

Leicester City Football Club Limited  
Annual report and financial statements  
for the year ended 31 May 2010

Registered number 04593477



# **Leicester City Football Club Limited**

## **Annual report and financial statements for the year ended 31 May 2010**

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# **Leicester City Football Club Limited**

## **Directors and advisors**

### **Registered office**

The Walkers Stadium  
Filbert Way  
Leicester  
LE2 7FL

### **Directors**

M Stewart-Smith  
L Hoos  
M Johnson  
Aiyawatt Raksriaksorn  
Vichai Raksriaksorn  
Supornthip Choungrangsee  
Susan Valerie Whelan

### **Bankers**

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2WN

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

# **Leicester City Football Club Limited**

## **Directors' report for the year ended 31 May 2010**

The directors present their annual report and audited financial statements for the year ended 31 May 2010

### **Principal activities**

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

### **Results**

It was a great disappointment to see the Club lose on penalties in the play-offs against Cardiff at the end of the season. However, the board thanks the supporters for standing by the Club throughout the 2009/10 season where our average attendances in the Championship (at 23,943) were the fifth highest in the league and represented an average increase of 18% over last season.

Returning to the championship saw our income increase and the reported turnover (of £16.2m) is a substantial improvement on the £10.9m reported in 2008/09 and the £14.1m turnover reported the last time the Club played in the Championship (in 2007/08).

Reaching and participating in the first round of the play-offs added £800,000 to the turnover in the year and this made up for the poor showing in the cup runs during the season.

Cost control and cost containment featured heavily during the season but our operating expenditure (excluding staff costs) increased by £888,000 to £9,222,000 (£8,334,000 in 2009). These increased costs include £570,000 relating to the play-offs. We also saw the rates for Walkers Stadium increase to £245,000 after enjoying a reduced cost (of £92,000) last season reflecting a long overdue retrospective rebate.

Nevertheless, our consistent strategy of retaining a strong football squad to fight for a promotion place limited the amount of sensible cost reductions we could enforce. Unfortunately, this strategy is also reflected in our increased staff costs that rose £3.3m to £14.5m compared to last year's £11.2m.

In the year to 31 May 2010, player trading achieved profits of £1.4m (£3.9m in 2009).

After taxation, the results for the year show a loss of £7.5m (2009 loss of £6.2m).

The Company had a net cash inflow for the year of £8.2m (2009 outflow of £3.0m) following an increase in borrowings of £10.7m primarily through an injection of director loans. No dividend has been paid in the year (2009: £nil).

### **Asset values**

At the year end there were 17 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 £3.1m as at 31 May 2010. The Directors' market valuation of the playing squad at 31 May 2010 was £16.1m.

The Walkers stadium and other land and buildings are currently stated at £42.2m, 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.

### **Future outlook**

After coming so close to promotion to the Premiership after securing a place in the 'play-offs' it is the intention of the Club to continue this football strategy again this coming year. The primary aim of the Club will be to repeat this push for a play-off place and the ultimate objective of promotion to the Premier League.

# **Leicester City Football Club Limited**

## **Directors' report for the year ended 31 May 2010 (continued)**

### **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 whilst the business could continue to operate without obtaining significant additional monies, the achievement of the objective to secure a return to the premiership will require additional funding.

Historically the directors have approached the ultimate controlling party who has provided financial support as required. With the recent change of ownership, and the introduction of a new ultimate controlling party, the directors have approached the new ultimate controlling party for confirmation that sufficient funding will be forthcoming to meet the needs of the business in the execution of its financial strategy.

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 premiership. Furthermore, since 1 July 2010, £10.85m of new funding has been provided and the directors are confident further funding will be provided as required. This, coupled with increased turnover and central distributions from the Football League, has significantly altered the risk profile of the business.

The overdraft facility has recently been renewed for another year and other funding facilities are available to the Club that will further enhance the working capital.

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.

