

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2009

Registered number 04593477

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Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2009

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Leicester City Football Club Limited

Directors and advisors

Registered office

The Walkers Stadium
Filbert Way
Leicester
LE2 7FL

Directors

M Mandaric (Chairman)
M Stewart-Smith
L Hoos
M Johnson

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

Chairman's statement for the year ended 31 May 2009

As we look back over the last year, we have witnessed some significant changes to the business

From the lows of relegation to the highs of League One Champions and promotion back to the Championship is the result of everyone working together as a team, including the players, management, staff and supporters

The Club has been revitalised by the arrival of Nigel Pearson in July 2008. Shortly after his arrival, Nigel and his backroom staff set about creating the right working environment to get the team back to winning ways

When I came to the Club I promised to take the Foxes back to top flight football and I also promised to secure the level of funding and management expertise to ensure this overriding objective could be realised

With the addition of new players in the season to strengthen the squad, we have successfully stabilised the Club and our dreams look set to become reality

Unfortunately, this success comes at a price and with much lower broadcasting income in League One, we are reporting losses of £6m for the season ending 31 May 2009. Nevertheless, this is a significant improvement when compared to the £14m of losses of the previous period

Reporting these losses, I am mindful of the demanding nature of football finances and I am fully committed to standing by this Club, whatever its financial needs are

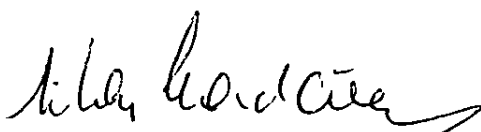
We are all too familiar with how poor corporate governance and bad management decisions can leave a football club exposed to its creditors. I will never allow this to happen to our Club

My aim is to return Leicester City Football Club to a self-sustaining business and I have brought in professional management to oversee the implementation of robust financial controls and improved commercial performance in all aspects of our operations

For us to build on our recent success we will need to maintain our investment in the business and every season ticket, match day ticket, replica kit and retail sale will help our Club achieve our dream of returning to the Premiership

Finally, I wish to thank all of our supporters, sponsors, management and employees of the Club for their hard work and support through what has been an exciting year of change

There will be challenges ahead as we enter the Championship play-offs and I am confident that I can rely on everybody's continuing support



M Mandaric
Chairman
7th May 2010

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2009

The directors present their annual report and audited financial statements for the year ended 31 May 2009

Principal activities

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

Results

It was a disappointment to all of us to see the Club relegated from Championship football by a one point margin at the end of the 2007/08 season. However, the board thanks the supporters for standing by the Club throughout the 2008/09 season and our average attendances in League One (at 20,253) were second only to Leeds United FC

Playing in the third tier of English Football for the first time in its history, the Club received lower central distributions from the Football League and experienced lower commercial revenue across most of its business activities

The combination of this reduced income has seen the turnover fall to £10.9m in 2008/09. This is a reduction of £3.2m from the £14.1m turnover reported in the previous year when the Club operated in the Championship

Anticipating lower income in League One, the business worked hard to reduce its operating expenditure in the year. Excluding exceptional costs in 2007/08 of £1.0m, eventual savings of £3.1m were made in 2008/09 compared to 2007/08, but the strategy of retaining a strong squad to enable a return to Championship football limited the amount of sensible cost reductions we could enforce

This strategy paid off as the Club enjoyed a hugely successful season that culminated in the League One title and return to Championship football for the 2009/10 season

In the year to 31 May 2009, player trading saw profits of £3.9m and a reduction in wages of £1.9m (included in the £3.1m operational cost reductions reported above)

After taxation, the final results for the year show a loss of £6.2m (2008 loss of £14.2m)

The Company had a net cash outflow for the year of £3.0m (2008 outflow of £7.1m). No dividend has been paid in the year (2008: £nil)

Asset values

At the year end there were 10 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 £3.0m as at 31 May 2009. The Directors' market valuation of the playing squad at 31 May 2009 was £10.9m

The Walkers stadium and other land and buildings are currently stated at £43.1m, which reflects the current market 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

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2009 (continued)

Future outlook

After successful promotion back to the Football League Championship, the Club finds itself competing in the second tier of English football again. The primary aim of the Club was to push for a place in the 'play-offs' and as we now approach our first play-off against Cardiff here at the Walkers Stadium, we are close to achieving our 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.

