account relates to the reclassification of certain expenses from cost of sales to administration costs after an assessment by the current directors. Expenses totalling £998,000 have been transferred from cost of sales to administrative expenses as that classification better reflects the nature of the relevant costs.

The Company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been prepared.

Leicester City Football Club Limited

Note of historical costs profit and losses for the year ended 31 May 2011

	2011	2010
	£'000	£'000
Reported loss on ordinary activities before taxation	(15,216)	(7,530)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	464	463
Historical cost loss on ordinary activities before taxation	(14,752)	(7,067)
Historical cost loss for the financial year	(14,752)	(7,067)

Leicester City Football Club Limited

Balance sheet as at 31 May 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets	7	3,266	3,120
Tangible assets	8	42,792	43,428
Investments	9	-	-
		46,058	46,548
Current assets			
Finished goods and goods for resale		108	100
Debtors	10	3,073	1,441
Cash at bank and in hand		244	1,173
		3,425	2,714
Creditors: amounts falling due within one year	11	(41,894)	(23,379)
Net current liabilities		(38,469)	(20,665)
Total assets less current liabilities		7,589	25,883
Creditors: amounts falling due after more than one year	12	(17,332)	(20,410)
Net assets		(9,743)	5,473
Capital and reserves			
Called up share capital	14	6,571	6,571
Share premium account	15	8,475	8,475
Revaluation reserve	15	23,774	24,238
Profit and loss account	15	(48,563)	(33,811)
Total shareholders' (deficit)/funds	16	(9,743)	5,473

The financial statements on pages 10 to 29 were approved by the board of directors on 20th February 2012 and signed on its behalf by



Aiyawatt Raksriaksorn
Executive Director

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2011

	2011 £'000	2010 £'000
Net cash outflow from operating activities (note a)	(11,158)	(2,041)
Returns on investments and servicing of finance		
Interest received	5	-
Interest paid	(54)	(174)
Net cash outflow from returns on investments and servicing of finance	(49)	(174)
Capital expenditure and financial investment		
Purchase of tangible and intangible fixed assets	(4,676)	(1,315)
Sale of intangible fixed assets	1,885	1,271
Net cash outflow from capital expenditure	(2,791)	(44)
Net cash outflow before financing	(13,998)	(2,259)
Financing		
Increase in borrowings (note c)	13,069	10,507
Net cash inflow from financing	13,069	10,507
(Decrease)/increase in cash (note b)	(929)	8,248

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2011

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

	2011 £'000	2010 £'000
Operating loss	(14,299)	(7,464)
Amortisation charge	2,505	2,092
Depreciation charge	1,131	1,096
Increase in stocks	(8)	(31)
(Increase)/decrease in debtors	(1,212)	(26)
Increase in creditors	725	2,292
Net cash outflow from operating activities	(11,158)	(2,041)

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

	2011 £'000	2010 £'000
(Decrease)/Increase in cash in the year	(929)	8,248
Cash inflow from changes in debt	(13,069)	(10,507)
Change in net debt from cash flows	(13,998)	(2,259)
Other non-cash changes	(2,683)	(1,326)
Movement in net debt in the year	(16,681)	(3,585)
Opening net debt	(29,503)	(25,918)
Closing net debt (note c)	(46,184)	(29,503)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2011 (continued)

c) Analysis of net debt

	1 June 2010	Cash flow	Other non cash movements	31 May 2011
	£'000	£'000	£'000	£'000
Cash in hand and at bank	1,173	(929)	-	244
	1,173	(929)	-	244
Debt due within one year	(11,839)	(14,975)	(1,244)	(28,058)
Debt due after one year	(1,371)	406	-	(965)
Hire purchase liabilities	(17,466)	1,500	(1,439)	(17,405)
	(30,676)	(13,069)	(2,683)	(46,428)
	(29,503)	(13,998)	(2,683)	(46,184)

Non cash movements relate to £1,439,000 accrued interest on the stadium loan and £1,244,000 on shareholder loans

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011

1 Accounting policies

Basis of accounting

The accounts 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 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 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. The directors have reviewed the cash flow forecasts prepared for the period of 12 months from the date of this report. These forecasts show that the Company is reliant on continued funding from the ultimate controlling party, Aiyawatt Raksriaksorn.