### **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 2010 (continued)

### Principal risks and uncertainties (continued)

#### 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 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 premiership. The ultimate controlling party 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 (2009: 100 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.

#### Key performance indicators

	2010	2009
Average league attendance	23,943	20,253
Cash balance at year end (£'000)	1,173	(7,075)
Staff costs (per note 5)/turnover and expressed as a percentage	89.2%	102.6%
Operating loss excluding goodwill, player amortisation, exceptional items and player trading (£'000)	(5,372)	(6,507)

#### Directors

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

M Mandaric	(Chairman, resigned 29 November 2010)
M Stewart-Smith	
L Hoos	
M Johnson	
Aiyawatt Raksriakorn	(appointed 12 August 2010)
Vichai Raksriakorn	(appointed 2 December 2010)
Supornthip Choungangsee	(appointed 2 December 2010)
Susan Valerie Whelan	(appointed 2 December 2010)

# **Leicester City Football Club Limited**

## **Directors' report for the year ended 31 May 2010 (continued)**

### **Charitable donations**

The Club has chosen the Teenage Cancer Trust as its official charity for the 2010-2011 season. This involves various activities throughout the season in support of promotion campaigns and behind the scenes activity with the staff and families of those affected.

The Company also supports many other charities and organisations from Leicester and surrounding areas. Currently the Club donates a tour of the Walkers Stadium for four people to use in any fund raising raffle or auction. We also participate in many player endorsements and assistance in campaigns to help raise the profile of the charity involved.

Each year, for the past 30 years, one of our employees, Alan Birchenall MBE, carried out a charity run at the end of the season. The recipient charity changes every year, the most recent being 'Help for Heros'.

The Club also has four matchday collections during every season, these being St John's Ambulance, Teenage Cancer Trust, The Royal British Legion and Marie Curie Cancer Care (official charity of the Football League 2010-2011).

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

### **Subsequent events**

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) wasted no time in developing a football strategy to raise the profile of the Club. And, since 1 July 2010 to the time of writing (February 2011), £10.85m of new working capital has been injected into the business by way of parent company loans.

Unfortunately, the Championship is very demanding and our poor performance at the start of the season led to a change of manager with Paulo Sousa being replaced by Sven Goran Eriksson.

Underpinned with new funding, Sven has brought fresh impetus and a steady hand to the Club. We are now on track to realistically aim for a play-off slot again this season.

# **Leicester City Football Club Limited**

## **Directors' report for the year ended 31 May 2010 (continued)**

### **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.

### **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, 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/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**

An ordinary written resolution to re-appoint PricewaterhouseCoopers LLP, as auditors to the Company was made at a board meeting on 5<sup>th</sup> February 2011.

### **On behalf of the Board**



**Aiyawatt Raksriaksorn**  
**Vice Chairman**  
26 February 2011

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 2010 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, 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 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 2010 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**

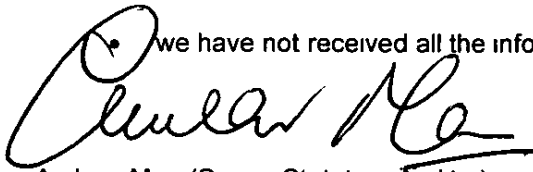
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **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 28 February 2011

## Leicester City Football Club Limited

### Profit and loss account for the year ended 31 May 2010

	Note	2010 £'000	2009 £'000
<b>Turnover</b>	2	<b>16,236</b>	10,905
Cost of sales		<b>(20,733)</b>	(17,042)
<b>Gross loss</b>		<b>(4,497)</b>	(6,137)
Administrative expenses		<b>(1,475)</b>	(1,183)
Stadium expenses		<b>(1,498)</b>	(1,532)
Total administrative expenses		<b>(2,973)</b>	(2,715)
Other operating income		<b>6</b>	235
<b>Operating loss</b>	3	<b>(7,464)</b>	(8,617)
Profit on disposal of player registrations		<b>1,425</b>	3,948
Loss on ordinary activities before interest and taxation		<b>(6,039)</b>	(4,669)
Net interest payable	4	<b>(1,491)</b>	(1,525)
<b>Loss on ordinary activities before taxation</b>		<b>(7,530)</b>	(6,194)
Tax on loss on ordinary activities	6	-	-
<b>Loss for the financial year</b>	15	<b>(7,530)</b>	(6,194)

