

Leicester City Football Club Limited
Annual report and financial statements
for the year ended 31 May 2018
Registered number: 04593477



Leicester City Football Club Limited

Annual report and financial statements for the year ended 31 May 2018

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Leicester City Football Club Limited

Directors and advisors

Registered office

King Power Stadium
Filbert Way
Leicester
Leicestershire
LE2 7FL

Directors

Aiyawatt Srivaddhanaprabha
Apichet Srivaddhanaprabha
Shilai Liu
Susan Whelan

Bankers

Barclays Bank plc
One Snowhill,
Snowhill Queensway,
Birmingham,
B4 6GN

Independent auditors

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

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2018

The directors present their strategic report and the audited financial statements for the year ended 31 May 2018.

Principal activities

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

Results

The tragic loss of the Club's Chairman, Vichai Srivaddhanaprabha in October 2018 has not altered the deep commitment of the Club, its Directors and shareholders to the sustainable long term development of the Club both on the pitch and as a business. The intention to honour the achievements of The Chairman by building on the foundations he has entrusted to us will continue to motivate the Club to excel in all areas.

The Club's Profit before tax decreased to £1.6m from £92.5m principally as a result of the one off Profit arising from the Club's participation in the UEFA Champions League in 2016/17 not being repeated. The Profit after tax for the financial year was £1.5m (2017: £80.0m).

The Club finished 9th in the Premier League following an improvement in form after the appointment of Claude Puel as 1st team manager on 25 October 2017 who replaced Craig Shakespeare.

The turnover of the Club has decreased to £158.9m from £233.0m in 2017. Again much of this decrease relates to the Club not participating in the UEFA Champions League in 2017/18.

Cost of sales increased by £21.4 m to £179.7m (2017: £158.3m), primarily due to an £19.1m increase in the amortisation costs of player's registrations arising from increased investment in the playing squad. This was partially offset by reductions in Champion's League operating costs of £3.4m and retail costs of sales of £1.0m.

Administrative expenses fell by £6.7m to £9.1m (2017, £15.8m) arising from a £3.6m improvement year on year on foreign exchange movement and the previous year had also included the £3.1m expense for the settlement of a dispute with the EFL arising out of the Financial Fair Play results of the Club in 2013/14. Stadium expenses increased by £0.7m to £4.6m (2017 £3.9m).

Net interest payable for the year increased to £2.7m (2017: £2.3m) as a result of an increase in the effective interest recognised on creditor balances under FRS102 in relation to the growing value of transfer creditors, offset partly by a decrease in the balance on the deferred stadium purchase consideration.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2018 (continued)

Results (continued)

In the year to 31 May 2018, player trading realised profits of £38.3m (2017: £38.8m), arising principally from the disposal of the registrations of Danny Drinkwater and Tom Lawrence.

The Club's continued growth and success is still underpinned by the support of its holding company, King Power International (KPI) and the Srivaddhanapraba family. Their involvement has been central to the continual evolution and development of the Club and have continued to set high standards for the Club to aspire to.

The Directors are confident the Club has continued to comply with the Premier League Sustainability and Profitability and Short Term Cost Control requirements in the season and the Club complied with the UEFA Financial Fair Play ("FFP") and licencing requirements.

The Company had a net cash outflow for the year of £24.6m (2017: inflow of £20.9m) comprising a £28.7m cash inflow from operating activities (2017: inflow of £59.4m) and a net investment in tangible and intangible assets of £50.3m (2017: net investment of £35.8m). In the current year there was £3.0m net cash used in financing activities (2017: £2.8m). No dividend has been paid in the year (2017: £nil).

Key performance indicators

	2018	2017
Average league attendance	31,636	31,893
Cash and equivalents at year end (£'000)	27,384	51,956
Staff costs (per note 5)/turnover expressed as a percentage	74.9%	48.3%
Operating profit excluding player amortisation, impairments, and player trading (£'000)	14,730	88,711

Asset values

At the year end there were 53 (2017: 39) players for which the cost of their player registration has been capitalised and that were still being amortised over the period of the respective player's contract. The combined net book value of these players is £144.5m as at 31 May 2018 (2017: £103.7m). No impairment provision has been recognised in 2018 against the carrying value (2017: £nil). The directors' assessment of the market value of the playing squad at 31 May 2018, which includes those players where the market value exceeds their carrying values, is £346.7m (2017: £305.1m). The Club's investment in player's registrations of £92.9m and a rise in player's registration market value arising from both market increases and players form has created this increase.

The King Power Stadium is currently carried at £38.2m (2017: £39.1m), which reflects the current depreciated replacement value of the stadium based on a valuation by DTZ on 31 May 2014 and an interim updated valuation prepared by Cushman Wakefield as at 31 May 2017. Based on the advice received, and their own assessment of the potential market value the Club's other land and buildings, the directors are satisfied that the carrying values are not materially different to the current market values.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2018 (continued)

Future outlook

The Club has acquired the land for its new state of the art training ground and obtained planning permission for its development. Environmental works and ground preparations are ongoing with a view to complete the development in 2020. Initial design and feasibility work is ongoing in relation to the possible extension of the King Power Stadium and the development of the extended site.

