

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2012
Registered number: 04593477



Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2012

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Leicester City Football Club Limited

Directors and advisors

Registered office

King Power Stadium
Filbert Way
Leicester
LE2 7FL

Directors

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

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

Independent auditors

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

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012

The directors present their directors' report and the audited financial statements for the year ended 31 May 2012

Principal activities

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

Results

It is pleasing to report that the Club's reported turnover increased by £4m to £21.4m from £17.4m in 2011. This increase is indicative of the Club's long term strategy to increase income and to bridge the gap between costs and income. This included new sponsorship agreements with Air Asia and Amazing Thailand as well as a 3 year naming rights deal to rename the stadium as the "King Power Stadium". These contracts provide for a significant increase in the commercial income of the Club. In addition nearly £0.8m turnover was generated from the memorable friendly before the start of the season with Real Madrid. That game was an indication of the Directors' and owners' ambition to grow the Club to a position where the stadium is sold out playing world class opposition on a regular basis.

In addition £1.7m (2011: £1.0m) of the turnover for the year came from the Club's cup participation, substantially from the Club's excellent run in the FA Cup which was ended by Chelsea in an entertaining contest at Stamford Bridge.

The Club has also made very significant investments into the playing squad during the 2011/12 season to build a promotion standard squad, which are reflected in our increased staff costs that rose £11.1m to £27.7m compared to last year's £16.6m.

Operating expenditure (excluding staff costs) increased by £2.5m to £18.0m (2011: £15.5m) primarily due to the increase in player amortisation following significant investment in the playing squad. Interest charges for the year increased by £2.5m to £5.2m (2011: £2.7m) in line with the increased shareholder funding received during the year.

In the year to 31 May 2012, player trading achieved profits of £0.6m (£1.8m in 2011).

After taxation, the results for the year show a loss of £29.7m (2011 loss of £15.2m).

During the 2011/12 season the ultimate owners of the Club, the Raksriakorn family, invested £36.0m to support the Club in several ways:

- Funding a significant investment in the 1st team in the form of transfer fees, salaries and player loan costs to challenge for promotion,
- Funding a long term investment in the training ground facilities to provide an appropriate facility for the aspirations of the Club, and
- Investment into the Stadium fixtures and fittings and systems at the Stadium to improve the experience of the fans on a match day.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012 (continued)

The investment into the training ground and the stadium are long term capital improvements which the Club will benefit from for many years and whilst the Club ultimately fell short of its goal of reaching the Premier League the 2011/12 season established a strong foundation with a team fit to challenge for future promotions

Although the Club continues to invest in the playing squad, plans have been put in place to reduce the playing salary budget to comply with the new Financial Fair Play ("FFP") Rules introduced by the Football League for the Championship. These rules come into play from the 2011/12 season but sanctions will only apply for Clubs who exceed the permitted loss in the 2013/14 season

The Company had a net cash inflow for the year of £0.1m (2011 outflow of £0.9m) arising from a net cash outflow from operating activities of £18.5m (2011 outflow of £11.2m) and a net investment in tangible and intangible assets of £15.5m (2011 net investment of £2.8m) financed by an increase in borrowings of £34.0m (2011 increase of £13.1m) primarily through an injection of shareholder loans. No dividend has been paid in the year (2011 £nil)

An inconsistent start to the 2011/12 season led to Sven Goran Eriksson leaving the Club. The Board appointed Nigel Pearson as the ideal candidate to lead the Club forward and the team's improved performances in 2011/12 under Nigel have given us a platform from which the team's challenge for promotion in the 2012/13 season is being built.

The Board can only thank our superb supporters for continuing to back the Club during the ups and downs of the 2011/12 season. Our average attendances in the Championship of 23,036 (2011 23,709) were the 5th highest in the league and given our inconsistent on pitch performance show how dedicated our fans are in following their club.

Asset values

At the year end there were 35 (2011 24) players for which the cost of their player registration has been capitalised and were still being amortised over the period of the respective player's contract. The combined net book value of these players is £15.8m as at 31 May 2012 (2011 £3.3m). The directors' assessment of the market value of the playing squad at 31 May 2011 was £20.7m (2011 £7.2m).