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.

Finance

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

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 (2008: 100 per cent) at fixed rates. The Company does not use other derivative financial instruments to manage interest rate costs.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2009 (continued)

Financial risk management (continued)

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.

Key performance indicators

	2009	2008
Average league attendance	20,253	23,509
Cash balance at year end (£'000)	(7,075)	(4,093)
Staff costs (per note 5)/turnover and expressed as a percentage	102.6%	103.1%
Operating loss excluding goodwill, player amortisation, exceptional items and player trading (£'000)	(6,507)	(6,378)

Directors

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

M Mandaric	(Chairman)
A Lander	(resigned 28 July 2009)
M Stewart-Smith	
A Sharma	(resigned 28 July 2009)
P Aldridge	(resigned 11 June 2008)
L Hoos	(appointed 2 July 2008)
M Johnson	(appointed 1 November 2009)

Charitable donations

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

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

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2009 (continued)

Statement of directors' responsibilities

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

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

Statement of disclosure of information to auditors

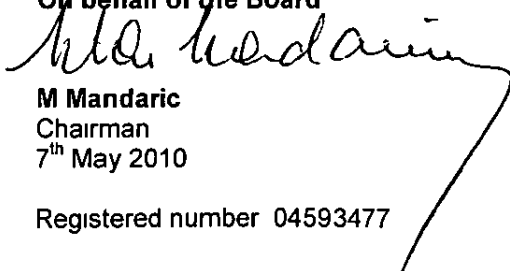
In the case of each of the persons who are directors at the time when the report is approved, under section 418 of the Companies Act 2006, the following applies

- 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
Chairman
7th May 2010

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 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains 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 Directors' Responsibilities Statement 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 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.

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 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

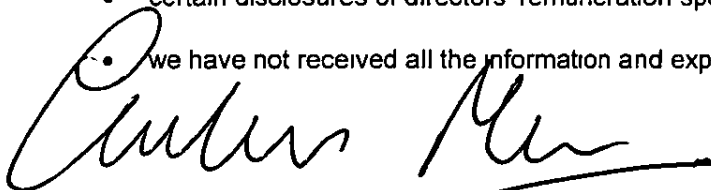
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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 disclosures 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
7th May 2010

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2009

	Note	2009 £'000	2008 £'000
Turnover	2	10,905	14,103
Cost of sales		(17,042)	(19,372)
Cost of sales – exceptional	3	-	(981)
Gross loss		(6,137)	(6,250)
Administrative expenses		(1,183)	(1,427)
Administrative expenses – exceptional	3	-	(3,140)
Stadium expenses		(1,532)	(2,009)
Total administrative expenses		(2,715)	(6,576)
Other operating income	20	235	130
Operating loss	3	(8,617)	(12,696)
Profit/(loss) on disposal of player registrations		3,948	(238)
Loss on ordinary activities before interest and taxation		(4,669)	(12,934)
Net interest payable	4	(1,525)	(1,241)
Loss on ordinary activities before taxation		(6,194)	(14,175)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(6,194)	(14,175)

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

Leicester City Football Club Limited

Statement of total recognised gains and losses for the year ended 31 May 2009

	2009	2008
	£'000	£'000
Loss for the financial year	(6,194)	(14,175)
Unrealised surplus on revaluation of the stadium	24,701	-
Total recognised gains and losses recognised for the year	18,507	(14,175)