The Premier League has nearly finalised their negotiations for the TV and sponsorship deals for the 3 years from 2019-2022. The Premier League Clubs have also agreed a change to the distribution of these revenue between the member Clubs. These are expected to lead to an increase in the income of the Club as long as it continues to finish in the top half of the Premier League each season.

The Club's on pitch performance in the Premier League is currently satisfactory with the Club comfortably mid table. The Club continues to aspire to challenge the big 6 Clubs.

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 are 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, Financial Fair Play ("FFP"), employees, business environment and finance related risks:

Football

Membership of, and finishing position in, the Premier League have a highly material impact on the revenue streams and cash generation of the Club. The Company also faces the risk of underperforming against crowd expectations which has a significant impact on revenue streams and cash generation. Qualification for European competition also has a highly material impact on the revenue and cash flows of the Club for the season in question. The directors understand these risks 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.

Brexit

Brexit presents a limited risk to Premier League Football Clubs other than the risk of a major negative shock to the UK economy. Some limited risks in the short term exist around exchange exposure in Euros and a failure of the UK Government and the Football authorities to agree a revised process for the admission to work of non UK players and managers.

Leicester City Football Club Limited

Strategic report for the year ended 31 May 2018 (continued)

Financial Fair Play

The Club is currently regulated for FFP under the Premier League Profitability and Sustainability Regulations and Short Term Cost Control regulations as well as the UEFA Profitability and Sustainability Regulations. The Club reviews its compliance with these regulations at the time of setting its budgets and at all relevant situations where a decision may be taken that would have a material impact on that compliance.

On 21 February 2018 the Club and the English Football League ("EFL") reached a settlement of £3.1m in relation to a dispute between them arising out of the Financial Results of the Club in 2013/14.

The Directors are confident the Club will continue to comply with the Premier League Sustainability and Profitability and Short Term Cost Control requirements and the UEFA Financial Fair Play ("FFP") and licencing requirements.

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.

The Company continues its policy of keeping its employees informed on a regular basis of matters concerning them as employees and on financial and economic factors affecting the performance of the Company.

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 and on-pitch performance. The directors also review the level of fixed costs incurred, with a view to restricting unnecessary expense and matching costs to income streams.

The Club now purchases and sells players in multiple currencies. Where the Club has material assets or liabilities in the future the Club reviews its net exchange risk position and where necessary enters into hedging arrangements.

On behalf of the Board



Susan Whelan
Chief Executive
26 February 2019

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2018

The directors present their report and the audited financial statements for the year ended 31 May 2018.

Future developments

The future developments of the Club are detailed within the strategic report.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in liquidity risk, interest rate risk, exchange rate risk and credit 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 risk.

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.

Liquidity and interest rate risk

The Company manages its liquidity risk on a weekly basis through cash monitoring and cash flow forecasting to ensure that it has sufficient resources to meet its obligations. The ultimate controlling party has confirmed that it will not require the repayment of any amounts owing that will lead to the Club requiring further external funding.

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.

Further detail for the amounts owed to the parent company and companies under common control, which are the principal sources of funding, can be found in note 11.

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 rigorously monitored.

Exchange rate risk

The Company manages its exchange risk by reviewing its net asset and liability exposure in various currencies and where it is believed that net exposure needs to be hedged the Club enters into forward hedging contracts.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2018 (continued)

Going concern

The Company was profitable and cash positive at an operating level in the 2017/18 financial year however it is in a net current liabilities position at the year end. The net current liability position has arisen due capital expenditure relating to the construction of the training ground and initial design and feasibility work on the stadium and investment in the playing squad.

The directors have considered the working capital requirements of the Company for the short, medium and longer term including investment in and the cost of the playing squad. In addition there are significant net cash requirements over the next 18 months as part of the training ground and stadium redevelopment.

As part of their considerations 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 external banks and or the holding company, King Power International Limited. The Club has secured £55m in short term facilities during the 2018/19 financial year to fund this requirement and is in discussions with several banking institutions and its shareholders to enter into longer term debt and equity investment agreements.

The Board, of which two members are the majority shareholders of the Club's ultimate controlling party, have received confirmation that the ultimate holding Company will provide funding where necessary to meet the requirements of the Company for the next 18 months. Further King Power International has confirmed that existing liabilities will not be called in for the foreseeable future and not less than 12 months from the date of approval of these financial statements.

The Directors therefore have a reasonable expectation that the necessary funding will be available when required and the financial statements have therefore been prepared on a going concern basis.

Dividend

No dividends will be distributed for the year ended 31 May 2018 (2017: Nil).

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Vichai Srivaddhanaprabha (Chairman)	(Deceased 27 October 2018)
Aiyawatt Srivaddhanaprabha (Vice Chairman)	
Apichet Srivaddhanaprabha	
Shilai Liu (Vice Chairman)	
Supornthip Choungangsee	(Resigned 20 June 2018)
Susan Whelan	

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2018 (continued)

Directors' indemnity insurance

The company maintains liability insurance for all of its directors.