The King Power stadium and other land and buildings are currently stated at £41.1m (2011 £41.3m), which reflects the current depreciated replacement value of the stadium based on a valuation by DTZ on 31 May 2009. As at 31 May 2012 an interim valuation by DTZ, based on depreciated replacement cost for existing use, was undertaken and no material difference in the carrying value was identified.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012 (continued)

Future outlook

During the summer 2012 transfer window the Club has brought in a mixture of young talented players and experienced professionals. The primary aim of the Club remains to challenge for a top 6 position in the Championship in the current season with the ultimate objective of promotion to the Premier League. In the interim period before the Club is promoted extensive efforts are being made to increase income across all areas of the business. The impact of the FFP rules noted above also mean the Club is seeking to reduce its playing cost base and targeted disposals have been made.

During the year the Premier League also proposed the Elite Player Performance Plan (EPPP) where a new system of managing, funding and categorising Elite youth development was set out. The EPPP was adopted by both the Premier League and the Football League and the Club made a decision to initially bid to be categorised as CAT2 for the 2012/13 season but with a view to be audited as CAT1 for full adoption of CAT1 status by the 2013/14 season. The Directors believe the development of home grown talent to be fundamental to the long term success of the Club and for this reason have made the decision to invest the substantial additional funds into youth development.

The Club is currently in the top six in the Championship which places the club in a strong position for promotion to the Premier League. The Club's revenues are forecast to continue to grow as new sponsorship deals which will contribute positively to the Club's revenues in the future are obtained and additional sources of income are created.

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, business 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 2012 (continued)

Business environment

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 Premier League. In order to ensure stability of cash flows and manage interest rate risk, the Company has a policy of maintaining the majority of its long term debt at fixed rates. The Company does not use other derivative financial instruments to manage interest rate costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Company's finance department.

Credit Risk

The Company manages credit risk with respective counterparties as follows:

- Football Clubs: the Premier League and Football League rules require football creditors to be paid in full in any insolvency event.
- Corporate partners are reviewed for their credit worthiness using commercially available credit rating facilities and where necessary services are only provided after payment has been received.
- Personal credit is only given in controlled circumstances with Direct debit systems and compliance with agreed payments are rigorously monitored.

Going concern

Whilst the Company has been working hard to increase revenues, given the current level of investment in both fixed assets and the playing squad the Company relies and continues to rely on funding from the ultimate controlling party. This party has pledged its continued financial support for the foreseeable future. Further details are set out in note 1 to the financial statements.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012 (continued)

Key performance indicators

	2012	2011
Average league attendance	23,036	23,709
Cash balance at year end (£'000)	329	244
Staff costs (per note 5)/turnover and expressed as a percentage	129.8%	95.5%
Operating loss excluding goodwill, player amortisation and player trading (£'000)	(18,176)	(11,794)

Directors

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

V Raksriaksorn (Chairman)	
A Raksriaksorn (Vice Chairman)	
S Liu (Vice Chairman)	(Appointed 26 th October 2012)
S Choungrangsee	
SV Whelan	
M Stewart-Smith	
L Hoos	(Resigned 15 June 2011)
M Johnson	(Resigned 15 June 2011)

Charitable donations

The Club chose 10 charities to support through its "One in a Million" campaign for the 2011/2012 season with the target to raise a minimum of £150,000 to bring the total charity funds raised by LCFC and its legend Alan Birchenall MBE to £1 million. By the end of the year the target had been exceeded and £180,000 was raised and distributed to the Charities. To facilitate this campaign the Club established a new charity, the LCFC Foxes Foundation which will act as an active fund raiser for future seasons. The Club provided direct financial support of £3,000 to the Charity and provided an executive box free of charge to each of the charities with a total sales value of £10,000.

The Club also has several match day collections during every season, currently collections for St John's Ambulance, The Royal British Legion and the LCFC Foxes Foundation have either been undertaken or are planned for the 2012/13 season.

The Company also supports a charitable trust aimed at the promotion and provision of football services for all in Leicestershire through its funding of and involvement in the Leicester City Football in the Community Charitable Trust.

The Company has made charitable donations during the year of £18,000 (2011: £1,000).