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

## Leicester City Football Club Limited

### Statement of total recognised gains and losses for the year ended 31 May 2010

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	<b>(7,530)</b>	(6,194)
Unrealised surplus on revaluation of the stadium	-	24,701
<b>Total recognised gains and losses recognised for the year</b>	<b>(7,530)</b>	18,507

### Note of historical costs profit and losses for the year ended 31 May 2010

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Reported loss on ordinary activities before taxation	<b>(7,530)</b>	(6,194)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	<b>463</b>	-
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(7,067)</b>	(6,194)
<b>Historical cost loss for the financial year</b>	<b>(7,067)</b>	(6,194)

# Leicester City Football Club Limited

## Balance sheet as at 31 May 2010

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Intangible assets	7	3,120	3,042
Tangible assets	8	43,428	44,229
Investments	9	-	-
		<b>46,548</b>	<b>47,271</b>
<b>Current assets</b>			
Finished goods and goods for resale		100	69
Debtors	10	1,441	1,126
Cash at bank and in hand		1,173	-
		<b>2,714</b>	<b>1,195</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(23,379)</b>	<b>(17,252)</b>
<b>Net current liabilities</b>		<b>(20,665)</b>	<b>(16,057)</b>
<b>Total assets less current liabilities</b>		<b>25,883</b>	<b>31,214</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(20,410)</b>	<b>(18,211)</b>
<b>Net assets</b>		<b>5,473</b>	<b>13,003</b>
<b>Capital and reserves</b>			
Called up share capital	14	6,571	6,571
Share premium account	15	8,475	8,475
Revaluation reserve	15	24,238	24,701
Profit and loss account	15	(33,811)	(26,744)
<b>Total shareholders' funds</b>	16	<b>5,473</b>	<b>13,003</b>

The financial statements on pages 9 to 29 were approved by the board of directors on 26 February 2011 and signed on its behalf by



Mark Johnson  
Finance Director

# Leicester City Football Club Limited

## Cash flow statement for the year ended 31 May 2010

	2010 £'000	2009 £'000
<b>Net cash outflow from operating activities (note a)</b>	<b>(2,041)</b>	<b>(4,559)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	-	41
Interest paid	(174)	(419)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(174)</b>	<b>(378)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible and intangible fixed assets	(1,315)	(2,902)
Sale of intangible fixed assets	1,271	4,745
<b>Net cash (outflow)/inflow from capital expenditure</b>	<b>(44)</b>	<b>1,843</b>
<b>Net cash outflow before financing</b>	<b>(2,259)</b>	<b>(3,094)</b>
<b>Financing</b>		
Increase in borrowings (note c)	10,507	112
<b>Net cash inflow from financing</b>	<b>10,507</b>	<b>112</b>
<b>Increase/(decrease) in cash (note b)</b>	<b>8,248</b>	<b>(2,982)</b>

# Leicester City Football Club Limited

## Notes to the cash flow statement for the year ended 31 May 2010

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

	2010 £'000	2009 £'000
Operating loss	(7,464)	(8,617)
Amortisation charge	2,092	1,796
Player impairment	-	314
Depreciation charge	1,096	616
Increase in stocks	(31)	(4)
(Increase)/decrease in debtors	(26)	706
Increase in creditors	2,292	630
<b>Net cash outflow from operating activities</b>	<b>(2,041)</b>	<b>(4,559)</b>