Employees

Employment policies are described in the strategic report on page 5.

Disabled persons

The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to applications for employment made by such persons, having regard to their particular aptitudes and abilities.

Any employee who becomes disabled is encouraged to remain in the Company's employment, in the same job if this is practicable. If a change of job is necessary, such an employee is considered for any suitable alternative work which is available and any necessary training is arranged. Disabled employees are treated equally with all employees in respect of their eligibility for training, career development and promotion

Charitable donations

Each year the Club chooses a group of charities to support for the relevant season via its own charity, the Vichai Srivaddhanaprabha Foundation (formerly the LCFC Foxes Foundation). The Club provides free administration, management and accounting support.

The Club also has several match-day collections during every season. Collections for St John's Ambulance, The Royal British Legion and the LCFC Foxes Foundation have either been undertaken in the 2017/18 season or will be undertaken in the 2018/19 season.

The Company also supports Leicester City Football Club Trust, a charitable trust aimed at the promotion and provision of sport, education, health and football services for the community in the City of Leicester and in the Counties of Leicestershire and Rutland. The Club donated £38,250 as well as significant in kind contributions during the year.

The Company has made charitable donations in the year of £1,194,000 (2017: £1,280,000) which includes a £1m donation to the Vichai Srivaddhanaprabha Foundation.

Subsequent events

On 27 October 2018 the Club lost its much loved and inspirational Chairman Vichai Srivaddhanaprabha in a tragic accident along with 4 of his staff.

Since the year end the Club has invested £9.4m in its facilities including the new training ground at Seagrave, the proposed stadium expansion, a refit on the Foxes Fanstore & new state of the art screens within King Power Stadium.

Leicester City Football Club Limited

Directors' report for the year ended 31 May 2018 (continued)

Subsequent events (continued)

Since 31 May 2018 the Club has contracted for the purchase, sale and loan of various players. The net cost of these transactions, taking into account the applicable levies and contingent fees but excluding value added tax, is £43.3m (2017: £57.7m). These transfers and costs will be accounted for in the year ending 31 May 2019. Claude Puel left his role as Manager on 24 February 2019.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and 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, comprising Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS102) 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 comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.

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

Statement of disclosure of information to auditors

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

- 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.

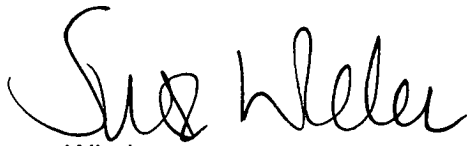
Leicester City Football Club Limited

Directors' report for the year ended 31 May 2018 (continued)

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

A handwritten signature in black ink, appearing to read 'Susan Whelan', written in a cursive style.

Susan Whelan
Chief Executive
26 February 2019
Registered number: 04593477

Leicester City Football Club Limited

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

Report on the financial statements

Opinion

In our opinion, Leicester City Football Club Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet; the Profit and loss account and Statement of comprehensive income, the Cash flow statement and the notes to the cash flow statement, the Statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

Leicester City Football Club Limited

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

Conclusions relating to going concern (continued)

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Leicester City Football Club Limited

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 9, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Leicester City Football Club Limited

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
26 February 2019

Leicester City Football Club Limited

Profit and loss account for the year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Turnover	2	158,881	233,013
Cost of sales		(179,726)	(158,289)
Gross (loss) / profit		(20,845)	74,724
Administrative expenses		(9,075)	(15,810)
Stadium expenses		(4,644)	(3,946)
Other operating income		632	830
(Loss) / Profit on disposal of fixed assets		(145)	112
Profit on disposal of player registrations		38,330	38,830
Operating profit before interest and taxation	3	4,253	94,740
Interest receivable and similar income	4	810	443
Interest payable and similar expenses	4	(3,484)	(2,696)
Net interest payable	4	(2,674)	(2,253)
Profit before taxation		1,579	92,487
Tax on profit	6	(85)	(12,479)
Profit for the financial year		1,494	80,008

Statement of comprehensive income for the year ended 31 May 2018

	Note	2018 £'000	2017 £'000
Profit for the financial year		1,494	80,008
Other comprehensive income			
Deferred tax current year credit		79	503
Total comprehensive income for the year		1,573	80,511

Leicester City Football Club Limited

Balance sheet as at 31 May 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	7	145,321	104,067
Tangible assets	8	59,482	53,781
Investments	9	-	-
		204,803	157,848
Current assets			
Inventories		522	1,532
Debtors (including amounts due after one year of £305,000 (2017: £330,000))	10	52,720	54,953
Cash at bank and in hand		27,384	51,956
		80,626	108,441
Creditors: amounts falling due within one year	11	(111,831)	(99,578)
Net current (liabilities) / assets		(31,205)	8,863
Total assets less current liabilities		173,598	166,711
Creditors: amounts falling due after more than one year	12	(21,422)	(12,201)
Provisions for liabilities	13	(7,541)	(11,448)
Net assets		144,635	143,062
Capital and reserves			
Called up share capital	14	112,756	112,756
Share premium account		8,475	8,475
Revaluation reserve		24,882	25,348
Profit and loss account		(1,478)	(3,517)
Total shareholders' funds		144,635	143,062

The notes on pages 20 to 42 are an integral part of these financial statements.