The ultimate controlling party has confirmed that finance will be available to fund future trading and support the football strategy to achieve promotion back to the Premier League. Furthermore, since 1 June 2011, £25.6m of new funding has been provided and the directors are confident further funding will be provided as required.

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 accounts 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 2011

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 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.

Revenue recognition

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 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 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, the actuarial surplus or deficit is estimated and 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 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.

Tangible fixed assets

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

With effect from 31 May 2009, the stadium will be revalued every five years, with an interim valuation after three years, on an existing use basis.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

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.

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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

1 Accounting policies (continued)

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. 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:

	2011	Restated 2010
	£'000	£'000
Match receipts	6,022	5,676
Other football income	6,009	5,131
Retailing and merchandise	1,377	1,602
Conference, banqueting and catering	880	935
Sponsorship, executive suites, advertising and other income	3,069	2,869
	17,357	16,213

The restatement of the 2010 comparative relates to the reclassification of certain revenue items after an assessment by the current directors. Revenue totalling £23,000 has been reclassified to better reflect the nature of the relevant balances.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

3 Operating loss

Operating loss is stated after charging

	2011 £'000	2010 £'000
Operating leases		
- plant and machinery	35	19
Depreciation		
- owned assets	285	251
- assets held under finance leases and hire purchase contracts	846	845
Amortisation of intangible assets	2,505	2,092
Auditors' remuneration		
- audit services	22	21
- non-audit services – tax compliance	4	2

4 Net interest payable

	2011 £'000	2010 £'000
Interest payable		
Bank loans and overdrafts	21	65
Hire purchase contracts	1,471	1,326
Other loans	1,245	-
Other financing costs	-	100
	2,737	1,491
Interest receivable – bank interest	(5)	-
	2,732	1,491

5 Staff costs

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

	2011 Number	2010 Number
Players	39	39
Administration	103	116
	142	155

In addition, the Company employs on average 475 (2010 614) casual staff on match days

Employee costs, including directors, during the year amounted to

	2011 £'000	2010 £'000
Wages and salaries	14,673	12,915
Social security costs	1,611	1,446
Other pension costs (note 18)	293	117
	16,577	14,478

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011

5 Staff costs (continued)

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

	2011 £'000	2010 £'000
Aggregate emoluments	272	238
Pension contributions	81	49
	353	287

The aggregate emoluments of the highest paid director were £157,000 (2010 £149,000), Two of the directors were accruing benefits under a defined contribution pension scheme (2010 two)

6 Tax on loss on ordinary activities

	2011 £'000	2010 £'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 2011 was based on the UK effective rate of 27.67% (2010 28%). The actual charge for the current and previous year are higher than the standard rate for the reasons set out in the following reconciliation

	2011 £'000	2010 £'000
Loss on ordinary activities before taxation	(15,216)	(7,530)
Loss on ordinary activities multiplied by effective rate in the UK of 27.67% (2010 28%)	(4,210)	(2,108)
Effects of		
Disallowable expenses	288	268
Accelerated capital allowances	66	66
Trading losses and other timing differences not recognised	3,856	1,774
Current tax charge for the year	-	-

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011

6 Tax on loss on ordinary activities (continued)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014.

These reductions have been amended by Budget 2011 on 23 March 2011. An additional reduction of 1% is proposed to the Financial Year beginning 1 April 2011 following which rates will be reduced by further one percent cuts, in line with the June 2010 Budget, to a lower rate of 23% by the Financial Year beginning 1 April 2014. The change has not been substantively enacted at the balance sheet date and, therefore, is not reflected in the numbers in these financial statements.