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012 (continued)

Subsequent events

On 13th September 2012 the ownership of 100% of the issued ordinary and 'A' share capital of the Club was transferred from Asia Football Investments Pte Limited to King Power International Limited ("KPI") KPI is one of the main holding companies in the King Power Group and the transfer of ownership is indicative of the Club's position at the heart of the King Power operation

Additional funding of £15.6m from KPI has been received in the period to 30th November 2012, and was used to continue to invest substantially in the playing squad, into Club infrastructure including a new Fortress entry system for King Power Stadium and a new CCTV system

In August 2012 Ian Flanagan has joined the Senior Management team of the Club as Commercial Director

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2012 (continued)

Statement of disclosure of information to auditors

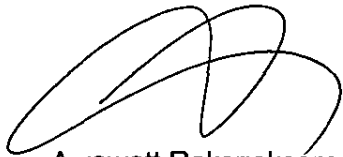
In the case of each of the persons who are directors at the time when the report is approved

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

Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP, as auditors to the Company will be proposed at the annual general meeting

On behalf of the Board



Aiyawatt Raksriaksorn
Executive Director
1st December 2012

Registered number 04593477

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

We have audited the financial statements of Leicester City Football Club Limited for the year ended 31 May 2012 which comprise the profit and loss account, the note of historical cost profit and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 May 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

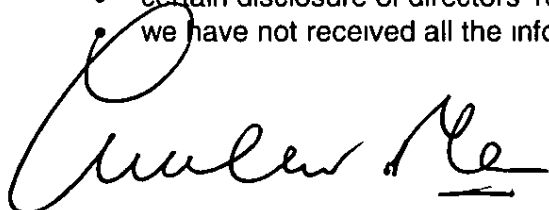
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosure of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2012

	Note	2012 £'000	2011 £'000
Turnover	2	21,352	17,357
Cost of sales		(41,085)	(26,459)
Gross loss		(19,733)	(9,102)
Administrative expenses		(3,008)	(3,874)
Stadium expenses		(2,363)	(1,758)
Total administrative expenses		(5,371)	(5,632)
Other operating income		-	435
Operating loss	3	(25,104)	(14,299)
Profit on disposal of player registrations		642	1,815
Loss on ordinary activities before interest and taxation		(24,462)	(12,484)
Net interest payable	4	(5,257)	(2,732)
Loss on ordinary activities before taxation		(29,719)	(15,216)
Tax on loss on ordinary activities	6	-	-
Loss for the financial year	15	(29,719)	(15,216)

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

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

Leicester City Football Club Limited

Note of historical cost profit and losses for the year ended 31 May 2012

	2012	2011
	£'000	£'000
Reported loss on ordinary activities before taxation	(29,719)	(15,216)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	464	464
Historical cost loss on ordinary activities before taxation	(29,255)	(14,752)
Historical cost loss for the financial year	(29,255)	(14,752)

Leicester City Football Club Limited

Balance sheet as at 31 May 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	7	15,756	3,266
Tangible assets	8	45,293	42,792
Investments	9	-	-
		61,049	46,058
Current assets			
Finished goods and goods for resale		173	108
Debtors	10	2,895	3,073
Cash at bank and in hand		329	244
		3,397	3,425
Creditors: amounts falling due within one year	11	(84,709)	(41,894)
Net current liabilities		(81,312)	(38,469)
Total assets less current liabilities		(20,263)	7,589
Creditors: amounts falling due after more than one year	12	(19,199)	(17,332)
Net liabilities		(39,462)	(9,743)
Capital and reserves			
Called up share capital	14	6,571	6,571
Share premium account	15	8,475	8,475
Revaluation reserve	15	23,310	23,774
Profit and loss account	15	(77,818)	(48,563)
Total shareholders' deficit	16	(39,462)	(9,743)

The financial statements on pages 11 to 31 were approved by the board of directors on 1st December 2012 and signed on its behalf by


Aiyawatt Raksriaksorn
Executive Director

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2012

	2012 £'000	2011 £'000
Net cash outflow from operating activities (note a)	(18,452)	(11,158)
Returns on investments and servicing of finance		
Interest received	10	5
Interest paid	(5)	(54)
Net cash inflow/(outflow) from returns on investments and servicing of finance	5	(49)
Capital expenditure and financial investment		
Purchase of tangible and intangible fixed assets	(17,530)	(4,676)
Sale of intangible fixed assets	2,064	1,885
Net cash outflow from capital expenditure	(15,466)	(2,791)
Net cash outflow before financing	(33,913)	(13,998)
Financing		
Increase in borrowings (note c)	33,998	13,069
Net cash inflow from financing	33,998	13,069
Increase/(decrease) in cash (note b)	85	(929)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2012