The financial statements on pages 15 to 42 were approved by the board of directors on 26 February 2019 and signed on its behalf by:



Susan Whelan
Chief Executive

Registered number: 04593477

Leicester City Football Club Limited

Statement of changes in equity for the year ended 31 May 2018

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total shareholders funds £'000
Balance as at 1 June 2016	112,756	8,475	25,814	(84,494)	(62,551)
Profit for the financial year	-	-	-	80,008	80,008
Other comprehensive income for the year	-	-	-	503	503
Transfer to profit and loss account	-	-	(466)	466	-
Balance as at 1 June 2017	112,756	8,475	25,348	(3,517)	143,062
Profit for the financial year	-	-	-	1,494	1,494
Other comprehensive income for the year	-	-	-	79	79
Transfer to profit and loss account	-	-	(466)	466	-
Balance as at 31 May 2018	112,756	8,475	24,882	(1,478)	144,635

The accounting policies and the notes on pages 20 to 42 form part of these financial statements.

Leicester City Football Club Limited

Cash flow statement for the year ended 31 May 2018

	2018 £'000	2017 £'000
Cash flow from operating activities (note a)	29,435	59,588
Taxation paid	(732)	(185)
Net cash generated from operating activities	28,703	59,403
Cash flow from investing activities		
Purchase of tangible and intangible fixed assets	(79,127)	(86,817)
Sale of tangible and intangible fixed assets	28,856	51,031
Interest received	-	19
Net cash used in investing activities	(50,271)	(35,767)
Cash flow from financing activities		
Repayment of obligations under finance leases	(3,000)	(2,765)
Interest paid	(4)	(12)
Net cash used in financing activities	(3,004)	(2,777)
Net (decrease) / increase in cash and cash equivalents	(24,572)	20,859
Cash and cash equivalents at start of year	51,956	31,097
Cash and cash equivalents at end of year	27,384	51,956
Cash and cash equivalents consists of:		
Cash at bank and in hand	27,384	51,956
Cash and cash equivalents	27,384	51,956

Leicester City Football Club Limited

Notes to the cash flow statement for the year ended 31 May 2018

a) Reconciliation of profit for the financial year to cash generated from operating activities

	2018	2017
	£'000	£'000
Profit for the financial year	1,494	80,008
Tax on profit	85	12,479
Net interest payable	2,674	2,253
Operating profit before interest and taxation	4,253	94,740
Amortisation and impairment charge	48,807	29,701
Depreciation charge	3,147	2,926
Profit on disposal of tangible and intangible fixed assets	(38,185)	(38,942)
Decrease / (Increase) in inventories	1,010	(898)
Decrease / (Increase) in debtors	16,407	(20,588)
Decrease in creditors	(2,904)	(7,351)
Settlement of provisions	(3,100)	-
Cash generated from operating activities	29,435	59,588

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018

1 Accounting policies

General information

Leicester City Football Club Limited's ('the Company') is a private company limited by shares. The principal activity of the company continues to be the operation of a professional football team.

The Company is incorporated and domiciled in the UK. The address of its registered office is King Power Stadium, Filbert Way, Leicester, LE2 7FL.

Statement of compliance

The individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The company has not taken advantage of any of the FRS 102 disclosure exemptions available to qualifying entities.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are also disclosed in this note.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Consolidated financial statements

Consolidated financial statements have not been prepared on the grounds of materiality under the exemption available under section 405 of the Companies Act 2006. The Company has one dormant wholly owned subsidiary with net assets of £2.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Going concern

The Company was profitable and cash positive at an operating level in the 2017/18 financial year however it is in a net current liabilities position at the year end. The net current liability position has arisen due capital expenditure relating to the construction of the training ground and initial design and feasibility work on the stadium and investment in the playing squad.

The directors have considered the working capital requirements of the Company for the short, medium and longer term including investment in and the cost of the playing squad. In addition there are significant net cash requirements over the next 18 months as part of the training ground and stadium redevelopment.

As part of their considerations 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 external banks and or the holding company, King Power International Limited. The Club has secured £55m in short term facilities during the 2018/19 financial year to fund this requirement and is in discussions with several banking institutions and its shareholders to enter into longer term debt and equity investment agreements.

The Board, of which two members are the majority shareholders of the Club's ultimate controlling party, have received confirmation that the ultimate holding Company will provide funding where necessary to meet the requirements of the Company for the next 18 months. Further King Power International has confirmed that existing liabilities will not be called in for the foreseeable future and not less than 12 months from the date of approval of these financial statements.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Going concern (continued)

The Directors therefore have a reasonable expectation that the necessary funding will be available when required and the financial statements have therefore been prepared on a going concern basis.

Turnover

Turnover represents the value of goods delivered and services provided by the Company during the year (stated net of value added tax). 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, UEFA in relation to the Champions 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 the service or transfer of economic benefit.