7 Intangible assets

	Player registrations £'000	Goodwill £'000	Total £'000
Cost			
At 1 June 2010	9,163	4,266	13,429
Additions	3,141	-	3,141
Disposals	(3,669)	-	(3,669)
At 31 May 2011	8,635	4,266	12,901
Amortisation			
At 1 June 2010	6,043	4,266	10,309
Charge for the year	2,505	-	2,505
Disposals	(3,179)	-	(3,179)
At 31 May 2011	5,369	4,266	9,635
Net book amount			
At 31 May 2011	3,266	-	3,266
At 31 May 2010	3,120	-	3,120

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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (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 2010	41,463	1,671	1,583	57	601	45,375
Additions	-	-	148	-	347	495
At 31 May 2011	41,463	1,671	1,731	57	948	45,870
Depreciation						
At 1 June 2010	845	83	489	41	489	1,947
Charge for the year	846	18	198	7	62	1,131
At 31 May 2011	1,691	101	687	48	551	3,078
Net book amount						
At 31 May 2011	39,772	1,570	1,044	9	397	42,792
At 31 May 2010	40,618	1,588	1,094	16	112	43,428

The stadium was revalued on 31 May 2009 by DTZ Debenham Tie Leung Limited, on an existing use basis, at £41,463,000. The valuation was undertaken in accordance with the RICS appraisal and valuation manual. Included within this valuation is freehold land of £4,777,000 which will not be depreciated. Fixtures and fittings and computer equipment above includes £99,000 of cost and £72,000 net book value of assets held under finance leases.

If the stadium was stated on a historical cost basis, the amounts for cost, aggregate depreciation and net book amount respectively at 31 May 2011 would be £19,106,000 (2010 £19,106,000), £3,108,000 (2010 £2,726,000) and £15,998,000 (2010 £16,380,000).

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 (2010 £650,000) is not depreciated.

9 Investments

	2011 £	2010 £
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 Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

10 Debtors

	2011 £'000	2010 £'000
Trade debtors	1,319	683
Taxation and social security	63	-
Other debtors	568	427
Prepayments and accrued income	1,123	331
	3,073	1,441

11 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Bank loan	32	32
Amounts owed to parent company	28,026	11,807
Trade creditors	1,860	2,269
Obligations under finance lease and hire purchase contracts	1,500	1,500
Taxation and social security	731	1,020
Other creditors	3,281	1,100
Accruals and deferred income	6,464	5,651
	41,894	23,379

12 Creditors: amounts falling due after more than one year

	2011 £'000	2010 £'000
Bank loan	340	371
Obligations under finance leases and hire purchase contracts	15,905	15,966
Amounts owed to parent company	625	1,000
Accruals and deferred income	462	3,073
	17,332	20,410

Bank loan

	2011 £'000	2010 £'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	213	244
	372	403

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

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

Obligations under finance leases and hire purchase contracts

	2011 £'000	2010 £'000
Amounts payable		
Within one year	1,500	1,500
Between two and five years	4,500	4,500
After five years	11,405	11,466
	17,405	17,466

Amounts owed to group company

	2011 £'000	2010 £'000
Amounts payable		
Within one year	28,026	11,807
Between one and two years	500	500
Between two to five years	125	500
	28,651	12,807

£27.5m of the other loans represent loans from the parent company which are unsecured, bear interest at 8% and repayable on demand. The parent company has confirmed that they will not seek repayment of these loans within 12 months of the date of signing these accounts if such payment would prejudice the ability of the Company to settle its other obligations when they fall due.

The remaining other loans attract interest at 1.23%. They are secured by a chattel mortgage on catering equipment.

