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Registered No. 00039175

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

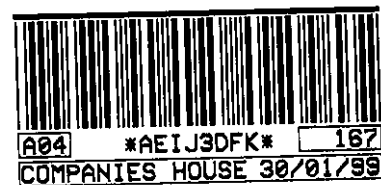
ACCOUNTS

For The Year Ended

31st May 1998

SPOKES & COMPANY

Hilden Park House
79 Tonbridge Road
Hildenborough
KENT
TN11 9BH



GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors present the Annual Report and the Audited Accounts for the year ended 31st May 1998.

PRINCIPAL ACTIVITY

The Company's principal activity is that of a professional football club. There has been no change in this activity during the course of the year.

BUSINESS REVIEW

The results for the year are set out in detail on Page 4. The Directors are aiming to maintain the underlying profitable performance of the club. The accounts show a profit for the year of £1,463,490 (1997: £28,077).

DIVIDEND

The Directors are unable to recommend the payment of a dividend. The balance of the profit for the year of £1,463,490 was transferred to Reserves.

PLAYING SQUAD

Until 31st May 1998 the Company's accounting policy remained to record the purchase and sale of players through the Profit & Loss Account in the year of the transaction. In the opinion of the Directors the squad of players at 31st May 1998 was valued at £2,015,000 (1997: £1,700,000).

On 31st May 1998 this policy has changed as a result of the provisions of FRS10. The cost of player registrations is now to be capitalised and amortised over the period of the player's contract, subject to an impairment review at each year end. An amount representing the unamortised cost of player's contracts outstanding at 31st May 1998 has been capitalised and credited to the Profit or Loss Reserve.

DIRECTORS

The Directors who held office throughout the year and their interests in the shares of the Company were as follows:

	<u>50p Ordinary Shares</u>	
	<u>31.5.98</u>	<u>31.5.97</u>
P. D. P. Scally	698,334	698,334
P. A. Spokes	-	-

On 14th January 1997, Mr. Scally was granted an option over 500,000 Ordinary Shares of 50p each at an option price of 50p each which are exercisable between 14th January 2000 and 14th January 2004.

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

REPORT OF THE DIRECTORS

(Continued)

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts which give a true and fair view of the state of the affairs of the Company as at its Balance Sheet date and of the profit or loss of the Company for the accounting year then ended. In preparing those accounts, the Directors are required to:

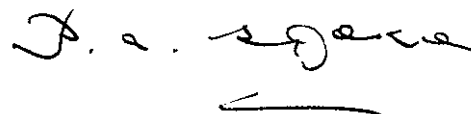
- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

AUDITORS

Messrs. Spokes & Company have expressed their willingness to continue in office as Auditors and a Resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



P. A. SPOKES
Secretary

30th September 1998

REPORT OF THE AUDITORS
TO THE MEMBERS OF
GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

We have audited the accounts on Pages 4 to 12, which have been prepared under the historical cost convention and the accounting policies set out on Pages 6 and 7.

Respective Responsibilities of Directors and Auditors

As described on Page 2 the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31st May 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hilden Park House
79 Tonbridge Road
Hildenborough
KENT TN11 9BH
30th September 1998



SPOKES & COMPANY
Chartered Accountants
Registered Auditors

GILLINGHAM FOOTBALL CLUB COMPANY LIMITEDPROFIT & LOSS ACCOUNTFor The Year Ended 31st May 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
INCOME	1	2,929,839	2,686,258
Direct Costs		(2,034,069)	(1,627,276)
GROSS PROFIT		<u>895,770</u>	<u>1,058,982</u>
Administrative Expenses		(701,976)	(592,167)
OPERATING PROFIT		<u>193,794</u>	<u>466,815</u>
Transfer Fees Receivable		1,952,698	535,658
Transfer Fees Payable		(562,750)	(886,000)
Interest Received		79	1,582
Interest Payable & Similar Charges	3	(120,331)	(89,978)
PROFIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	2	<u>1,463,490</u>	<u>28,077</u>
Balance Brought Forward		(1,886,390)	(1,914,467)
Capitalisation of players' registration fees		559,326	-
Balance Carried Forward		<u><u>136,426</u></u>	<u><u>(1,886,390)</u></u>

All of the Company's operations are classed as continuing.

The Company has no recognised gains or losses other than the profit for the year.

The Notes on Pages 6 to 12 form part of these accounts.