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

	2012 £'000	2011 £'000
Operating loss	(25,104)	(14,299)
Amortisation charge	6,928	2,505
Depreciation charge	1,459	1,131
Increase in stocks	(65)	(8)
Increase in debtors	(547)	(1,212)
(Decrease)/increase in creditors	(1,123)	725
Net cash outflow from operating activities	(18,452)	(11,158)

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

	2012 £'000	2011 £'000
Increase/(decrease) in cash in the year	85	(929)
Cash inflow from changes in debt	(33,998)	(13,069)
Change in net debt from cash flows	(33,913)	(13,998)
Other non-cash changes	(5,262)	(2,683)
Movement in net debt in the year	(39,175)	(16,681)
Opening net debt	(46,184)	(29,503)
Closing net debt (note c)	(85,359)	(46,184)

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2012 (continued)

c) Analysis of net debt

	1 June 2011	Cash flow	Other non cash movements	31 May 2012
	£'000	£'000	£'000	£'000
Cash at bank and in hand	244	85	-	329
	244	85	-	329
Debt due within one year	(28,058)	(36,029)	(3,919)	(68,006)
Debt due after one year	(965)	531	-	(434)
Hire purchase liabilities	(17,405)	1,500	(1,343)	(17,248)
Total debt	(46,428)	(33,998)	(5,262)	(85,688)
Net debt	(46,184)	(33,913)	(5,262)	(85,359)

Non cash movements relate to £1,343,000 accrued interest on the stadium loan and £3,919,000 on shareholder loans

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012

1 Accounting policies

Basis of accounting

The financial statements 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 financial statements

Consolidated financial statements have not been prepared on the grounds of materiality. The Company has one dormant wholly owned subsidiary with net assets of £2.

Going concern

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

In considering the appropriateness of the going concern basis for the preparation of these financial statements, the directors have considered the working capital requirements of the Company for the short, medium and longer term. As part of this the directors have reviewed in detail the cash flow forecasts prepared for the period of 12 months from the date of this report. These forecasts show that the Company is reliant on continued funding from the holding company, King Power International Limited.

King Power International has confirmed that finance will be available to fund future trading and support the football strategy to achieve promotion back to the Premier League. Furthermore, since 1 June 2012, £14.6m of new funding has been provided and the directors are confident further funding will be provided as required.

The directors therefore have a reasonable expectation that the Company will be able to continue as a going concern for the foreseeable future, and for this reason they continue to adopt the going concern basis in preparing the financial statements. Accordingly no provisions, reclassifications, or adjustments have been made in these financial statements 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 2012 (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the value of goods delivered and services provided by the Company during the year (stated net of value added tax and Football League Levy). Season ticket and sponsorship income received prior to the year end in respect of the following football season is treated as deferred income and recognised over the season to which it relates.

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

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

Pensions

The Company operates defined contribution schemes for certain of its employees. The Company funds its pension liabilities through externally managed pension schemes. Contributions are charged against operating profits in the year in which payments are due.

Certain of the Company's ex-employees are members of the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme. As the Company is one of a number of participating employers in FLLPLAS, the actuarial surplus or deficit is estimated and provision is made for any unfunded obligation with any payments made being deducted from the outstanding balance. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Further details are set out in Note 18.

Intangible fixed assets

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

Goodwill arising on acquisition is the difference between the fair value of consideration and the fair value of the separately identifiable assets and liabilities acquired. Goodwill is capitalised and amortised over its estimated useful life.

Tangible fixed assets

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

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

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

Stadium / freehold buildings	-	2% per annum
Fixtures and fittings	-	10% - 20% per annum
Computer equipment	-	20% - 33% per annum
Motor vehicles	-	20% per annum

Freehold land is not depreciated.

Fixed asset investments

Investments held as fixed assets are stated at cost and reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment

Intangible and tangible fixed assets and investments are subject to review for impairment in accordance with FRS 11, Impairment of Fixed Assets and Goodwill. Any impairment in the value of fixed assets is charged to the profit and loss account, as an additional component of the depreciation or amortisation charges.

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair market value less costs to sell, and its value in use. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of a risk-free interest rate adjusted for risk related to the specific asset. For assets dependent on other assets to generate cash flows, the recoverable amount is calculated for the income generating unit to which the asset belongs.

