

Leicester City Football Club PLC

Annual report and financial statements  
for the year ended 31 May 2005

Registered Number 04593477



# **Leicester City Football Club PLC**

## **Annual report and financial statements for the year ended 31 May 2005**

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# **Leicester City Football Club PLC**

## **Directors and advisors for the year ended 31 May 2005**

### **Registered office**

The Walkers Stadium  
Filbert Way  
Leicester  
LE2 7FL

### **Directors**

J McCahill (Chairman)  
G Clarke (Chairman of the Audit Committee and Remuneration Committee)  
T Davies  
M Glenn  
J Johnson  
A Lander  
M Stewart-Smith  
T Storer  
A Wheeler

### **Secretary**

A Lander

### **Bankers**

Barclays Bank plc  
15 Colmore Row  
Birmingham  
B3 2WN

### **Accountants**

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

### **Auditors**

Mazars LLP  
The Atrium  
Park Street West  
Luton  
Bedfordshire  
LU1 3BE

# **Leicester City Football Club PLC**

## **Chairman's statement**

In the year to 31 May 2005, after being relegated from the Premier League in 2003/04, Leicester City Football Club has completed its first full season in the newly branded Coca Cola Championship and its second full year of trading after being successfully acquired out of administration.

Whatever our personal thoughts about the events of the past season, I think it is fair to say it has been another eventful year in the history of this football club and, perhaps most importantly of all, I think that the team's performances in the latter stages of the season gives us real grounds for optimism about our future.

There can be no denying that when we first set off on this season's journey against West Ham back in August and were installed as Championship title favourites we all had high expectations. Sadly by October we had reluctantly accepted the resignation of Micky Adams and we had been forced to temper our ambitions and aspirations in the immediate short-term.

Again, it would not be inappropriate for us to register our appreciation for all the tremendous work done by Micky and his team during his managerial tenure here and we wish him every success at Coventry. Nor must we forget the significant contribution made by our director of football Dave Bassett.

The appointment of a manager is arguably the single most important decision a football club can make. To have to undergo this task in mid-season is especially difficult, yet we were delighted to secure a manager of the calibre of Craig Levein and, together with his coaching staff, we are totally convinced we have got the right man for this football club. Craig has a vision for this club and we all buy into that. The average age of our new incoming players has been reduced and, in the same way as he rejuvenated Hearts, there is a not dissimilar rebuilding job to be done here.

No-one has ever said it was going to be easy and in the ensuing months we have seen that no football club has a divine right to success based on financial backing and status. Our run to the quarter-finals of the FA Cup as the last remaining representatives of the Football League was highly encouraging. Overall, though, our results have not matched our expectations but a significant rebuilding operation has already been undertaken and will be continued in the summer ahead of the new campaign in August.

The season saw us finish 15<sup>th</sup> in the Championship, the impact of which is reflected in the financial results for the year, the loss of £3,482,000 being higher than the budgeted loss for the year. This was mainly because of the shortfall in attendances versus budget and the impact this had on match day income streams. However this was offset to a certain extent by the continual growth in our non match day conference and banqueting business.

However, as I explained in my statement last year, the Company continues to place emphasis on the importance of considering and securing its future in decision making. Our focus for the long term remains on financial stability and the business plan has been adjusted accordingly to mitigate the impact of these results. The prospects for the current year, which take into account the final parachute payment from the FAPL and a substantially reduced level of employment costs for players, indicates that the club will significantly reduce the level of trading losses and generate sufficient operating cash flows to service the debt obligations and also fund the planned expenditure on building and refining the player squad.

The board and everyone connected with the club remain committed to achieving success both on and off the pitch and the funds that we can prudently afford will be channelled into giving Craig and his coaching team the best possible chance of securing the best players available to us. That is why it has been so pleasing to see such a surge in interest in season-ticket renewals over the past few months.

## Leicester City Football Club PLC

### Chairman's statement (continued)

Off the pitch, we remain committed to providing all our supporters and customers with the best possible service and best possible facilities. The club remains committed to further expanding its commercial activities across a wide range of areas and the further development of its already successful community programmes throughout Leicestershire. Some of the fruits of these efforts have been realised in the year under review with conference and banqueting income increasing by 23.4% to £2.4 million, with a corresponding improvement in the contribution from these activities.