GILLINGHAM FOOTBALL CLUB COMPANY LIMITEDBALANCE SHEETAs At 31st May 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible Assets	5	2,794,784	1,655,510
Intangible Fixed Assets	6	559,326	-
<u>CURRENT ASSETS</u>			
Stock		30,753	26,112
Debtors	7	833,195	1,046,947
Cash at Bank & in Hand		1,046,057	31,774
		<u>1,910,005</u>	<u>1,104,833</u>
<u>CREDITORS</u> - Amounts falling			
Due within one year:	8	(2,250,232)	(2,243,671)
NET CURRENT LIABILITIES		<u>(340,227)</u>	<u>(1,138,838)</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		3,013,883	516,672
<u>CREDITORS</u> - Amounts falling			
Due after more than one year:	9	(1,025,140)	(1,107,969)
PROVISION FOR			
LIABILITIES & CHARGES	10	(1,237,452)	(680,228)
		<u>751,291</u>	<u>(1,271,525)</u>
<u>CAPITAL & RESERVES</u>			
Called Up Share Capital			
(all equity)	11	428,837	428,837
Profit & Loss Account		136,426	(1,886,390)
Share Premium Account		28	28
Revaluation Reserve		186,000	186,000
		<u>751,291</u>	<u>(1,271,525)</u>

The Notes on Pages 6 to 12 form part of these accounts.

These accounts were approved by the Board of Directors on 30th September 1998.



P. D. P. SCALLY
Director

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention, modified to include the revaluation in February 1982 of freehold land and buildings and incorporate the results of the activity described in the directors report which is continuing.

The principal accounting policies which have been consistently adopted in the preparation of these accounts are as follows:

Depreciation

Depreciation is provided in order to write off the cost of fixed assets over their estimated useful lives. The following annual rates of depreciation are used on a reducing balance basis:

Freehold Buildings	-	2%	On cost
Furniture, Fittings and Equipment	-	15%	
Motor Vehicles	-	25%	

In the opinion of the Directors the residual value of the freehold land at time of acquisition was and will always be at least equal to its book value and therefore no provision for depreciation thereof is required.

Deferred Grants

Grants on capital expenditure are credited to a deferral account and are released to revenue over ten years by equal annual amounts.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Transfer Fees

Until 31st May 1998 fees payable to and receivable from other football clubs on the transfer of players' registrations together with associated costs, are dealt with through the profit & loss account in the accounting period in which the transfer of the players' registration takes place. From 31st May 1998, the cost of players registration is to be capitalised and amortised over the period of the player's contract. An impairment review is to be carried out at the end of the first full year of the contract and in other periods if events or changes in circumstances indicates that the carrying values may not be recoverable. Signing on fees are accounted for in the period in which they become payable.

Leased assets and hire purchase commitments

Assets financed by hire purchase agreements are included in the company's balance sheet at cost less depreciation in accordance with the company's normal accounting policies. The present value of future payments is shown as a liability. The interest element of the repayments is charged to the Profit and Loss Account over the period of the lease in proportion to the balance of capital payments outstanding. Rentals payable under operating leases are charged to the Profit and Loss Account as incurred.

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

(Continued)

1. **ACCOUNTING POLICIES** (Continued)

Income

Turnover is stated net of Value Added Tax and amounts due to the Football League, Football Association and visiting football clubs and includes gate receipts, Football League pool, sponsorships, advertising, television and radio fees, donations, social club and sundry related income.

Taxation

The charge for taxation is based upon the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is possible that the liability will become payable in the foreseeable future.

2. **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The operating profit is stated after charging the following:

	<u>1998</u>	<u>1997</u>
	£	£
Directors Remuneration	60,000	45,000
Depreciation	116,668	64,266
Auditors' Remuneration	5,200	5,100
	<u> </u>	<u> </u>

and after crediting the following:

	<u>1998</u>	<u>1997</u>
Donations	12,873	185,144
Deferred Grants	137,495	71,414
	<u> </u>	<u> </u>

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

(Continued)

3. **INTEREST PAYABLE**

	<u>1998</u>	<u>1997</u>
	£	£
On Bank Loan, Overdrafts & Other Loans Repayable		
Within Five Years	108,756	78,075
Hire Purchase Interest	1,466	880
Credit Card Charges	10,109	11,023
	<u>120,331</u>	<u>89,978</u>

4. **STAFF COSTS (Including Directors)**

	<u>1998</u>	<u>1997</u>
	£	£
Wages & Salaries	1,552,732	1,210,113
Social Security Costs	149,064	114,680
Other Pension Costs	25,109	24,140
	<u>1,726,905</u>	<u>1,348,933</u>

The Company operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the Company in an independently administered fund.