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

	2010 £'000	2009 £'000
Increase/(decrease) in cash in the year	8,248	(2,982)
Cash inflow from changes in debt	(10,507)	(112)
Change in net debt from cash flows	(2,259)	(3,094)
Other non-cash changes	(1,326)	(1,138)
Movement in net debt in the year	(3,585)	(4,232)
Opening net debt	(25,918)	(21,686)
Closing net debt (note c)	(29,503)	(25,918)

# Leicester City Football Club Limited

## Notes to the cash flow statement for the year ended 31 May 2010 (continued)

### c) Analysis of net debt

	1 June 2009	Cash flow	Other non cash movements	31 May 2010
	£'000	£'000	£'000	£'000
Cash in hand and at bank	-	1,173	-	1,173
Bank overdraft	(7,075)	7,075	-	-
	(7,075)	8,248	-	1,173
Debt due within one year	(1,282)	(10,525)	(32)	(11,839)
Debt due after one year	(403)	(1,000)	32	(1,371)
Hire purchase liabilities	(17,158)	1,018	(1,326)	(17,466)
	(25,918)	(2,259)	(1,326)	(29,503)

Non cash movements of £1,326,000 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 2010**

### **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 whilst the business could continue to operate without obtaining significant additional monies, the achievement of the objective to secure a return to the premiership will require additional funding.

Historically the directors have approached the ultimate controlling party who has provided financial support as required. With the recent change of ownership, and the introduction of a new ultimate controlling party, the directors have approached the new ultimate controlling party for confirmation that sufficient funding will be forthcoming to meet the needs of the business in the execution of its financial strategy.

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 premiership. Furthermore, since 1 July 2010, £10.85m of new funding has been provided and the directors are confident further funding will be provided as required. This, coupled with increased turnover and central distributions from the Football League, has significantly altered the risk profile of the business.

The overdraft facility has recently been renewed for another year and other funding facilities are available to the Club that will further enhance the working capital.

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 2010 (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 all 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

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

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

# **Leicester City Football Club Limited**

## **Notes to the financial statements for the year ended 31 May 2010 (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 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. 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 2010 (continued)

### 2 Turnover

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

	2010 £'000	2009 £'000
Match receipts	5,676	4,496
Other football income	5,139	2,261
Retailing and merchandise	1,602	952
Conference, banqueting and catering	935	900
Sponsorship, executive suites, advertising and other income	2,884	2,296
	16,236	10,905

### 3 Operating loss

Operating loss is stated after charging

	2010 £'000	2009 £'000
Operating leases		
- plant and machinery	19	32
Depreciation		
- owned assets	251	234
- assets held under finance leases and hire purchase contracts	845	382
Amortisation of intangible assets	2,092	1,796
Player impairment	-	314
Auditors' remuneration		
- audit services	21	21
- non-audit services – tax compliance	2	2

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 4 Net interest payable

	2010 £'000	2009 £'000
Interest payable		
Bank loans and overdrafts	65	345
Hire purchase contracts	1,326	1,138
Other financing costs	100	83
	1,491	1,566
Interest receivable – bank interest	-	(41)
	1,491	1,525

### 5 Staff costs

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

	2010 Number	2009 Number
Players	39	37
Administration	116	111
	155	148

In addition, the Company employs on average 614 (2009 625) casual staff on match days

Employee costs, including directors, during the year amounted to

	2010 £'000	2009 £'000
Wages and salaries	12,915	10,024
Social security costs	1,446	1,047
Other pension costs (note 18)	117	117
	14,478	11,188

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 5 Staff costs (continued)

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

	2010 £'000	2009 £'000
Aggregate emoluments	238	155
Pension contributions	49	34
	287	189

The aggregate emoluments of the highest paid director were £149,000 (2009 £129,000), Two of the directors were accruing benefits under a defined contribution pension scheme (2009 two)

### 6 Tax on loss on ordinary activities

	2010 £'000	2009 £'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 2010 was based on the UK effective rate of 28% (2009 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

	2010 £'000	2009 £'000
<b>Loss on ordinary activities before taxation</b>	<b>(7,530)</b>	<b>(6,194)</b>
Loss on ordinary activities multiplied by effective rate in the UK of 28% (2009 28%)	(2,108)	(1,734)
Effects of		
Disallowable expenses	268	147
Accelerated capital allowances	66	51
Deferred tax movement not recognised	1,774	1,536
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 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. The changes have not been substantively enacted at the balance sheet date and, therefore, are not reflected in the numbers in these financial statements.