The backing of our supporters has again been magnificent. It has been especially difficult for those who don't travel to away games. Although special mention must be made to those who went to places such as Blackpool on a rain-swept January night. And, indeed, to all the staff - from our match day and non match day staff through to all the senior full-time employees - involved at the football club who help make us such a professional organisation.



J McCahill  
3 August 2005

# Leicester City Football Club PLC

## Directors' report for the year ended 31 May 2005

The directors present their annual report and the audited financial statements for the year ended 31 May 2005.

### Principal activity

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

### Results and business review

The Company's loss after taxation for the year was £3,482,000 (2004: profit of £4,778,000). A review of the results for the year and future developments are set out in the Chairman's statement.

### Directors

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

J McCahill	
G Clarke	
T Davies	
M Glenn	
P Hockenhull	(resigned 23 October 2004)
J Johnson	
A Lander	
P Mace	(resigned 19 May 2005)
M Stewart-Smith	
T Storer	(appointed 25 October 2004)
A Wheeler	

The interests of the directors who held office at the year end in the shares of the Company at 31 May 2005 and 31 May 2004 were as follows:

	<b>31 May 2005</b>	<b>31 May 2004</b>
	<b>Number</b>	<b>Number</b>
J McCahill	<b>250,000</b>	250,000
G Clarke	<b>413,000</b>	413,000
T Davies	<b>100,000</b>	100,000
J Johnson	<b>175,000</b>	175,000
A Lander	<b>25,000</b>	25,000
A Wheeler	<b>100,000</b>	100,000

# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2005 (continued)**

### **Charitable donations**

The Company supports charities and organisations from Leicester and surrounding areas. During the year the Company made donations of £4,000 (2004: £1,356) to Wishes 4 Kids and Rainbows' hospice and fully supported one of our employees, Alan Birchenall, who on behalf of the Company carried out many charitable activities.

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

### **Community activity**

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

The Football in the Community (FITC) scheme runs a wide range of football related activities for boys and girls between the ages of 5 and 16 years along with some adult based projects.

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

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

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

### **Eliminating racism**

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

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

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

# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2005 (continued)**

### **Employees**

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

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

### **Equal opportunities**

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

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

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

### **Payment of creditors**

It is the Company's policy that it will place orders with suppliers on certain terms and conditions, which include terms of payment. Suppliers will then be paid accordingly, where goods and services have been provided in accordance with the relevant terms and conditions of the contract. The Company takes an average of 50 days (2004: 45 days) to pay its suppliers.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently during the year. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 May 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# **Leicester City Football Club PLC**

## **Directors' report for the year ended 31 May 2005 (continued)**

### **Corporate governance**

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

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

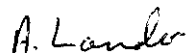
The Company has a Remuneration Committee which comprises of non-executive directors who are independent of management. The Committee's responsibility is to review and determine the remuneration of the Chief Executive and other members of the executive management as it is designated, as well as to approve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

### **Auditors**

Mazars LLP succeeded to Mazars as the independent auditor of the Company during the year.

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

By order of the Board



A Lander  
Secretary  
3 August 2005

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

We have audited the financial statements for the year ended 31 May 2005 which comprise the profit and loss account, the balance sheet, the cash flow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

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

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

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

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

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

### **Basis of audit opinion**

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

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



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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2005 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads 'Mazars LLP'.

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

3 August 2005

## Leicester City Football Club PLC

### Profit and loss account for the year ended 31 May 2005

	Note	2005 £'000	2004 £'000
<b>Turnover</b>	2	<b>22,471</b>	39,633
Cost of sales		<b>(22,045)</b>	(30,060)
<b>Gross profit</b>		<b>426</b>	9,573
Administrative expenses		<b>(1,499)</b>	(1,532)
Stadium expenses		<b>(1,763)</b>	(1,824)
Total operating expenses		<b>(3,262)</b>	(3,356)
<b>Operating (loss)/profit</b>	3	<b>(2,836)</b>	6,217
Loss on disposal of player registrations		<b>(98)</b>	(212)
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		<b>(2,934)</b>	6,005
Net interest payable	4	<b>(1,050)</b>	(725)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(3,984)</b>	5,280
Tax on (loss)/profit on ordinary activities	6	<b>502</b>	(502)
<b>(Loss)/profit for the financial year</b>	15	<b>(3,482)</b>	4,778

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

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

There were no recognised gains or losses other than the (loss)/profit for the year.