Employee Benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

i. Short-term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii. Defined contribution pension plans

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.

iii. Defined benefit pension plans

Certain of the Company's employees and 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 it is not possible to identify the Company's share of the individual assets and liabilities within the scheme. However, the actuarial surplus or deficit is estimated and a 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 16.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Intangible fixed assets

The fair value of the cost of player registrations is capitalised as an intangible asset and amortised over the period of the respective player's contract. The fair value of contingent player registration costs are capitalised when the directors have reasonable grounds to consider that payment will be made during the contract period of the player.

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 reviewed annually for impairment.

Computer Software and associated development costs are also capitalised as Intangible assets and are amortised over their 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 is revalued every five years, with an interim valuation after three years, on an existing use basis. The Stadium was therefore revalued as at 31 May 2014.

Before transitioning to FRS 102, the company adopted a policy of revaluing freehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses. The difference between depreciation based on the deemed cost charged in the profit and loss account and the asset's original cost is transferred from revaluation reserve to retained earnings.

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

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

Freehold land is not depreciated.

Fixed asset investments

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Impairment

Intangible and tangible fixed assets and investments are subject to review for impairment in accordance with FRS 102, section 27, Impairment of Assets. Any impairment in the value of fixed assets is charged to the profit and loss account, as an additional component of the depreciation or amortisation charges.

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

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

Leased assets

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

Inventories

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.

Cash

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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 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.

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rates of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the assets expire or are settled, or (b) substantially all the risk and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to fellow group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

i. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

ii. Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

1 Accounting policies (continued)

Related party transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its' parent or with members of the same group that are wholly owned.

Critical accounting judgements and estimation uncertainty

We believe that the following accounting policies reflect the most critical judgments, estimates and assumptions and are significant to the financial statements.

Revenue recognition Commercial

Commercial revenue comprises amounts receivable from the utilisation of the Leicester City brand through sponsorship and other commercial agreements, including minimum guaranteed revenue and fees generated by the Leicester City first team promotional tours. Minimum guaranteed revenue is recognised over the term of the sponsorship agreement in line with the performance obligations included within the contract and based on the sponsorship benefits enjoyed by the individual sponsor. In instances where the sponsorship rights remain the same over the duration of the contract, revenue is recognised on a straight-line basis.

Recognition of deferred tax assets/liabilities

Deferred tax effects of temporary differences are recognised between the financial statement carrying amounts and the tax basis of our assets and liabilities. Deferred tax assets are recognised only to the extent that it is probable that the associated deductions will be available for use against future profits and that there will be sufficient future taxable profit available against which the temporary differences can be utilised, provided the asset can be reliably quantified. In estimating future taxable profit, management use "base case" approved forecasts which incorporate a number of assumptions, including a prudent level of future uncontracted revenue in the forecast period. In arriving at a judgment in relation to the recognition of deferred tax assets, management considers the regulations applicable to tax and advice on their interpretation. Future taxable income may be higher or lower than estimates made when determining whether it is appropriate to record a tax asset and the amount to be recorded. Furthermore, changes in the legislative framework or applicable tax case law may result in management reassessing the recognition of deferred tax assets in future periods.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

2 Turnover

All revenue is derived from the Company's principal activity in the United Kingdom, is analysed as follows:

	2018 £'000	2017 £'000
Broadcasting rights	124,152	120,696
UEFA club competitions	71	70,123
Sponsorship and advertising	14,181	14,253
Gate receipts	12,869	16,458
Commercial revenue	6,523	9,396
Other operating income	1,085	2,087
	158,881	233,013

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

3 Operating profit before interest and taxation

Operating profit before interest and taxation is stated after charging / (crediting):

	2018 £'000	2017 £'000
Operating leases		
- plant and machinery	67	110
Depreciation:		
- owned tangible fixed assets	2,305	2,083
- assets held under finance leases and hire purchase contracts	842	843
Foreign exchange (gains)/losses	(997)	2,625
Amortisation of intangible assets	48,807	29,701
(Reversal of impairment)/Impairment of trade receivables	(37)	56
Impairment of inventory	98	334
Inventory recognised as an expense	3,188	4,127
(Loss)/profit on disposal on tangible fixed assets	(145)	112
Profit on disposal on intangible fixed assets	38,330	38,830
Provision for FFP dispute (note 13)	-	3,100
Auditors' remuneration		
- audit of the Company's annual financial statements	50	50
- non-audit services – tax advisory & compliance	71	18

4 Net interest payable

	2018 £'000	2017 £'000
Interest payable and similar expenses:		
Bank loans and overdrafts	4	7
Hire purchase contracts	1,165	1,237
Interest on transfer fees payable	2,315	1,452
	3,484	2,696
Interest receivable and similar income:		
Interest on staff loan	-	(5)
Interest on transfer fees receivable	(810)	(438)
	(810)	(443)
Net interest payable	2,674	2,253

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

5 Staff costs

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

	2018 Number	2017 Number
Players	54	50
Administration	236	202
	290	252

In addition, the Company employs on average 653 (2017: 594) casual staff on match days.