Leicester City Football Club Limited

Balance sheet as at 31 May 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	7	3,042	3,839
Tangible assets	8	44,229	20,032
Investments	9	-	-
		47,271	23,871
Current assets			
Finished goods and goods for resale		69	65
Debtors	10	1,126	2,542
Cash at bank and in hand		-	-
		1,195	2,607
Creditors: amounts falling due within one year	11	(17,252)	(13,596)
Net current liabilities		(16,057)	(10,989)
Total assets less current liabilities		31,214	12,882
Creditors: amounts falling due after more than one year	12	(18,211)	(18,386)
Net assets/(liabilities)		13,003	(5,504)
Capital and reserves			
Called up share capital	14	6,571	6,571
Share premium account	15	8,475	8,475
Revaluation reserve	15	24,701	-
Profit and loss account	15	(26,744)	(20,550)
Total shareholders' funds/(deficit)	16	13,003	(5,504)

The financial statements on pages 9 to 30 were approved by the board of directors on 7th May 2010 and signed on its behalf by



Mark Johnson
Director

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2009

	2009	2008
	£'000	£'000
Net cash outflow from operating activities (note a)	(4,559)	(5,561)
Returns on investments and servicing of finance		
Interest received	41	34
Interest paid	(419)	(140)
Interest element of finance lease payments	-	(1,135)
Net cash outflow from returns on investments and servicing of finance	(378)	(1,241)
Capital expenditure and financial investment		
Purchase of tangible and intangible fixed assets	(2,902)	(5,195)
Sale of intangible fixed assets	4,745	147
Net cash inflow/(outflow) from capital expenditure	1,843	(5,048)
Net cash outflow before financing	(3,094)	(11,850)
Financing		
Increase in borrowings (note c)	112	262
Receipt of unpaid share capital	-	4,500
Net cash inflow from financing	112	4,762
Decrease in cash (note b)	(2,982)	(7,088)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2009

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

	2009	2008
	£'000	£'000
Operating loss	(8,617)	(12,696)
Amortisation charge	1,796	2,136
Goodwill impairment	-	3,140
Player impairment	314	61
Depreciation charge	616	611
(Increase)/decrease in stocks	(4)	10
Decrease/(increase) in debtors	706	(33)
Increase in creditors	630	1,210
Net cash outflow from operating activities	(4,559)	(5,561)

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

	2009	2008
	£'000	£'000
Decrease in cash in the year	(2,982)	(7,088)
Cash inflow from changes in debt	(112)	(262)
Change in net debt from cash flows	(3,094)	(7,350)
Other non-cash changes	(1,138)	-
Movement in net debt in the year	(4,232)	(7,350)
Opening net debt	(21,686)	(14,336)
Closing net debt (note c)	(25,918)	(21,686)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2009 (continued)

c) Analysis of net debt

	1 June 2008	Cash flow	Other non cash movements	31 May 2009
	£'000	£'000	£'000	£'000
Bank overdraft	(4,093)	(2,982)	-	(7,075)
Debt due within one year	(132)	(1,118)	(32)	(1,282)
Debt due after one year	(441)	6	32	(403)
Hire purchase liabilities	(17,020)	1,000	(1,138)	(17,158)
	(21,686)	(3,094)	(1,138)	(25,918)

Non cash movements of £1,138,000 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 2009

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 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.

In recognition of this commitment and as part of the financial strategy adopted during 2009, the overdraft facility has been significantly reduced from the £7.1m peak in May 2009 to £1m by March 2010. This reduction was managed by the introduction of new loans from the trust.

In addition to funds being introduced to reduce the overdraft, working capital funding has also been provided. From July 2009 to March 2010 the trust provided £10m of new funding.

Coupled with increased turnover and central distributions from the Football League (now the Club has returned to Championship football in 2009/10), the new funding has significantly altered the risk profile of the business.

The overdraft facility has been secured for another year and other funding facilities are also available to the Club that will further enhance the working capital. The directors now see clear signs that the business is capable of operating in a self-sustaining manner in the Championship without the need to seek additional supporting capital from the trust (albeit that funding is available from this source should it be required).

In recognition of these improvements, the directors 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

1 Accounting policies (continued)

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

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

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

Commencing 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

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

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

1 Accounting policies (continued)

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 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.