The effect of the changes to be enacted in the Finance (No2) Act 2010 would be to reduce the level of unprovided deferred tax assets by approximately £0.4m.

### 7 Intangible assets

	Player registrations	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 June 2009	7,091	4,266	11,357
Additions	2,305	-	2,305
Disposals	(233)	-	(233)
<b>At 31 May 2010</b>	<b>9,163</b>	<b>4,266</b>	<b>13,429</b>
<b>Amortisation</b>			
At 1 June 2009	4,049	4,266	8,315
Charge for the year	2,092	-	2,092
Impairment	135	-	135
Disposals	(233)	-	(233)
<b>At 31 May 2010</b>	<b>6,043</b>	<b>4,266</b>	<b>10,309</b>
<b>Net book amount</b>			
<b>At 31 May 2010</b>	<b>3,120</b>	<b>-</b>	<b>3,120</b>
At 31 May 2009	3,042	-	3,042

The impairment noted above was due to a post year end disposal and hence has been recognised within the profit on disposal of player registrations within the profit and loss account.

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 2010 (continued)

### 8 Tangible assets

	<b>Stadium</b>	<b>Other land and buildings</b>	<b>Fixtures and fittings</b>	<b>Motor vehicles</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
At 1 June 2009	41,463	1,671	1,382	57	507	45,080
Additions	-	-	201	-	94	295
<b>At 31 May 2010</b>	<b>41,463</b>	<b>1,671</b>	<b>1,583</b>	<b>57</b>	<b>601</b>	<b>45,375</b>
<b>Depreciation</b>						
At 1 June 2009	-	63	336	31	421	851
Charge for the year	845	20	153	10	68	1,096
<b>At 31 May 2010</b>	<b>845</b>	<b>83</b>	<b>489</b>	<b>41</b>	<b>489</b>	<b>1,947</b>
<b>Net book amount</b>						
<b>At 31 May 2010</b>	<b>40,618</b>	<b>1,588</b>	<b>1,094</b>	<b>16</b>	<b>112</b>	<b>43,428</b>
At 31 May 2009	41,463	1,608	1,046	26	86	44,229

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 2010 would be £19,106,000 (2009 £19,106,000), £2,726,000 (2009 £2,344,000) and £16,380,000 (2009 £16,762,000).

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 (2009 £650,000) is not depreciated.



# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 9 Investments

	2010	2009
	£	£
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

	2010	2009
	£'000	£'000
Trade debtors	683	382
Other debtors	427	289
Prepayments and accrued income	331	455
	<b>1,441</b>	<b>1,126</b>

### 11 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Bank overdraft	-	7,075
Bank loan	32	32
Other loans	11,807	1,250
Trade creditors	2,269	1,499
Obligations under finance lease and hire purchase contracts	1,500	1,000
Taxation and social security	1,020	861
Other creditors	1,100	794
Accruals and deferred income	5,651	4,741
	<b>23,379</b>	<b>17,252</b>

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 12 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Bank loan	371	403
Obligations under finance leases and hire purchase contracts	15,966	16,158
Other loans	1,000	-
Accruals and deferred income	3,073	1,650
	<b>20,410</b>	<b>18,211</b>

#### Bank loan

	2010 £'000	2009 £'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	244	276
	<b>403</b>	<b>435</b>

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

	2010 £'000	2009 £'000
Amounts payable		
Within one year	1,500	1,000
Between two and five years	4,500	3,000
After five years	11,466	13,158
	<b>17,466</b>	<b>17,158</b>