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

	2018 £'000	2017 £'000
Wages and salaries	97,452	92,267
Benefits in kind	7,906	7,376
Social security costs	13,297	12,643
Other pension costs (note 16)	358	269
	119,013	112,555

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

	2018 £'000	2017 £'000
Aggregate emoluments	286	305
Pension contributions	22	20
	308	325

The aggregate emoluments of the highest paid director were £308,000 (2017: £325,000) and one of the directors was accruing benefits under a defined contribution pension scheme (2017: one). The remaining directors receive no remuneration through the company.

Key management compensation	2018 £'000	2017 £'000
Salaries and other short-term benefits	286	305
Post-employment benefits	22	20
Share based payments	-	-
	308	325

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

6 Tax on (loss) / profit on ordinary activities

	2018 £'000	2017 £'000
UK corporation tax		
- adjustments in respect of prior periods	812	-
Total current tax	812	-
Deferred tax		
- origination and reversal of timing differences	517	13,517
- adjustments in respect of prior periods	(1,190)	48
- effect of changes in tax rate	(54)	(1,086)
Total deferred tax (note 13)	(727)	12,479
Tax on profit on ordinary activities	85	12,479

The standard rate of tax for the year ended 31 May 2018 was based on the UK effective rate of 19.00% (2017: 19.83%). The actual charge for the year is lower (2017: lower) than the standard rate for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation	1,579	92,487
Tax on profit on ordinary activities at standard UK tax rate of 19.00% (2017: 19.83%)	300	18,340
Effects of:		
Expenses not deductible	217	849
Deferred tax not provided	-	(5,672)
Adjustment from previous periods	(378)	48
Tax rate changes	(54)	(1,086)
Current tax charge for the year	85	12,479

The main rate of corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017. A further change to the UK corporation tax rate to reduce it to 17% from 1 April 2020 was substantively enacted as part of the Finance Bill 2016 on 6 September 2016. Deferred tax has been measured using the tax rates that are expected to apply to the period that asset is realised or the liability is settled.

The deferred tax credit for the period mainly arises as a result of the changes to the UK loss relief regime. From 1 April 2017, all carried forward losses are subject to a restriction, meaning losses can only be utilised against up to 50% of profits. Each company, or group of companies, is entitled to a £5 million allowance with profits therein not being restricted. This legislation was not substantively enacted at the balance sheet date in the previous period, but was substantively enacted as part of Finance Bill 2017 on 31 October 2017. The impact of this was that the restriction placed on losses utilised against taxable profits arising after 1 April 2017 was not recognised in the accounts for the previous period but it did ultimately apply in the corporation tax return submitted to HMRC. As a result, an adjustment in respect of previous periods of £2,020,284 was required to increase the deferred tax asset relating to trade losses carried forward.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

7 Intangible assets

	Player registrations £'000	Computer Software £'000	Goodwill £'000	Total £'000
Cost				
At 1 June 2017	151,901	414	4,266	156,581
Additions	92,903	880	-	93,783
Disposals	(7,164)	-	-	(7,164)
At 31 May 2018	237,640	1,294	4,266	243,200
Accumulated amortisation				
At 1 June 2017	48,202	46	4,266	52,514
Charge for the year	48,419	388	-	48,807
Impairment	-	-	-	-
Disposals	(3,442)	-	-	(3,442)
At 31 May 2018	93,179	434	4,266	97,879
Net book amount				
At 31 May 2018	144,461	860	-	145,321
At 31 May 2017	103,699	368	-	104,067

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 2018 (continued)

8 Tangible assets

	Stadium £'000	Other land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost or valuation						
At 1 June 2017	41,582	2,171	17,396	12	2,883	64,044
Additions	-	6,210	1,826	-	1,207	9,243
Disposals	-	-	(214)	-	(575)	(789)
At 31 May 2018	41,582	8,381	19,008	12	3,515	72,498
Accumulated depreciation						
At 1 June 2017	2,529	259	5,609	2	1,864	10,263
Charge for the year	842	32	1,779	2	492	3,147
Disposals	-	-	(71)	-	(323)	(394)
At 31 May 2018	3,371	291	7,317	4	2,033	13,016
Net book amount						
At 31 May 2018	38,211	8,090	11,691	8	1,482	59,482
At 31 May 2017	39,053	1,912	11,787	10	1,019	53,781

The stadium was initially revalued on 31 May 2009 by DTZ Debenham Tie Leung Limited, on an existing use basis, at £41,463,000. Included within this valuation was freehold land of £4,777,000. In accordance with the Clubs accounting policy a further valuation was undertaken on 31 May 2014, also by DTZ Debenham Tie Leung Limited, which valued the stadium at £41,582,000 as compared to the depreciated carrying value of £37,236,000 at that date. Included within this valuation is freehold land of £9,555,000 which is not depreciated. This valuation was carried out in accordance with the RICS appraisal and valuation manual.

An interim updated valuation was prepared by Cushman Wakefield as at 31 May 2017. Based on the advice received, and their own assessment of the potential market value the Club's other land and buildings, the directors are satisfied that the carrying values are not materially different to the current market values.