# Leicester City Football Club PLC

## Balance sheet as at 31 May 2005

	Note	2005 £'000	2004 £'000
<b>Fixed assets</b>			
Intangible assets	7	4,195	3,884
Tangible assets	8	20,263	20,418
Investments	9	-	-
		<b>24,458</b>	<b>24,302</b>
<b>Current assets</b>			
Stock		267	319
Debtors	10	1,904	2,916
Cash at bank and in hand		627	2,000
		<b>2,798</b>	<b>5,235</b>
<b>Creditors: amounts falling due within one year</b>	11	<b>(7,705)</b>	<b>(6,187)</b>
<b>Net current liabilities</b>		<b>(4,907)</b>	<b>(952)</b>
<b>Total assets less current liabilities</b>		<b>19,551</b>	<b>23,350</b>
<b>Creditors: amounts falling due after more than one year</b>	12	<b>(16,096)</b>	<b>(16,090)</b>
<b>Provisions for liabilities and charges</b>	13	<b>(199)</b>	<b>(622)</b>
<b>Net assets</b>		<b>3,256</b>	<b>6,638</b>
<b>Capital and reserves</b>			
Called up share capital	14	6,108	6,008
Profit and loss account	15	(2,852)	630
<b>Equity shareholders' funds</b>	16	<b>3,256</b>	<b>6,638</b>

The financial statements on page 10 to 28 were approved by the board of directors on 3 August 2005 and signed on its behalf by:

*T B Davies*

T Davies  
Director

# Leicester City Football Club PLC

## Cash flow statement for the year ended 31 May 2005

	2005	2004
	£'000	£'000
<b>Net cash inflow from operating activities (note a)</b>	<b>1,708</b>	<b>4,156</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	98	137
Interest paid	(38)	(160)
Interest element of finance lease payments	(924)	(190)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(864)</b>	<b>(213)</b>
<b>Capital expenditure</b>		
Purchase of tangible and intangible fixed assets	(2,452)	(2,364)
Sale of intangible fixed assets	235	104
<b>Net cash outflow for capital expenditure</b>	<b>(2,217)</b>	<b>(2,260)</b>
<b>Acquisitions</b>		
Payments to acquire trade	-	15
<b>Net cash (outflow)/inflow before financing</b>	<b>(1,373)</b>	<b>1,698</b>
<b>Financing</b>		
Decrease in borrowings	(100)	(800)
Capital element of finance leases	-	(2,310)
Issue of share capital	100	1,808
<b>Net cash outflow from financing</b>	<b>-</b>	<b>(1,302)</b>
<b>(Decrease)/increase in cash (note b)</b>	<b>(1,373)</b>	<b>396</b>

# Leicester City Football Club PLC

## Notes to the cash flow statement for the year ended 31 May 2005

### a) Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2005	2004
	£'000	£'000
Operating (loss)/profit	(2,836)	6,217
Amortisation charge	1,367	1,107
Depreciation charge	638	629
Decrease/(increase) in stocks	52	(171)
Decrease in debtors	1,012	1,887
Increase/(decrease) in creditors	1,475	(5,513)
<b>Net cash inflow from operating activities</b>	<b>1,708</b>	<b>4,156</b>

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

	2005	2004
	£'000	£'000
(Decrease)/increase in cash in the year	(1,373)	396
Cash outflow from decrease in debt	100	3,110
Change in net debt from cash flows	(1,273)	3,506
Other non-cash changes	(106)	5
Movement in net debt in the year	(1,379)	3,511
Net debt at 31 May 2004	(14,190)	(17,701)
Net debt at 31 May 2005 (note c)	(15,569)	(14,190)

## Leicester City Football Club PLC

### Notes to the cash flow statement for the year ended 31 May 2005 (continued)

#### c) Analysis of net debt

	1 June 2004	Cash flow	Other non cash movements	31 May 2005
	£'000	£'000	£'000	£'000
Cash in hand and at bank	2,000	(1,373)	-	627
Debt due within one year	(100)	-	-	(100)
Debt due after one year	(400)	100	-	(300)
Hire purchase liabilities	(15,690)	-	(106)	(15,796)
	(14,190)	(1,273)	(106)	(15,569)



# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2005**

### **1 Accounting policies**

#### **Basis of accounting**

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

The directors have prepared projections of profit and cash flow information which include detailed consideration of the period ending 12 months from the date of their approval of these financial statements. On the basis of the cash flow information available, which takes into account the significant reductions in players' wages which have been negotiated, the directors consider the company will continue to operate within the current facilities available and consequently believe that it is appropriate for the financial statements to be prepared on a going concern basis.