13 Provisions for liabilities and charges

Deferred tax

The deferred tax (assets)/liabilities provided and those unprovided, calculated at 26% (2010: 28%), are as follows:

	2011		2010	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	-	(331)	-	(289)
Short term timing differences	-	(33)	-	(36)
Trading losses	-	(13,668)	-	(10,803)
	-	(14,032)	-	(11,128)

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 £6.0m (2010: £6.0m).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011

14 Share capital

	2011 £'000	2000 £'000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
6,379,476 (2010 6,379,476) ordinary shares of £1 each	6,379	6,379
Redeemable shares of £1 each		
1 (2010 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2010 19,138,432) 'A' shares of 1p each	192	192
	6,571	6,571

The following rights attach to the 'A' shares

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

In the event of a qualifying offer which the 'A' shareholder wishes to accept, the 'A' shareholder shall give written notice to all the holders of the ordinary shares of its wish to accept the qualifying offer and 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 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 2011

15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2010	8,475	24,238	(33,811)
Loss for the financial year	-	-	(15,216)
Transfer to profit and loss account	-	(464)	464
31 May 2011	8,475	23,774	(48,563)

16 Reconciliation of movements in total shareholders' funds

	2011 £'000	2010 £'000
Loss for the financial year	(15,216)	(7,530)
Revaluation	-	-
Net movement in total shareholders' funds	(15,216)	(7,530)
Opening total shareholders' funds	5,473	13,003
Closing total shareholders' (deficit)/funds	(9,743)	5,473

17 Leasing commitments

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

	2011 £'000	2010 £'000
Within one year	13	-
Within two to five years	94	-
	107	-

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, and 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

18 Pension costs (continued)

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 was calculated by the Trustees at 1st September 2009 as £139,770 which was the date of the last valuation. The Club has made contributions of £21,612 in the year (2010 £19,596). The balance estimated as outstanding is included in other creditors. The assets of the scheme are held separately from those of the Company.

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 £3,866,000 (2010 £1,860,000) and £930,000 (2010 £145,000) respectively.

b) HM Customs & Excise

HM Customs and Excise has issued an assessment for repayment of £287,000 (2010 £287,000) 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 for the repayment has been made within these financial statements.

c) Capital commitments

At 31 May 2011, the Company had committed capital expenditure of £954,000 (2010 £nil) and expenditure approved not committed of £2,460,000 (2010 £nil).

20 Related party transactions

At the start of the year the Company had a loan from its then parent company UK Football Investment LLC of £11,181,230. After the acquisition of the Company these loans were assigned to the new immediate parent undertaking Asia Football Investments Pte Limited ("AFI"). Of this £8,000,000 was subsequently assigned to K Power Sports Investment, the ultimate holding company of the Club.

Further loans of £4,199,970 were advanced in the year by AFI. K Power Sports Investment has advanced a further £10,900,000 during the year. These loans are unsecured and bear interest at 8%. Interest of £1,244,656 accrued on these loans during the year.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2011 (continued)

20 Related party transactions (continued)

The Company also entered into a management agreement with K Power Sports Investment where the Club is charged a management fee based on turnover for management services provided. The fee and expenses for 2011 under this agreement were £1.1m (2010: £nil).

21 Ultimate parent company and controlling party

The Company's immediate parent undertaking is Asia Football Investments Pte Limited, a company incorporated in Singapore.

The beneficial owner of Asia Football Investments is K Power Sports Limited, a British Virgin Islands company. The beneficial owner of K Power Sports Limited is Ariyawatt Raksriaksorn.

22 Subsequent events

Additional funding of £25.6m from the parent company has been recorded in the period to 20th February 2012 and was used to invest substantially in the playing squad, as well as over £4m of capital investment into the training ground, the new club shop, a new "Desso" pitch at the King Power Stadium and new information technology including a new ticket system and two new LED screens.

This investment has also been supported by large new sponsorship agreements with Air Asia and Amazing Thailand as well as, on 1st July 2011, a 3 year naming rights deal to rename the stadium as the "King Power Stadium". These contracts provide for a significant increase in the commercial income of the Club. The Club would like to thank Walker's for their support over the years and for continuing with their legacy partnership.

In June 2011 we were also able to welcome Susan Whelan as Chief Executive Officer and Simon Capper as Finance Director and Company Secretary who were appointed to take on the management of the Club from Lee Hoos and Mark Johnson respectively.

Sven Goran Eriksson left the Club in October 2011 and Nigel Pearson was appointed as 1st team manager on 15th November 2011. Our thanks go to Sven, Lee Hoos and Mark Johnson for their efforts for the Club during their time here.