Impairment losses are reversed if there is a trigger that changes the recoverable amount, with the exception of impairment losses on goodwill. The impairment losses on the goodwill are only reversed where an external event caused the original impairment loss and subsequent external events clearly and demonstrably reverse the effect of that event in a way that was not foreseen in the original impairment assessment.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

1 Accounting policies (continued)

Leased assets

Assets purchased under finance leases and hire purchase contracts have been capitalised and depreciation is charged at rates calculated to write down the cost of each asset to its residual value on a straight-line basis over its expected useful life or the period of the lease, whichever is shorter. Interest is charged to profit so as to produce a constant periodic rate of charge on the remaining balance of the lease for each accounting period. Operating lease payments are charged to the profit and loss on a straight line basis.

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. Contractual obligations are recognised when they become payable with 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 payable in respect of future periods are charged against the profit/(loss) on disposal of players registrations in the period in which the disposal is recognised.

Deferred taxation

As required by FRS 19, deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. Deferred tax assets are recognised to the extent that they are more likely than not to be recovered. No deferred tax has been recognised on the revalued stadium as the Company has no plans to dispose of this asset. Deferred tax assets and liabilities have not been discounted.

2 Turnover

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

	2012 £'000	2011 £'000
Match receipts	5,870	6,022
Other football income	7,571	6,009
Retailing and merchandise	1,452	1,377
Conference, banqueting and catering	880	880
Sponsorship, executive suites, advertising and other income	5,579	3,069
	21,352	17,357

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

3 Operating loss

Operating loss is stated after charging

	2012 £'000	2011 £'000
Operating leases		
- plant and machinery	87	35
Depreciation		
- owned tangible fixed assets	614	285
- assets held under finance leases and hire purchase contracts	845	846
Amortisation of intangible assets	6,928	2,505
Auditors' remuneration		
- audit services	32	31
- non-audit services – tax compliance	4	4

4 Net interest payable

	2012 £'000	2011 £'000
Interest payable and similar charges		
Bank loans and overdrafts	5	21
Hire purchase contracts	1,343	1,471
Other loans	3,919	1,245
	5,267	2,737
Interest receivable and similar income – bank interest	(10)	(5)
	5,257	2,732

5 Staff costs

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

	2012 Number	2011 Number
Players	40	39
Administration	114	103
	154	142

In addition, the Company employs on average 472 (2011 475) casual staff on match days

Employee costs, including directors, during the year amounted to

	2012 £'000	2011 £'000
Wages and salaries	24,274	14,673
Social security costs	3,057	1,611
Other pension costs (note 18)	387	293
	27,718	16,577

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

5 Staff costs (continued)

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

	2012 £'000	2011 £'000
Aggregate emoluments	386	272
Pension contributions	4	81
	390	353

The aggregate emoluments of the highest paid director were £133,000 (2011 £173,000), two of the directors were accruing benefits under a defined contribution pension scheme (2011 two)

6 Tax on loss on ordinary activities

	2012 £'000	2011 £'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 2012 was based on the UK effective rate of 25.67% (2011 27.67%). The actual charge for the current and previous year are higher (2011 higher) than the standard rate for the reasons set out in the following reconciliation

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation	(29,719)	(15,216)
Loss on ordinary activities multiplied by effective rate in the UK of 25.67% (2011 27.67%)	(7,628)	(4,210)
Effects of		
Disallowable expenses	234	288
Accelerated capital allowances	179	66
Trading losses and other timing differences not recognised	7,215	3,856
Current tax charge for the year	-	-

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

6 Tax on loss on ordinary activities (continued)

In addition to the changes in rates of corporation tax disclosed, a number of further changes to the UK corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

7 Intangible assets

	Player registrations £'000	Goodwill £'000	Total £'000
Cost			
At 1 June 2011	8,635	4,266	12,901
Additions	20,115	-	20,115
Disposals	(1,710)	-	(1,710)
At 31 May 2012	27,040	4,266	31,306
Accumulated amortisation			
At 1 June 2011	5,369	4,266	9,635
Charge for the year	6,928	-	6,928
Disposals	(1,013)	-	(1,013)
At 31 May 2012	11,284	4,266	15,550
Net book amount			
At 31 May 2012	15,756	-	15,756
At 31 May 2011	3,266	-	3,266

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 2012 (continued)

8 Tangible assets

	Stadium £'000	Other land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost						
At 1 June 2011	41,463	1,671	1,731	57	948	45,870
Additions	-	642	3,096	10	212	3,960
At 31 May 2012	41,463	2,313	4,827	67	1,160	49,830
Accumulated depreciation						
At 1 June 2011	1,691	101	687	48	551	3,078
Charge for the year	845	33	448	3	130	1,459
At 31 May 2012	2,536	134	1,135	51	681	4,537
Net book amount						
At 31 May 2012	38,927	2,179	3,692	16	479	45,293
At 31 May 2011	39,772	1,570	1,044	9	397	42,792