If the stadium was stated on a historical cost basis, the amounts for cost, aggregate depreciation and net book amount respectively at 31 May 2018 would be £19,106,000 (2017: £19,106,000), £5,778,000 (2017: £5,401,000) and £13,328,000 (2017: £13,705,000).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

8 Tangible assets (continued)

The stadium is the subject of a hire purchase contract with K Power Holdings Company Limited, a related company. The repayment terms of the contract are contingent on the revenues associated with the League 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 11.

Within "Other land and buildings", land at a cost of £4,150,000 (2017: £650,000) and assets under construction of £2,516,000 (2017: £nil) are not depreciated.

9 Investments

	2018 £	2017 £
Shares in subsidiary	2	2

The investment relates to Leicester City Media Limited, a wholly owned dormant company incorporated in the United Kingdom. The directors believe that the carrying value of the investments is supported by their underlying net assets.

10 Debtors

	2018 £'000	2017 £'000
Trade debtors	2,739	3,385
Amounts owed by group undertakings	4,773	1,862
Corporation Tax	105	185
Transfer fees receivable	24,277	10,832
Other debtors	5,761	5,430
Prepayments and accrued income	15,065	33,259
	52,720	54,953

Trade Debtors are stated after provisions for impairment of £21,000 (2017: £58,000)

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Transfer fees receivable includes £305,000 (2017: £330,000) falling due after more than one year.

Gross transfer fees receivable before discounting are £24,448,000 (2017: £10,996,000).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

11 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	32	32
Trade creditors	4,051	1,821
Transfer fees payable	46,536	31,891
Amounts owed to group undertakings:		
- subordinated loans and other amounts payable	9,820	12,267
- obligations under finance lease and hire purchase contracts	14,827	16,662
Taxation and social security	9,645	8,483
Other creditors	21,741	21,783
Accruals and deferred income	5,179	6,639
	111,831	99,578

Gross transfer fees payable before discounting are £47,817,000 (2017: £32,543,000).

The Subordinated loans and other amounts owed by group undertakings are unsecured, interest free and repayable on demand whilst the obligations under hire purchase agreements are unsecured, repayable on demand and carry interest at 8%.

Other creditors include £13,996,000 payable to employees (2017: £11,380,000).

12 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Bank loans and overdrafts	119	151
Transfer fees payable	21,303	12,050
	21,422	12,201

Gross transfer fees payable before discounting are £21,590,000 (2017: £12,273,000).

Bank loans and overdrafts

	2018 £'000	2017 £'000
Amounts payable:		
Within one year	32	32
Between one and two years	32	32
Between two to five years	87	95
Greater than five years	-	24
	151	183

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

13 Provisions for liabilities

Deferred tax

The deferred tax assets and liabilities provided and those unprovided, calculated at 17%, (2017: 17%), are as follows:

	2018		2017	
	Provided	Unprovided	Provided	Unprovided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(5,188)	-	(4,746)	-
Stadium revaluation	(4,230)	-	(4,309)	-
Short term timing differences	30	-	30	-
Trading losses	1,847	-	677	-
	(7,541)	-	(8,348)	-

The net deferred tax asset expected to reverse in 2019 is £880,000. This relates to short term pension timing differences and tax losses.

Financial Fair Play

	£'000
At 1 June 2017	3,100
Paid in period	(3,100)
At 31 May 2018	-

On 21 February 2018 the Club and the EFL reached a settlement of £3.1m in relation to the dispute between them arising out of the Financial Results of the Club in 2013/14. This amount was paid in full in 2018.

In reaching this settlement the EFL acknowledged that the Club did not make any deliberate attempt to infringe the Rules or to deceive and that the dispute arose out of genuine differences of interpretation of the Rules between the Parties.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

14 Called up share capital

	2018 £'000	2017 £'000
Allotted, and fully paid		
Ordinary shares of £1 each		
112,564,441 (2017: 112,564,441) ordinary shares of £1 each	112,564	112,564
Redeemable shares of £1 each		
1 (2017: 1) redeemable share of £1	-	-
'A' shares of 1p each		
19,138,432 (2017: 19,138,432) 'A' shares of 1p each	192	192
	112,756	112,756

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 that they require the ordinary shareholders to transfer all their shares to the offeror.

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

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

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

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

15 Financial Instruments

The company has the following financial instruments

	Note	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost			
- Trade debtors	10	2,739	3,385
- Transfer fees receivable	10	24,277	10,832
- Amounts owed by group undertakings	10	4,773	1,862
- Other debtors	10	5,761	5,430
		37,550	21,509
Financial liabilities measured at amortised cost			
- Bank loans and overdrafts	11	32	32
- Trade creditors	11	4,051	1,821
- Transfer fees payable	11	46,536	31,891
- Amounts owed to group undertakings: subordinated loans and other amounts payable	11	9,820	12,267
obligations under finance lease and hire purchase contracts	11	14,827	16,662
- Other creditors	11	21,741	21,783
- Bank loans and overdrafts	12	119	151
- Transfer fees payable	12	21,303	12,050
		118,429	96,657

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

16 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. The pension cost charge represents contributions payable by the company to the fund and amounted to £358,238 (2017: £268,916).