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. 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

2 Turnover

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

	2009	2008
	£'000	£'000
Match receipts	4,496	5,667
Other football income	2,261	2,805
Retailing and merchandise	952	1,295
Conference, banqueting and catering	900	1,172
Sponsorship, executive suites, advertising and other income	2,296	3,164
	10,905	14,103

3 Operating loss

Operating loss is stated after charging

	2009	2008
	£'000	£'000
Operating leases		
- plant and machinery	32	51
Depreciation		
- owned assets	234	229
- assets held under finance leases and hire purchase contracts	382	382
Amortisation of intangible assets	1,796	2,136
Player impairment	314	61
Goodwill impairment	-	3,140
Auditors' remuneration		
- audit services	21	21
- non-audit services – tax compliance	2	2

In 2008, expenses of £981,000 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 2009 (continued)

4 Net interest payable

	2009	2008
	£'000	£'000
Interest payable		
Bank loans and overdrafts	345	140
Hire purchase contracts	1,138	1,135
Player financing costs	83	-
	1,566	1,275
Interest receivable – bank interest	(41)	(34)
	1,525	1,241

5 Staff costs

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

	2009	2008
	Number	Number
Players	37	39
Administration	111	113
	148	152

In addition, the Company employs on average 625 (2008 460) casual staff on match days

Employee costs, including directors, during the year amounted to

	2009	2008
	£'000	£'000
Wages and salaries	10,024	13,103
Social security costs	1,047	1,317
Other pension costs (note 18)	117	119
	11,188	14,539

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

5 Staff costs (continued)

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

	2009	2008
	£'000	£'000
Aggregate emoluments	155	43
Pension contributions	34	31
	189	74

Two of the directors were accruing benefits under a defined contribution pension scheme (2008 one)

6 Tax on loss on ordinary activities

	2009	2008
	£'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 2009 was based on the UK effective rate of 28% (2008 29.7%). The actual charge for the current and previous year are higher than the standard rate for the reasons set out in the following reconciliation

	2009	2008
	£'000	£'000
Loss on ordinary activities before taxation	(6,194)	(14,175)
Loss on ordinary activities multiplied by effective rate in the UK of 28% (2008 29.7%)	(1,734)	(4,210)
Effects of		
Disallowable expenses	147	142
Accelerated capital allowances	51	(410)
Deferred tax on losses not recognised	1,536	4,478
Current tax charge for the year	-	-

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

7 Intangible assets

	Player registrations	Goodwill	Total
	£'000	£'000	£'000
Cost			
At 1 June 2008	6,585	4,266	10,851
Additions	1,400	-	1,400
Disposals	(894)	-	(894)
At 31 May 2009	7,091	4,266	11,357
Amortisation			
At 1 June 2008	2,746	4,266	7,012
Charge for the year	1,796	-	1,796
Impairment	314	-	314
Disposals	(807)	-	(807)
At 31 May 2009	4,049	4,266	8,315
Net book amount			
At 31 May 2009	3,042	-	3,042
At 31 May 2008	3,839	-	3,839

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 2009 (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 2008	19,106	1,671	1,331	57	446	22,611
Additions	-	-	51	-	61	112
Revaluation	22,357	-	-	-	-	22,357
At 31 May 2009	41,463	1,671	1,382	57	507	45,080
Depreciation						
At 1 June 2008	1,962	42	185	21	369	2,579
Charge for the year	382	21	151	10	52	616
Revaluation	(2,344)	-	-	-	-	(2,344)
At 31 May 2009	-	63	336	31	421	851
Net book amount						
At 31 May 2009	41,463	1,608	1,046	26	86	44,229
At 31 May 2008	17,144	1,629	1,146	36	77	20,032

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.

If the stadium was stated on a historical cost basis, the amounts for cost, aggregate depreciation and net book amount respectively at 31 May 2009 would be £19,106,000 (2008 £19,106,000), £2,344,000 (2008 £1,962,000) and £16,762,000 (2008 £17,144,000).