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 is not depreciated. An interim valuation was undertaken on 31 May 2012, also by DTZ Debenham Tie Leung Limited which valued the stadium at £39,006,000 as compared to the depreciated carrying value of £38,927,000. Included within this valuation is freehold land of £9,210,000. The Directors have chosen not to adjust the carrying value of the stadium based on this valuation as the net effect of the change is immaterial. If the stadium was stated on a historical cost basis, the amounts for cost, aggregate depreciation and net book amount respectively at 31 May 2012 would be £19,106,000 (2011 £19,106,000), £3,490,000 (2011 £3,108,000) and £15,616,000 (2011 £15,998,000).

Fixtures and fittings and computer equipment above includes assets costing £99,000 with a net book value of £72,000 held under finance leases.

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 (2011 £650,000) is not depreciated.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

9 Investments

	2012	2011
	£	£
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

	2012	2011
	£'000	£'000
Trade debtors	303	1,319
Taxation and social security	436	63
Other debtors	943	568
Prepayments and accrued income	1,213	1,123
	2,895	3,073

11 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Bank loans	32	32
Trade creditors	5,924	1,860
Amounts owed to parent company and companies under common control	67,974	28,026
Obligations under finance lease and hire purchase contracts	1,500	1,500
Taxation and social security	1,189	731
Other creditors	3,445	3,281
Accruals and deferred income	4,645	6,464
	84,709	41,894

12 Creditors: amounts falling due after more than one year

	2012	2011
	£'000	£'000
Bank loans	309	340
Obligations under finance leases and hire purchase contracts	15,748	15,905
Amounts owed to parent company	125	625
Accruals and deferred income	3,017	462
	19,199	17,332

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

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

Bank loans

	2012 £'000	2011 £'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	182	213
	341	372

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

	2012 £'000	2011 £'000
Amounts payable		
Within one year	1,500	1,500
Between two and five years	4,500	4,500
After five years	11,248	11,405
	17,248	17,405

Amounts owed to parent company and companies under common control

	2012 £'000	2011 £'000
Amounts payable		
Within one year	67,474	27,526

Other loans

	2012 £'000	2011 £'000
Amounts payable		
Within one year	500	500
Between one and two years	125	500
Between two to five years	-	125
	625	1,125

£67.5m of the amounts owed to the parent company and companies under common control represent subordinated loans with £63.1m bearing interest at 8% and £4.4m at 6%. All of their loans are unsecured, subordinated to the stadium financing and repayable on demand. The creditor companies have confirmed that they will not seek repayment of these loans within 12 months of the date of signing these financial statements if such payment would prejudice the ability of the Company to settle its other obligations when they fall due.

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

13 Provisions for liabilities and charges

Deferred tax

The deferred tax assets provided and those unprovided, calculated at 24% (2011 26%), are as follows

	2012		2011	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	-	(473)	-	(331)
Short term timing differences	-	(75)	-	(33)
Trading losses	-	(19,248)	-	(13,668)
	-	(19,796)	-	(14,032)

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 (2011 £6 0m)

Deferred tax assets are not recognised where there is insufficient certainty over the availability of suitable taxable profits against which these losses can be utilised

14 Called up share capital

	2012	2011
	£'000	£'000
Allotted, called up and fully paid		
Ordinary shares of £1 each		
6,379,476 (2011 6,379,476) ordinary shares of £1 each	6,379	6,379
Redeemable shares of £1 each		
1 (2011 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2011 19,138,432) 'A' shares of 1p each	192	192
	6,571	6,571

The following rights attach to the 'A' shares

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

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

In the event of a qualifying offer the ordinary shareholders are required to transfer all their ordinary shares in issue at a price being not less than £0.10 and not more than £1.00 per share

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

14 Called up share capital (continued)

On the winding-up of the Company the surplus assets shall be applied, first, in repaying the members the amount paid up on their shares respectively in accordance with their entitlements. If such assets are insufficient to repay the said amount in full, they shall be applied rateably, so that the loss shall fall upon the members in proportion to the amount called up on their shares respectively. No member shall be entitled to have any call upon other members for the purpose of adjusting the members' rights, but where any call has been made and has been paid by some of the members such call be enforced against the remaining members for the purpose of adjusting the rights of the members between themselves.