The average number of employees during the year is analysed as follows:

	<u>1998</u>	<u>1997</u>
Players	33	37
Ground Staff and Team Management	9	7
Directors and Administration	14	15
	<u>56</u>	<u>59</u>

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

(Continued)

5. TANGIBLE ASSETS

	<u>Freehold Land & Buildings</u> £	<u>Assets under construction</u> £	<u>Furniture, Fittings & Equipment</u> £	<u>Motor Vehicles</u> £	<u>Fixtures, Fittings & Equipment Sports Centre</u> £	<u>Total</u> £
<u>COST OR VALUATION</u>						
Brought Forward	1,233,592	847,775	204,419	58,821	16,534	2,361,141
Transferred	847,775	(847,775)	-	-	-	-
Additions	1,247,137	-	4,305	4,500	-	1,255,942
Disposals	-	-	-	-	-	-
Carried Forward	3,328,504	-	208,724	63,321	16,534	3,617,083
<u>DEPRECIATION</u>						
Brought Forward	577,710	-	101,852	16,432	9,637	705,631
Charge for Year	86,933	-	16,977	11,723	1,035	116,668
Depreciation on disposals	-	-	-	-	-	-
Carried Forward	664,643	-	118,829	28,155	10,672	822,299
<u>NET BOOK VALUE</u>						
Carried Forward	2,663,861	-	89,895	35,166	5,862	2,794,784
Brought Forward	655,882	847,775	102,567	42,389	6,897	1,655,510

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

(Continued)

5. TANGIBLE FIXED ASSETS (Continued)

	£
Freehold land and buildings included at valuation:	
Historical Cost at 1st June 1997 and 31st May 1998	1,047,592
Improvements Capital	2,094,912
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Historical Cost at 31 st May 1998	3,142,504
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Depreciation at 1 st June 1997	577,710
Charged in year	86,933
	<hr/>
Depreciation at 31 May 1998	664,643
	<hr/>
Net Historical Cost Book Value	
At 31st May 1998	2,447,861
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At 31st May 1997	469,882
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The freehold land and buildings were revalued in February 1982 by Messrs. Ward & Partners, Chartered Valuation Surveyors of Rainham, Kent on current open market value at £190,000 compared to its then historical cost of £4,000.

6. INTANGIBLE FIXED ASSETS

	£
Cost of player's registration	1,045,000
Amortisation to 31 May 1998	(485,674)
	<hr/>
Net book value carried forward	559,326
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7. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Trade Debtors	764,360	223,160
Other Debtors	47,127	795,240
Prepayments	21,708	28,547
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	833,195	1,046,947
	<hr/>	<hr/>

Included within trade debtors is a balance of £Nil (1997: £10,575) repayable after one year.

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED**NOTES TO THE ACCOUNTS**

(Continued)

8. **CREDITORS** - Amounts falling due within one year:

	<u>1998</u>	<u>1997</u>
	£	£
Bank Loans & Overdraft	760,691	699,635
Other Loan	40,000	40,000
Trade Creditors	420,614	1,177,053
Other Creditors	214,354	25,500
Other Taxes & Social Security Costs	525,669	98,333
Accruals & Deferred Income	281,036	193,316
Hire Purchase	7,868	9,834
	<u>2,250,232</u>	<u>2,243,671</u>

The bank borrowings are secured by a charge over the property and a fixed and floating charge on the assets of the Company.

9. **CREDITORS** - Amounts falling due after more than one year:

	<u>1998</u>	<u>1997</u>
	£	£
Other Loan	123,337	160,000
Directors Loans	192,993	231,273
Other Creditors	704,841	704,841
Hire Purchase	3,969	11,855
	<u>1,025,140</u>	<u>1,107,969</u>

All repayable within five years

10. **PROVISION FOR LIABILITIES & CHARGES**

	<u>1998</u>	<u>1997</u>
	£	£
Deferred Grants	1,237,452	680,228

11. **CALLED UP SHARE CAPITAL**

	<u>1998</u>	<u>1997</u>
	£	£
Authorised:		
12,000,000 Ordinary Shares of 50p each	6,000,000	6,000,000
Allotted & Fully Paid:		
857,674 Ordinary Shares of 50p each	428,837	428,837

On 14th January 1997, the company granted an option over 500,000 Ordinary shares of 50p each. The option is exercisable between 14th January 2000 and 14th January 2004 at 50p each.

GILLINGHAM FOOTBALL CLUB COMPANY LIMITED

NOTES TO THE ACCOUNTS

(Continued)

12. **RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS FUNDS**

	<u>1998</u>	<u>1997</u>
	£	£
Profit for the Year	1,463,490	28,077
Shareholders' Funds Brought Forward	(1,271,525)	(1,299,602)
Capitalisation of player's registration fees	559,326	-
Shareholders' Funds Carried Forward	<u>751,291</u>	<u>(1,271,525)</u>

13. **TRANSACTIONS WITH DIRECTORS**

The balance owing to P Scally at 30th September 1998 was £192,993.

14. **CONTROL OF THE COMPANY**

The Company is controlled by the Directors listed in the Directors' Report.