Certain employees and 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 31 August 2014 in April 2015 and allocated £199,139 as the Club's share of the deficit as at 1 September 2014. The increase in the deficit arising from this revaluation of £138,943 was recognised in the profit and loss account for the year ended 31 May 2015. 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 £45,252 in the year (2017: £42,252). The assets of the scheme are held separately from those of the Company.

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

17 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 £19,580,000 (2017: £10,587,000) and £6,713,000 (2017: £4,458,000) respectively. £12,528,000 of the total potential fees and the associated Levy were provided for as at 31 May 2018 (2017: £8,167,000).

b) Capital commitments

At 31 May 2018, the Company had committed capital expenditure of £835,000 (2017: £859,000).

18 Related party transactions

The Company owed as at 31 May 2018 £5,282,447 (2017: £5,282,647) to King Power International Limited, the Company's immediate parent undertaking. The balance relates to outstanding interest on a now fully repaid subordinated loan previously made to the Company. At the same date the Company was owed £2,344,714 (2017: £1,801,743) by King Power International Limited for costs incurred in the running of the international education project and retail products supplied by the Company.

At the same date the Company owed £9,575 (2017:nil) to King Power International Limited for retail purchases made during the year.

The freehold interest in the Stadium is owned by K Power Holdings Company Limited, a company also controlled by members of the Srivaddhanaprabha family. The outstanding deferred purchase consideration payable under the hire purchase agreement stands at £14,826,990 as at 31 May 2018 (2017: £16,662,028). This obligation increases at 8% per annum and £1,164,962 (2017: £1,233,034) has accrued on the amount during the year. The Company also incurred costs on behalf of K Power Holdings Company Limited and the balance of £61,866 (2017: 60,406) remained unpaid at the year-end pending further agreement on the adjacent site.

The Company was party to a management agreement with K Power Sports Investments Limited where the Club was charged a management fee based on turnover for management services provided. This agreement came to an end on 31 May 2013 and the balance of £3,484,810 (2017: £3,484,810) was paid on 6 July 2017.

A further management agreement was entered into from 1 December 2015 with K Power Sports Investments Limited to provide management services to the Club. The cost of the services provided and the balance outstanding at 31 May 2018 under this contract was £3,500,000 (2017: £3,500,000).

Leicester City Football Club Limited

Notes to the financial statements for the year ended 31 May 2018 (continued)

18 Related party transactions (continued)

The Company also incurred costs on behalf of K Power Sports Investments Limited and the balance of £1,904,206 (2017: nil) remained outstanding at the year-end.

The Company also incurred costs on behalf of King Power Racing Co Limited and the balance of £28,105 (2017: nil) remained outstanding at the year-end.

Following the June 2017 acquisition by King Power International Limited of OH Leuven CVBA, a Belgian football club competing in the Belgian First Division B, the Company has made sales of equipment to, and incurred costs on behalf of, OH Leuven CVBA. The balance of £402,815 (2017: nil) remained outstanding at the year-end.

During the year the Company made a donation of £1,000,000 to the Vichai Srivaddhanaprabha Foundation (formerly the LCFC Foxes Foundation). The company also provided free administration, management and accounting support as well as collecting revenue and incurring costs on its behalf. A balance payable to the Foundation of £1,028,071 (2017: £803) remained outstanding at the year-end.

During the year the Company also supported Leicester City Football Club Trust, donating £38,250 as well as significant in kind contributions during the year. The Company collected revenue and incurred costs on its behalf and a balance payable to the Company of £31,779 (2017: £208,681) remained outstanding at the year-end.

Member companies of the King Power Group have entered into sponsorship agreements with Trestellar Limited in relation to the acquisition of sponsorship and marketing inventory including the front of shirt sponsorship and the stadium naming rights at the Club which has been licenced to Trestellar Limited.

19 Ultimate parent company and controlling party

The Company's immediate parent undertaking is King Power International Limited, a company incorporated in the Kingdom of Thailand. The ultimate parent and controlling party of King Power International Limited 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 Srivaddhanaprabha family.

20 Subsequent events

On 27 October 2018 the Club lost its much loved and inspirational Chairman Vichai Srivaddhanaprabha in a tragic accident along with 4 of his staff.

Since the year end the Club has invested £9.4m in its facilities including £3.3m on the new training ground at Seagrave, £3.0m on the proposed stadium expansion, £0.9m on the refit of the Fanstore, £0.8m on new screens in the stadium & £0.2m on an IT network upgrade.

Leicester City Football Club Limited

20 Subsequent events (continued)

Since 31 May 2018 the Club has contracted for the purchase, sale and loan of various players. The net cost of these transactions, taking into account the applicable levies and contingent fees but excluding value added tax, is £43.3m (2017: £57.7m). These transfers and costs will be accounted for in the year ending 31 May 2019.

Claude Puel left his role as Manager on 24 February 2019.