#### **Turnover**

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

#### **Revenue recognition**

Central distributions from the FA Premier League and Football League are recognised in the profit and loss account in the relevant financial period for the season to which the income relates.

All other income is recognised on the provision of service or transfer of benefit.

#### **Intangible fixed assets**

The cost of player registrations is capitalised as an intangible asset and amortised over the period of the respective player's contract. Contingent player registration costs are capitalised when 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 20 years.

# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2005 (continued)**

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

#### **Tangible fixed assets**

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

Depreciation is provided at rates calculated to write down the cost of each asset to its residual value on a straight-line basis over its expected useful life. Rates applied are as follows:

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

Land is not depreciated.

#### **Leased assets**

Assets purchased under finance leases and hire purchase contracts have been capitalised. Interest is charged to profit so as to produce a constant periodic rate of charge on the remaining balance of the lease for each accounting period. Operating lease payments are charged to the profit and loss account as they fall due.

#### **Stocks**

Stocks comprise goods for resale and are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Provision is made for obsolete items.

#### **Grants received**

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

#### **Signing on fees**

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

#### **Deferred taxation**

As required by FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. Deferred tax assets are recognised to the extent that they are more likely than not to be recovered. Deferred tax assets and liabilities recognised have not been discounted.

#### **Pensions**

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

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 2 Turnover

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

	2005	2004
	£'000	£'000
Match receipts	6,321	8,519
Other football income	8,812	21,328
Retailing and merchandise	1,452	2,271
Conference, banqueting and catering	3,341	3,839
Sponsorship, executive suites, advertising and other income	2,545	3,676
	22,471	39,633

### 3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:	2005	2004
	£'000	£'000
Operating leases		
- plant and machinery	53	68
Depreciation:		
- owned assets	256	246
- assets held under finance leases and hire purchase contracts	382	383
Amortisation of intangible assets	1,367	1,107
Auditors' remuneration		
- audit services	8	7
- non-audit services	3	-

Included within operating costs is £935,000 of expenses in relation to management restructuring.

## Leicester City Football Club PLC

### Notes to the financial statements for the year ended 31 May 2005 (continued)

#### 4 Net interest payable

	2005	2004
	£'000	£'000
Interest payable:		
Bank loans and overdrafts	41	31
Hire purchase contracts	1,107	823
	1,148	854
Interest receivable – bank interest	(98)	(129)
	1,050	725

#### 5 Staff costs

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

	2005	2004
	Number	Number
Players	27	26
Administration	173	179
	200	205

The Company employs on average 618 (2004: 800) casual staff for catering, cleaning and on match days.

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 5 Staff costs (continued)

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

	2005	2004
	£'000	£'000
Wages and salaries	15,378	21,468
Social security costs	1,459	2,413
Other pension costs	193	228
	17,030	24,109

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

	2005	2004
	£'000	£'000
Aggregate emoluments	315	296
Pension contributions	23	20
Compensation for loss of office	40	-
	378	316

One director (2004: two) is accruing benefits under a money purchase pension scheme.

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

	2005	2004
	£'000	£'000
Aggregate emoluments	184	149
Pension contributions	13	11
	197	160

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

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

	2005 £'000	2004 £'000
UK Corporation tax at 30% (2004: 30%)		
- current year	(32)	79
- prior year	(47)	-
	(79)	79
Deferred tax (note 13)		
- current year	(396)	361
- prior year	(27)	62
	(423)	423
	(502)	502

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

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before tax	(3,984)	5,280
(Loss)/profit on ordinary activities multiplied by standard rate in the UK of 30%	(1,195)	1,584
Effects of:		
Disallowable expenses	130	146
Accelerated capital allowances	(275)	(338)
Short term timing differences	(11)	(23)
Tax losses recognised in the period	682	(1,290)
Tax losses not recognised	637	-
Corporation tax prior year adjustment	(47)	-
	(79)	79