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 (2008 £650,000) is not depreciated.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

9 Investments

	2009	2008
	£	£
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

	2009	2008
	£'000	£'000
Trade debtors	382	968
Other debtors	289	417
Prepayments and accrued income	455	1,157
	1,126	2,542

11 Creditors: amounts falling due within one year

	2009	2008
	£'000	£'000
Bank overdraft	7,075	4,093
Bank loan	32	132
Other loans	1,250	-
Trade creditors	1,499	3,046
Obligations under finance lease and hire purchase contracts	1,000	1,000
Taxation and social security	861	809
Other creditors	794	144
Accruals and deferred income	4,741	4,372
	17,252	13,596

The bank overdraft is secured over the other land and buildings as shown within note 8. Other loans are unsecured, non-interest bearing and repayable on demand, although the parent company has indicated to the company 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.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

12 Creditors: amounts falling due after more than one year

	2009	2008
	£'000	£'000
Bank loan	403	441
Obligations under finance leases and hire purchase contracts	16,158	16,020
Accruals and deferred income	1,650	1,925
	18,211	18,386

Bank loan

	2009	2008
	£'000	£'000
Amounts payable		
Within one year	32	132
Between one and two years	32	32
Between two to five years	95	95
Greater than five years	276	314
	435	573

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

	2009	2008
	£'000	£'000
Within one year	1,000	1,000
Between two and five years	3,000	3,000
After five years	13,158	13,020
	17,158	17,020

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

13 Provisions for liabilities and charges

Deferred tax

The deferred tax (assets)/liabilities provided and those unprovided, calculated at 28% (2008 28%), is as follows

	2009		2008	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(222)	279	-
Short term timing differences	-	(17)	(21)	-
Trading losses	-	(9,025)	(258)	(7,641)
	-	(9,264)	-	(7,641)

No deferred tax has been recognised on the revalued stadium, as the company have no current intention to dispose of this asset, however the unprovided amount would be approximately £6 0m

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

14 Share capital

	2009	2008
	£'000	£'000
Authorised		
Ordinary shares of £1 each		
7,200,000 (2008 7,200,000) ordinary shares of £1 each	7,200	7,200
Redeemable shares of £1 each		
800,000 (2008 800,000) redeemable share of £1	800	800
'A' shares of 1p each		
25,000,000 (2008 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 (2008 6,379,476) ordinary shares of £1 each	6,379	6,379
Redeemable shares of £1 each		
1 (2008 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2008 19,138,432) 'A' shares of 1p each	192	192
	6,571	6,571

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (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 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 situate within Leicestershire

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

15 Reserves

	Share premium account	Revaluation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 June 2008	8,475	-	(20,550)
Loss for the financial year	-	-	(6,194)
Revaluation	-	24,701	-
31 May 2009	8,475	24,701	(26,744)

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

	2009	2008
	£'000	£'000
Loss for the financial year	(6,194)	(14,175)
Revaluation	24,701	-
Net movement in total shareholders' funds	18,507	(14,175)
Opening total shareholders' (deficit)/ funds	(5,504)	8,671
Closing total shareholders' funds/(deficit)	13,003	(5,504)

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2009 (continued)

17 Leasing commitments

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

	2009	2008
	£'000	£'000
Operating leases which expire		
Within one year	-	38
	-	38

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.

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 2009 as £141,000 (1 April 2008 £62,000) of which £14,000 (31 May 2008 £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 2009 (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 £1,820,000 (2008 £320,000) and £165,000 (2008 £1,779,000) respectively.

b) HM Customs & Excise

HM Customs and Excise has issued an assessment for repayment of £287,000 (2008 £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 has been made within these financial statements.

c) Capital commitments

At 31 May 2009, the Company had no committed capital expenditure (2008 £nil).

20 Related party transactions

During the year, the company levied management charges of £235,000 (2008 £130,000) to MM Capital Limited, a company related to it by virtue of a common director, M Mandaric, and of which £85,000 (2008 £nil) was outstanding and held within other debtors.

In addition, during the year, the company received a loan from its parent company UK Football Investment LLC of £1,250,000 (2008 £nil) which remains outstanding at 31 May 2009.

M Mandaric has given a personal guarantee of £1,500,000 (2008 £1,500,000) in relation to the bank overdraft facility.

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.