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

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

#### Other loans

	2010	2009
	£'000	£'000
Amounts payable		
Within one year	11,807	1,250
Between one and two years	500	-
Between two to five years	500	-
	12,807	1,250

£11.2m of the other loans represent loans from the parent company which are unsecured, non-interest bearing and repayable on demand. Following the year end, with the change of ownership, these loans have been assigned to the new immediate parent undertaking Asia Football Investments Pte Limited. 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 other loans are provided by third parties and 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 28% (2009: 28%), is as follows:

	2010		2009	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(289)	-	(222)
Short term timing differences	-	(36)	-	(17)
Trading losses	-	(10,803)	-	(9,025)
	-	(11,128)	-	(9,264)

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 (2009: £6.0m).

# Leicester City Football Club Limited

## Notes to the financial statements for the year ended 31 May 2010 (continued)

### 14 Share capital

	2010	2009
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
<b>Ordinary shares of £1 each</b>		
6,379,476 (2009 6,379,476) ordinary shares of £1 each	6,379	6,379
<b>Redeemable shares of £1 each</b>		
1 (2009 1) redeemable share of £1	-	-
<b>'A' shares of 1p each</b>		
19,138,432 (2009 19,138,432) 'A' shares of 1p each	192	192
	<b>6,571</b>	<b>6,571</b>

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 2010 (continued)

### 15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2009	8,475	24,701	(26,744)
Loss for the financial year	-	-	(7,530)
Transfer to profit and loss account	-	(463)	463
<b>31 May 2010</b>	<b>8,475</b>	<b>24,238</b>	<b>(33,811)</b>

### 16 Reconciliation of movements in total shareholders' funds

	2010 £'000	2009 £'000
Loss for the financial year	(7,530)	(6,194)
Revaluation	-	24,701
<b>Net movement in total shareholders' funds</b>	<b>(7,530)</b>	<b>18,507</b>
Opening total shareholders' funds/(deficit)	<b>13,003</b>	<b>(5,504)</b>
<b>Closing total shareholders' funds</b>	<b>5,473</b>	<b>13,003</b>

### 17 Leasing commitments

At 31 May, the Company had no commitments under non-cancellable operating leases for plant and equipment

# **Leicester City Football Club Limited**

## **Notes to the financial statements for the year ended 31 May 2010 (continued)**

### **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 2010 as £129,850 (31 May 2009 £141,000) of which £19,596 (31 May 2009 £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.

### **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 £1,860,000 (2009 £1,820,000) and £145,000 (2009 £165,000) respectively.

#### **b) HM Customs & Excise**

HM Customs and Excise has issued an assessment for repayment of £287,000 (2009 £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 2010, the Company had no committed capital expenditure (2009 £nil).

# **Leicester City Football Club Limited**

## **Notes to the financial statements for the year ended 31 May 2010 (continued)**

### **20 Related party transactions**

During the year, the company received a loan from its parent company UK Football Investment LLC of £9,931,230 (2009 £1,250,000). The amount which remains outstanding at 31 May 2010 is £11,181,230 (2009 £1,250,000). Following the year end, with the change of ownership, these loans have been assigned to the new immediate parent undertaking Asia Football Investments Pte Limited.

M Mandaric has given personal guarantees of 5,277,000 (2009 £1,500,000) in relation to the bank overdraft and other funding facilities. Following the change of ownership, these guarantees are in the process of being transferred to the new owners.

### **21 Ultimate parent company and controlling party**

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. All shareholder loans to the Club were assigned to Asia Football Investments Pte Limited at the same time.

The change in ownership of the Club was then ratified by the Football League on 21 October 2010 under its new regulations.

The Company's immediate parent undertaking is now Asia Football Investments Pte Limited, a company incorporated in Singapore. Asia Football Investments Pte Limited has an 80% controlling stake in the Company.

The beneficial owner of Asia Football Investments is K Power Sports Limited, a British Virgin Isles company. The beneficial owner of K Power Sports Limited is Aiyawatt Raksriaksonn.