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 7 Intangible assets

	Player registrations	Goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 June 2004	1,736	3,028	4,764
Additions	1,969	-	1,969
Disposals	(1,238)	-	(1,238)
<b>At 31 May 2005</b>	<b>2,467</b>	<b>3,028</b>	<b>5,495</b>
<b>Amortisation</b>			
At 1 June 2004	685	195	880
Charge for the year	1,216	151	1,367
Disposals	(947)	-	(947)
<b>At 31 May 2005</b>	<b>954</b>	<b>346</b>	<b>1,300</b>
<b>Net book amount</b>			
<b>At 31 May 2005</b>	<b>1,513</b>	<b>2,682</b>	<b>4,195</b>
At 31 May 2004	1,051	2,833	3,884

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

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 8 Tangible assets

	<b>Stadium</b>	<b>Other land and buildings</b>	<b>Fixtures and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
At 1 June 2004	19,106	961	826	284	21,177
Additions	-	-	424	59	483
Transfer	-	-	(8)	8	-
<b>At 31 May 2005</b>	<b>19,106</b>	<b>961</b>	<b>1,242</b>	<b>351</b>	<b>21,660</b>
<b>Depreciation</b>					
At 1 June 2004	435	7	196	121	759
Charge for the year	382	5	165	86	638
Transfer	-	-	(1)	1	-
<b>At 31 May 2005</b>	<b>817</b>	<b>12</b>	<b>360</b>	<b>208</b>	<b>1,397</b>
<b>Net book amount</b>					
<b>At 31 May 2005</b>	<b>18,289</b>	<b>949</b>	<b>882</b>	<b>143</b>	<b>20,263</b>
At 31 May 2004	18,671	954	630	163	20,418

Included in the total net book amount of tangible fixed assets held at 31 May 2005 was £18,289,000 (2004: £18,671,000) in respect of assets held under finance leases and hire purchase contracts.

The stadium is the subject of a hire purchase contract. The repayment terms of the contract are contingent on the revenues associated with the division of the football league that the club plays in during the duration of the contract. The payment profile of the contract has been calculated based on the league status of the club at the year end. Amounts payable under finance leases and hire purchase contracts are set out in Notes 11 and 12.

Land included within "Other land and buildings" with cost of £650,000 (2004: £650,000) is not depreciated.



# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 9 Investments

	2005	2004
	£	£
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

	2005	2004
	£'000	£'000
Trade debtors	611	510
Other debtors	25	87
Prepayments and accrued income	1,268	2,319
	1,904	2,916

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

	2005	2004
	£'000	£'000
Bank loan	100	100
Trade creditors	1,148	1,201
Corporation tax	-	79
Taxation and social security	851	1,222
Other creditors	236	267
Accruals and deferred income	5,370	3,318
	7,705	6,187

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

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

	2005	2004
	£'000	£'000
Bank loan	300	400
Obligations under finance leases and hire purchase contracts (note 8)	15,796	15,690
	16,096	16,090

#### Bank loans

	2005	2004
	£'000	£'000
Amounts payable:		
Within one year	100	100
Between one and two years	100	100
Between two to five years	200	300
	400	500

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

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

	2005	2004
	£'000	£'000
Amounts payable:		
After five years	15,796	15,690

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 13 Provisions for liabilities and charges

	Indemnity	Deferred tax	Total
	£'000	£'000	£'000
1 June 2004	199	423	622
Profit and loss account	-	(423)	(423)
<b>31 May 2005</b>	<b>199</b>	<b>-</b>	<b>199</b>

#### Indemnity

As part of an agreement with the administrators of Leicester City PLC, the Company has provided an indemnity for certain potential liabilities to the Company relating to the administration period. A provision of £199,000 has been made for the full potential liability under the agreement which will be release during the year ended 31 May 2006 unless the liability crystallises within the year.