If the surplus assets shall be more than sufficient to pay to the members the whole amount paid upon their shares, the balance shall be given by the members of the Company, at or before the time of dissolution as they direct, to The Football Association Benevolent Fund, or to some Club or Institute in Leicestershire with objects similar to those set out in the Memorandum of Association of the Company or to any local charity, or charitable or benevolent institution situated within Leicestershire.

15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 June 2011	8,475	23,774	(48,563)
Loss for the financial year	-	-	(29,719)
Transfer to profit and loss account	-	(464)	464
31 May 2012	8,475	23,310	(77,818)

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

	2012 £'000	2011 £'000
Loss for the financial year	(29,719)	(15,216)
Revaluation	-	-
Net movement in total shareholders' deficit	(29,719)	(15,216)
Opening total shareholders' (deficit)/funds	(9,743)	5,473
Closing total shareholders' deficit	(39,462)	(9,743)

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

17 Leasing commitments

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

	2012 £'000	2011 £'000
Within one year	4	13
Within two to five years	57	94

18 Pension costs

Certain employees of the Company (professional footballers) are members of the Football League Limited Players Retirement Scheme

Other 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 with certain other employees belonging to the Leicester City Football Club group personal pension scheme

These are all defined contribution schemes, and contributions 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 on an annual basis. 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's ex-employees who are members of the scheme. The Scheme Actuary finalised a full valuation as at 31st August 2011 in May 2012 and allocated £309,077 as the Club's share of the deficit as at 1st September 2012. The increase in the deficit arising from this revaluation of £229,331 has been recognised in the profit and loss account for the year ended 31st May 2012. The deficit is funded by annual contributions and the Club incurs interest at 6% on its allocated share of the deficit. The balance outstanding at the year-end date is included in other creditors. The Club has made contributions of £21,612 in the year (2011 £21,612). 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 £8,452,000 (2011 £3,866,000) and £710,000 (2011 £930,000) respectively.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

19 Contingencies and commitments (continued)

b) HM Customs & Excise

HM Customs and Excise has issued an assessment for repayment of £287,000 (2011 £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 of amounts recovered, nor for any penalties and interest which may be found to be due, has been made within these financial statements.

c) Capital commitments

At 31 May 2012, the Company had committed capital expenditure of £216,000 (2011 £954,000) and expenditure approved not committed of £743,000 (2011 £2,460,000).

20 Related party transactions

At the start of the year the Company had a subordinated loan from its then immediate parent undertaking Asia Football Investments Pte Limited ("AFI") of £8,037,006 together with a subordinated loan from K Power Sports Investment, the ultimate holding company of the Club of £19,488,860.

Further subordinated loans of £31,642,000 were advanced in the year by K Power Sports Investment. King Power International Limited, the Company's current immediate parent undertaking has also advanced £4,387,500 during the year. These loans are unsecured and bear interest at 8% for AFI and K Power Sports Investment and 6% for K Power International Co. Interest of £3,918,844 accrued on these loans during the year.

The Company also entered into a management agreement with K Power Sports Investment where the Club is charged a management fee based on turnover for management services provided. The fee and expenses for 2012 incurred under this agreement were £1.2m (2011 £1.1m).

21 Ultimate parent company and controlling party

The Company's immediate parent undertaking at 31st May 2012 was Asia Football Investments Pte Limited, a company incorporated in Singapore. The beneficial owner of Asia Football Investments Pte Limited is K Power Sports Limited, a British Virgin Isles company. The beneficial owner of K Power Sports Limited is Aiyawatt Raksriaksorn.

On 13th September 2012 100% of the authorised share capital of the Company was acquired by King Power International Limited, a company incorporated in the Kingdom of Thailand. The ultimate holding Company of King Power International is V&A Holdings Company Limited, a company incorporated in the Kingdom of Thailand and the beneficial owner of V&A Holdings Limited is the Raksriaksorn family.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2012 (continued)

22 Subsequent events

Additional funding of £15.6m from the parent company has been recorded in the period to 30th November 2012 and was used to invest substantially in the playing squad, working capital and £0.8m of capital expenditure

On 13th September 2012 the ownership of 100% of the issued ordinary and 'A' share capital of the Club was transferred from Asia Football Investments Pte Limited to King Power International Limited