#### Deferred tax

The amounts of deferred tax provided and those unprovided, calculated at 30% (2004: 30%), is as follows:

	2005		2004	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	703	-	443	-
Short term timing differences	(22)	-	(20)	-
Trading losses	(681)	(637)	-	-
	-	(637)	423	-

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 14 Share capital

	2005	2004
	£'000	£'000
<b>Authorised</b>		
7,750,000 (2004: 7,750,000) ordinary shares of £1 each	7,750	7,750
<b>Allotted, called up and fully paid</b>		
6,108,476 (2004: 6,008,476) ordinary shares of £1 each	6,108	6,008
1 (2004: 1) redeemable share of £1	-	-
	<b>6,108</b>	<b>6,008</b>

During the year 100,000 ordinary shares of £1 each were issued at par. Consideration of £100,000 was received.

In June 2005, the company issued 25,000 ordinary shares of £1 each for consideration of £25,000.

Where shares are allotted to Teachers Insurance and Annuity Association of America (TIAA) they are designated as redeemable shares. The following rights are attached to redeemable shares:

- the holders of the redeemable shares shall have the right from time to time to appoint one person to be a non-executive director of the Company (the TIAA Director) and to remove from office any person so appointed and to appoint another person in his place. The TIAA Director shall not be subject to retirement by rotation;
- on a resolution of shareholders in general meeting to remove the TIAA Director or to amend Article 4 of the Articles of Association ("Rights attached to the redeemable shares"), the redeemable shares shall together carry at least one vote in excess of 75 per cent of the votes exercisable in the general meeting at which such resolutions are to be proposed;
- the redeemable shares shall not confer any right to receive notice of or to attend or vote at any general meeting of the Company except in the circumstances of (b) above or on variation of the rights of the shares;
- the redeemable shares shall not confer any right to dividends;
- the redeemable shares shall confer the right to be paid out of the assets of the Company available for distribution amongst the members the capital paid up on such shares pari passu with and in proportion to any amounts of capital paid to the holders of the Ordinary Shares, but shall not confer any right to participate in any surplus remaining following payment of the amount of capital paid up thereon;
- the redeemable shares are to be redeemed by the Company under the circumstances set out in the Articles of Association and in any case, by 1 August 2053;

When redeemable shares are held by anyone other than TIAA, the shares automatically convert into Ordinary Shares.

# Leicester City Football Club PLC

## Notes to the financial statements for the year ended 31 May 2005 (continued)

### 15 Reserves

	Profit and loss account
	£'000
1 June 2004	630
Loss for the financial year	(3,482)
31 May 2005	(2,852)

### 16 Reconciliation of movements in shareholders' funds

	2005	2004
	£'000	£'000
Shares issued in the year	100	1,808
(Loss)/profit for the financial year	(3,482)	4,778
Net (reduction)/addition to shareholders' funds	(3,382)	6,586
Opening shareholders' funds	6,638	52
Closing shareholders' funds	3,256	6,638

### 17 Leasing commitments

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

	2005	2004
	£'000	£'000
Operating leases which expire:		
Within one year	53	52
Within two to five years	14	3
	67	55

# **Leicester City Football Club PLC**

## **Notes to the financial statements for the year ended 31 May 2005 (continued)**

### **18 Pension costs**

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

Certain employees of the Company are members of the Football League Limited Players Benefit Scheme a defined benefit scheme. As the Company is one of a number of participating employers in the scheme, it is not possible to allocate any actuarial surplus or deficit and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the Company.

Certain employees and ex-employees of the Company are members of the Football League Limited Pension and Life Assurance Scheme, a defined benefit scheme. As the Company is one of a number of participating employers in the scheme, it is not possible to allocate any actuarial surplus or deficit however, under Section 75 of the Pensions Act 1995 the Company, as a participating employer in the scheme, is liable to fund the deficit relating to Company employees who are members of the scheme. The liability has been calculated by the Trustees at 1 April 2003 at £145,000 of which £35,000 has been paid in the year (2004: £35,000). The balance outstanding is included in other creditors and will be amortised to the profit and loss account over the expected service lives of the current employees to which it relates. The assets of the scheme are held separately from those of the Company.

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

### **19 Contingencies and commitments**

The Company has certain contracts with other football clubs that relate to player transfers. Under the terms of these contracts additional amounts become payable or receivable if conditions concerning future team appearances are met. The total maximum amount that is potentially payable and receivable under these contracts is £180,000 (2004: £125,000) and £512,500 (2004: £1,300,000) respectively.

At 31 May 2005, the Company had committed capital expenditure of £nil (2004: £103,000).